FORTH VALLEY COLLEGE OF FURTHER AND HIGHER EDUCATION

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 July 2019

Scottish Charity No. SCO21191
The financial statements were approved and authorised for issue on 5 December 2019.

Contents

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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 2018/19.

In 2018/19, 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 progress with the build of the new £78m Falkirk Campus, scheduled for handover in November 2019 and opening for all staff and students in January 2020. The building works have created a real buzz of excitement, not only with staff, students and the local community but also with external stakeholders who are eager to work with the College to realise the potential of the new campus and the exceptional learning opportunities it offers to all.

A significant amount of effort and resource has gone into ensuring that the new campus will live up to, and hopefully exceed, expectations. It will finally ensure parity of the physical resources available to our Falkirk students, ensuring they can enjoy an environment similar to that enjoyed by their peers in Alloa and Stirling for a number of years.

We are keen to develop our staff alongside our physical resources and have continued to deliver on our Creative Learning and Technology Strategy and our People Strategy. This not only recognises, and celebrates, the significant knowledge, experience and skills amongst our staff but equips them to deliver the learning of the future our students rightly expect, contextualised to their needs.

We continue to be one of the leading providers of both Apprentice and Flexible Workforce Development Fund activity in Scotland, both in terms of quantity and quality. We utilise these funding streams to create opportunities for individuals, local businesses and the wider Forth Valley area. This activity continues to introduce the College and the exceptional learning we offer to new stakeholders each year.

Our success in this area can be demonstrated by the First Minister choosing to launch the Scottish Apprenticeship Network initiative in March 2019 at our Falkirk Campus.

We continue to grow and develop our core competencies, with the College continuing to be one of the flagship College's for STEM education in the country. Our new Falkirk campus will further support this area with significant investment in custom STEM related teaching resources.

The College has, along with the rest of the sector, continued to face challenges in relation to current and future funding levels. We are actively engaged with the sector representative body, Colleges Scotland, as well as the Scottish Funding Council. We continue, with support from our Board of Management, to mitigate against these challenges to preserve the experience of all College users, particularly our students.

The future for Forth Valley College is exciting as we continue to deliver "Making Learning Work"

Dr Ken Thomson
Principal and Chief Executive
5 December 2019

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 2018/19 the College continued to progress our vision of 'Making Learning Work'.

Creating a superb environment for learning – We are now on the final stages of our new Falkirk Campus development and on track for completion in November 2019. This is when the transition from our existing campus to the new campus will begin. Staff and students will return after the Christmas break to continue their work and study in a purpose built state of the art facility with increased flexibility for learning and teaching.

This exciting new development will afford students attending our Falkirk campus the same excellent learning environment as that already enjoyed by our Alloa and Stirling students. The College is committed to ensuring the quality of the environment reflects and supports the high quality of the learning on offer.

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

In October 2018 the College submitted its first graded Evaluative Report and Enhancement Plan (EREP) to Education Scotland and the Scottish Funding Council, under the new reporting arrangements. The College's evaluation was fully endorsed by the two bodies and was published on the Education Scotland website in January 2019. The College's endorsed grades, which matched four other colleges as the best in the sector, were:

Outcomes and impact	Very Good
Delivery of learning and services to support learning	Very Good
Leadership and quality culture	Excellent

The College continued to perform very well in relation to student success, with three of the top level success performance indicators (full-time FE, part-time FE and part time HE) well above the sector average and 95% of our successful full-time students progressing into positive destinations (employment or further study).

A continued specific focus for curriculum development during 2018/2019 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. The College further developed its portfolio of senior phase vocational pathways for school pupils, with a record 184 new Foundation Apprentices studying with the College throughout 2018/2019. This was enabled and supported by our very close partnership work with our three local authority education services in Falkirk, Stirling and Clackmannanshire, with all 18 of their secondary schools participating in school-college partnership programmes.

The College also continued to deliver on its cutting edge Creative Learning and Technologies strategy, with a strong focus on developing the digital capacity and confidence of staff to use a range of technologies creatively to enhance learning and assessment.

The College's innovative partnership with South East Regional College (SERC) in Northern Ireland once again provided seven groups of students from different disciplines with the opportunity to work on vocationally relevant collaborative projects with their peers in the partner College. Students recognised the positive impact that these opportunities brought, particularly in terms of the "21st Century Skills" of creativity, collaborative research and problem solving and remote digital communication in a professional setting.

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 2018/2019 National Student Satisfaction and Engagement Survey required by SFC, 93% of Forth Valley students reported that they were overall satisfied with their college experience (2017/18 – 95%).

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.

As a result of constructive feedback from all staff plans are in place to develop the theme of Creative Learning further by offering staff development that will capture all areas within the College and allow staff from across all disciplines to interact and learn from each other. The recent changes to structures within Forth Valley College has meant that for some staff a new way of working with colleagues has created new and exciting opportunities. The plan of having an 'In Service Day' for staff development will allow everyone, for the first time to be involved in what hopes to be a huge step in not only establishing synergies across the College but also develop and maintain a range of internal partnership working to Making Learning Work

In line with our People Strategy we have launched the first cohort of staff onto our Leadership Development programme for middle managers. The development consists of a range of CPD opportunities both internally and externally with all participants being allocated a mentor to support them through the development. A key theme of this CPD opportunity is that the participants are also offered a key lead role in college projects which allows them to put their leaning into practice with the added benefit of making a difference to the culture and operation of the College. Stage two of the People Strategy is aimed at those staff who may not have had the opportunity to develop management skills but who have shown potential and commitment to progress within the college and can potentially be managers of the future.

The restructuring of our teaching departments from eight to four, with highly skilled Directors in place has been a success. We are now in the process of undertaking a full first year review which will allow us to highlight success and also identify areas for improvement going forward.

Forth Valley College is proud of the opportunity to display our commitment to our armed forces, both within our role as a key employer in the Forth Valley area and as a champion of opportunity for all. The challenges faced by former members of the forces after service to their country, is one that must inspire us to contribute to the transition process through the pledge made within the covenant and the commitment we have undertaken. We hope that our relationship with the forces goes from strength to strength.

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. 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 2018/19 this has been used to support the estates development programme for our 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 Flexible Workforce Development Fund (FWDF) continued into 2018/19 for its second round. This £10m fund provides the opportunity for Apprenticeship Levy paying employers operating in Scotland to apply for up to £15,000 in training. A regional college must deliver all training with courses aimed at upskilling and reskilling the workforce to drive productivity. The 2018/19 FVC allocation of £492k was fully committed in early November 2018, with a waiting list submitted to the SFC requesting a further £300k. Additional funding was granted to FVC in June 2019 (£64k) which increased the total allocation to £556k, all of which was fully committed. In total 47 employers were engaged with the fund however demand outstripped the supply of funding. The 2019/20 FVC allocation has been increased to £556k and changes have been made to the control of funding allocations which should enable quicker reallocations by the SFC. We are confident of performing well in the coming year.

The College commercial course provision (CompEx & Electrical Safety, Health & Safety, Business Skills and First Aid) performed above expectations for the year achievieng the highest level of income for 5 years. 2019/20 will be a challenging year as we seek to build on the very strong performance of the last few years.

FVC continues to increase its Modern Apprenticeship delivery and indeed in April 2019 was awarded the second highest number of starts across the college sector in Scotland. The Modern Apprenticeship contract is awarded on a fiscal year basis. The contract value awarded for 2018/19 was £1,055k and our actual achieved was £1,234k. The contract value awarded for 2019/20 is £1,171k which we expect to exceed.

Whilst there have been a number of factors for the increase in contract size and value, the largest contributing factor for this year's increase was due to Engineering starts returning to levels pre Oil and Gas downturn. During the year FVC became managing agent for the construction provision and moved away from being a sub-contractor of the Construction Industry Training Board (CITB).

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 deliver on the College's Creative Learning and Technologies Strategy. Over the past session, we have invested in Microsoft Surface devices for all teaching staff, and support staff who are mobile across our campuses. This has provided the opportunity to enable teaching staff to make even more use of technology in learning and teaching. In the previous session, we had piloted the use of mobile LCD screens within classrooms to inform decision making for our new Falkirk Campus. Within 2018/19, we extended this to a group of four pilot rooms, which also incorporated different types and layouts of furniture, and the deployment of a laptop trolley in each room. Feedback from the use of these rooms is informing choices for procurement for the new Campus.

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 simplified and improved the application process for evening and part time students, and we have fully embedded our record of interview processes, providing a more streamlined service for students, and providing transparency in the decision making process. We have also improved our application process for school pupils. We extended our online portal to not only enable for local schools and Skills Development Scotland real-time information on school pupil applications to the College, but to also allow stakeholder employers to review and monitor progress and attendance of their employees while they progress through their Modern Apprenticeship at College. This will be extended next session to allow schools to monitor attendance and progress of students on school-college courses. The roll-out of the use of an online e-portfolio tool has enabled more Modern Apprenticeship students to have access to a tool which provides them with a more detailed view of how they are progressing, and which also allows these students to upload evidence as they progress and interact with teaching staff.

Through the development of the College Data dashboard, we expanded the amount and range of real-time information available to 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, view their personal details, view their timetable and has the functionality to inform the College of any additional support needs. The portal can be accessed from any mobile device. We have also developed and piloted a Student Support System (Triple S) which brings together information stored in a number of disparate electronic and paper based systems on support that is being provided to our students across College functions. This new system will allow all staff to see interactions with all College functions, and allow for sharing of appropriate support information more timeously across the College.

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 be handed over in November 2019 and be operational for all staff and students in January 2020.

The new campus will service 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.

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 August 2019.

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

Risk	Mitigation
Financial sustainability due to insufficient funding from Scottish Government/SFC to support the core activities of the College	The College continues to review its operating structures and activities to deliver efficiencies and grow commercially to ensure the ongoing financial sustainability 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	The Falkirk Campus Project Board meets monthly and oversees progress on the new Campus build and transition arrangements. The project is nearing completion with occupancy scheduled for January 2020 and remains on time and within budget.
Employers pension contributions to the Scottish Teachers Pension Scheme will increase by 5.2% from September 2019 with SFC only guaranteeing funding to cover the cost to 31 March 2020	Allocation of funding remains outwith the College's control. The College has scenario planning around varying degrees of funding and the impact of these on the College's finances. This is reflected within the Financial Forecast Return submitted to the Scottish Funding Council.
National Bargaining process will negatively impact on the College	The outcomes of the National Bargaining process is outwith the control of the College. The College continues to communicate regularly with staff with the Principal holding briefing sessions with all staff twice a year. Financial implications are reflected within financial forecasts.

Forth Valley College and BREXIT

Forth Valley College is aware that there continues to be a potential for disruption to our operations/costs arising from Brexit. The Principal is the College's lead on Brexit and we continue to review any new information and guidance provided by bodies such as Scottish Government and the Scottish Funding Council as it is published.

While it cannot be stated with absolute assurance, given the fluid nature of the Brexit process, the impact upon the College's operations is likely to be mitigated somewhat by:

- Our expenditure model which has circa 71% of College expenditure on salaries, which should not fluctuate immediately as a result of Brexit
- The limited level of international activity the College undertakes, with the significant majority of our activity being UK based
- Early communication from the Principal and Chair to those students at the College currently from the EU
- An assessment has already been undertaken on the impact of the College resulting from the loss of ESF funds
- Early and ongoing engagement with the sector procurement body; and
- In relation to our new Falkirk campus build, the successful awarding of the majority of contracts for material and an entry date of early 2020, which is now likely to be before any final Brexit decision

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 £6.9m and Pension Liability of £14m 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 has no reason to believe that future support will not be forthcoming. Given the above it has accordingly been considered appropriate to adopt a going concern basis for the preparation of these annual financial statements.

PERFORMANCE ANALYSIS

Performance Indicators

The College delivered 86,100 Credits against a target of 86,018 which is 82 Credits (0.01%) above target for Academic Year 2018/19 (2017/18 – 0.01% above target of 86,877 credits). This target includes 84,202 core activity Credits and 1,816 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 2018/19 and 2017/18.

	Year Ended 31 July 2019	Year Ended 31 July 2018
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.	**(5.1%)**	(2.3%)
Non SFC Income as % of total income*:* total of non-SFC income expressed as a percentage of total income.	**27.2%**	26.6%
Current assets : current liabilities: ratio of total current assets to the total of creditors: amounts falling due within one year.	0.60:1	1.09:1
Days cash: cash and short-term investments divided by total expenditure less depreciation and expressed in days.	**21**	60
Staff turnover: FTE staff on a permanent contract of employment that leave for whatever reason during the year divided by the total FTE permanent staff at the college at the period end.	**6%**	5%
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.	***334***	*327*

		Year Ended 31 July 2019	Year Ended 31 July 2018
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	***69%***	*71%*
	FE Part time	***90%***	*91%*
	HE Full time	***70%***	*72%*
	HE Part time	***85%***	*87%*
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	***76%***	*77%*
	FE Part time	***95%***	*93%*
	HE Full time	***83%***	*81%*
	HE Part time	***93%***	*93%*
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	***95%***	*97%*
	FE Part time	***99%***	*99%*
	HE Full time	***96%***	*97%*
	HE Part time	***98%***	*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.

In particular, we have ambitious plans for further significant expansion of the Foundation Apprenticeship programme across Forth Valley. We increased our intake of Foundation Apprenticeship starts from 174 in August 2018 to 353 places starting in August 2019 . For the first time a number of these courses will be delivered within our partner schools and we are working on developing models of co-delivery going forward.

In terms of learning and teaching, during 2019/20 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 2019 as a catalyst for all staff to develop team objectives for creative and technology-enhanced learning, which will be supported and monitored through our Creative Learning and Technologies Committee during the year.

We will also continue to work closely with our Higher Education Institute (HEI) partners to maximise success and progression on our existing partnership degree programmes and to develop additional articulation agreements for Higher National (HN) graduates. In addition, we are exploring opportunities for expansion of our partnership degree activities into international markets and into other subject areas, including science and technology teacher education.

The Strength in Places, Stirling and Clacks City Deal and the Falkirk Investment Zone projects are all significant areas of potential future opportunity for FVC that are currently being investigated.

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 Performance

The SOCI presents the financial performance during the accounting period in accordance with the SORP. The Adjusted Operating Position (AOP) is intended to reflect the underlying performance after allowing for material one-off or distorting items required by the SORP or other items outwith the control of the College. The AOP 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.

The following table provides the adjusted operating position for Academic Year 2018/19:

	Note	Year Ended 31 July 2019 £000	Restated Year Ended 31 July 2018 £000
Deficit before other gains and losses		**(1,782)**	**(759)**
Add back:			
Depreciation (net of deferred capital grant release)	SOCI, 2	**297**	217
FRS 102 SWAP Rate valuation movement	12	**156**	(151)
Pension adjustment - Net service cost	8	**1,380**	874
Pension adjustment - Net interest cost	10, 12	**420**	722
Pension adjustment - Early retirement provision	10	**290**	(284)
Estates development costs	SOCI	**925**	737
		1,686	1,356
Less:			
Non-Government (ALF) grant for estates development costs	4	**64**	0
Non-Government (ALF) capital grants	4	**187**	146
CPB allocated to loan repayments	18	**167**	160
		418	306
Adjusted operating surplus		**1,268**	1,050

The adjusted operating surplus of £1,268k demonstrates that the College is operating sustainably within its funding allocation and has been agreed with the Sottish Funding Council.

All items above can be readily identified in the financial statements, with the exception of the following:

		Year Ended 31 July 2019 £000	Restated Year Ended 31 July 2018 £000
Depreciation charge	SOCI	**1,776**	1,788
Deferred capital grant release	2	**(1,479)**	(1,571)
Depreciation (net of deferred capital grant release)		**297**	217
Pension provision charge	10	**185**	192
Pension finance costs	12	**235**	530
Pension adjustment - Net interest cost		**420**	722

Explanation for adjusting items:

Note 1: Depreciation does not have an immediate cash impact on the College and, in any case, capital expenditure will largely be funded by government or ALF grants so the charge is removed.

Note 2: The swap rate adjustment is the movement on the valuation of the fair value of derivative financial instruments.

Note 3: The adjustments to the pensions charge represent the net service cost (ie the present value of projected benefits resulting from employee service in the year less cash contributions paid).

Note 4: The net interest cost is the interest is the interest accumulated on the pension liability and this is offset against the current year's interest earned on pension assets.

Note 5: The early retirement provision adjustment relates to the gain/loss arising from the actuarial valuation during the year. This excludes any adjustments to valuations as a result of adding or removing employees.

Note 6: 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. These costs are not part of the day-to-day operations and are therefore removed.

Note 6: Capital grant income is not matched by SOCI expenditure as it has been used to fund capital assets which will be depreciated over the life of the asset.

Note 7: Cash Budget for Priorities is included in income but the loan repayment is not reflected in the costs therefore this amount is adjusted.

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 2018/19 a further £35.8m was incurred on Assets under Construction relating to costs for the New Falkirk campus.

As required by FRS102 valuations were sought for the campuses at Alloa and Stirling as at 31 July 2019. This resulted in a revaluation adjustment of £6.68m as per note 15.

Spend of Cash Budget for Priorities

Following its reclassification as a central government body, the College is 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. The College hs been given a fixed cash budget for priorites which must be spent on agreed government priorities as outlined in the table below. Spend of the College's cash budget for priorities, and the impact on the operating position for the academic year, is detailed below.

Table of cash budget for priorities spend

	31 July 2019	31 July 2018
	£000	£000
Revenue		
The 2015/16 Pay Award	**65**	65
Donation to ALF	**0**	0
Estates Related Revenue Costs	**381**	388
Total impact on operating position	**446**	453
Capital		
Loan payments	**167**	160
Total Capital	**167**	160
Total cash budget for priorities spend	**613**	613

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 31 days (2017/18 - 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 Student Experience.

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 (tCO_2) levels by 25% from the baseline figure of 2,873.62 tCO_2 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 2018) illustrated a 17.04% 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 November 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
5 December 2019

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

Forth Valley College of Further and Higher Education is committed to demonstrating best practice in Corporate Governance and the following statements are designed to provide an overview of governance arrangements in place.

The Corporate Governance Report consists of the following sections –

- Board of Management and Senior Management overview
- Statement of The Board of Management's Responsibilities
- Governance Statement
- Governance Structure
- Assessment of corporate governance
- Internal Control
- Going Concern

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 & non-executive member	Resigned 29/06/19
Dr K Thomson	Principal	
Mr C Alexander	Non-Executive member	
Mrs F Campbell	Non-Executive member	
Mr A Carver	Non-Executive member	
Ms T Craggs	Vice Chair & non-executive member	
Ms L Dougall	Non-Executive member/Senior Independent Member	
Mr D Flynn	Vice Chair & non-executive member	
Ms B Hamilton	Non- Executive member	
Mrs C Jack	Non-Executive member	Resigned 06/11/18
Mr L McCabe	Non-Executive member	
Mr K Richardson	Non-Executive member	
Mr S Tolson	Non-Executive member	
Mr L Williams	Student	Resigned 02/08/19
Mr Lindsay Graham	Student	Reappointed 01/07/19
Mr Andrew Smirthwaite	Student	Appointed 16/08/19
Ms Pamela Duncan	Staff	
Mr S Harrison	Staff	Resigned 05/12/18
Ms J Hogarth	Staff	Appointed 27/06/19

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	Retired 20/09/19
Mrs A Stewart	Vice Principal Finance and Corporate Affairs	
Mr K MacInnes	Vice Principal for Learning and Student Experience	From 01/08/19

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 2018/19, the College had no reported personal data incidents. (2017/18: no incidents).

Dr Ken Thomson
Principal and Chief Executive
5 December 2019

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 2019.

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 5 December 2019 and signed on its behalf by:

Ross Martin
Chair

Governance Statement

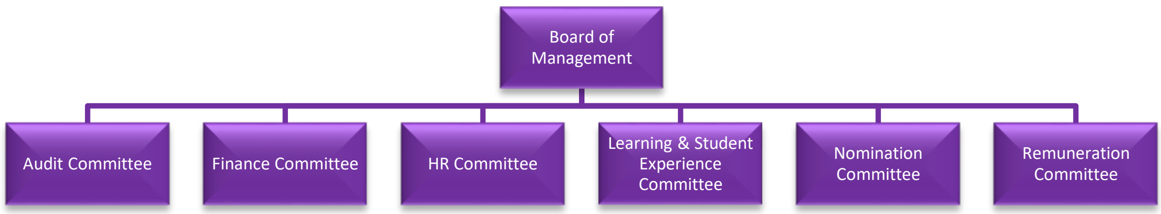
Introduction

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 2019 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. This was reviewed and amended by the Board of Management in September 2018 to reflect the changing needs of the Board.



Additionally, in recognition of the significant developments towards the realisation of the new Falkirk Headquarters Campus, an additional committee, the Falkirk Campus Project Board, is in place and will continue until the new campus is successfully delivered. While the Falkirk Campus Project Board is separate from the main Board of Management structure, three non-executive Board Members serve on this Board to ensure adequate representation from the main Board of Management

Board of Management Committees

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

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

HR Committee
The committee met on two occasions during the period. Its role is to advise on HR strategy (including industrial relations matters), oversee the Board's health & safety responsibilities, and monitor the Board's equal opportunities aspirations.

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.

Learning and Student Experience 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 educational performance 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

At the beginning of 2018/19, for non-executive members, the Board had a 50-50 gender balance. Owing to resignations over the course of the year and the resultant vacancies, the gender split at the time of producing these accounts is 60-40 male to female for non-executive members. The College is aware of this change in the gender balance and will aim to address this in the next round of non-executive recruitment which is scheduled for late 2019/early 2020..

Membership now consists of 16 members as follows:

- Chair
- 10 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. The performance of the Chair is also evaluated by the Scottish Government, as regional college chairs are appointed by Scottish Ministers and are personally accountable to them.

In September 2019 the Board agreed to appoint 2 Vice Chairs to support the Chair.

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 five times per year and has a number of committees which are formally constituted with terms of reference. During 2018/19, to support the Board's role in the strategic management of the College, an additional board residential session was held.

During 2018/19 one meeting of the Finance Committee was cancelled due to not being quorate.

	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	Learning & Student Experience Committee
Number of Meetings				**5**	**3**	**3**	**2**	**2**	**3**
Mr R Martin	Regional Chair	01/08/17		5				2	
Mrs A Mearns,	Vice Chair/ Non-Exec	26/03/17	29/06/19	3			1	1	3
Dr K Thomson	Principal	01/08/13		5					
Mr C Alexander	Non-Exec	26/03/17		1	1		0		
Mrs F Campbell	Non-Exec/	26/03/17		3			2		3
Mr A Carver	Non-Exec	26/03/17		1		2			
Mrs T Craggs	Vice Chair/ Non-Exec	06/12/16		4	1	3	1		
Ms L Dougall	Non-Exec / Senior Independent Member	26/03/19		4	3			1	2
Mr D Flynn	Vice Chair/ Non-Exec	06/12/16		4		1	2		
Ms B Hamilton	Non-Exec	26/03/17		4	2		2	2	
Mrs C Jack	Non-Exec	02/03/15	06/11/18	1		1			0
Mr L McCabe	Non-Exec	02/03/19		3		3		0	
Mr K Richardson	Non-Exec	02/03/19		5		1			
Mr S Tolson	Non-Exec	26/03/19		4					2
Mr L Williams	Student	01/07/19	02/08/19	3					2
Mr L Graham	Student	01/07/19		5	2				
Mrs P Duncan	Staff	05/09/16		4	2	0			
Mr S Harrison	Staff	05/09/16	05/12/18	2					0
Ms J Hogarth	Staff	27/06/19		1					0

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 has 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 2019 and agreed that this should continue unchanged.

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.

All Board Committees are able to request risks be added to the strategic risk register. An example would be the risk highlighted by the HR Committee in relation to the potential impact on support staff morale as a result of the national job evaluation process.

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. There are currently 9 risks on the Strategic Risk Register covering areas such as the ongoing flat cash allocations to the College in a climate of increasing, externally determined costs, transition arrangements to the new campus and ensuring the College continues to meet student expectations.

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 auditor reports 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 audit plan, while an annual document, does take into account medium and longer term planning to ensure key areas are audited on a rolling basis.

The internal auditor has 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 auditor has 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.

During 2018/19, the College tendered for a new internal auditor. Following the tender exercise, and in line with its delegated authority from the Board of Management, the Audit Committee considered the tender outputs and approved the appointment of MHA Henderson Loggie from 1 August 2019 for an initial three year contract, with the option to extend for a further one year if required.

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 2019, the Internal Auditor 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 auditor has given an unqualified audit opinion on the financial statements for the period to 31 July 2019 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, we 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 2019 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 5 December 2019 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 2019.

The College`s External Auditor is required to audit certain parts of the Remuneration Report and give a separate opinion in their report on the Statement of Accounts as to whether the Remuneration Report has been properly prepared in accordance with the Regulations.

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 2018/19 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,Principal and Chief Executive Officer it determines the total individual remuneration packages 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. During 2018/19 the Commiteee met twice and approved all of the remuneration disclosed in the table below.

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.

With the exception of Dr Ken Thomson, SMT members are 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 21.4% up to 31 March 2019, and 21.9% thereafter along with an additional flat fee for past pension costs . These schemes are defined benefit schemes. The LGPS scheme provides benefits at a normal retirement age of 65 for all LGPS benefits paid prior to 1 April 2015. For all LGPS benefits paid after 1 April 2015 and for STSS, benefits are provided at the state pension age. The pension benefits consist of an annual pension, based on a final pensionable salary calculation up to 31 March 2015 and a career average pensionable salary with effect from 1 April 2015. For members who joined before 1 April 2007 for STSS and 1 April 2009 for LGPS a tax free lump sum will be paid automatically.

Remuneration of the Principal and other Senior Management Team who served during the year to 31 July 2019, including salary, pension benefits and other allowances was:

	Year Ended 31 July 2019			Year Ended 31 July 2018		
	Salary	**Pension Benefit**	**Total**	Salary	Pension Benefit	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Ken Thomson	**155-160**	**0**	**155-160**	135-140	38	175-180
Andy Lawson	**110-115**	**19**	**130-135**	105-110	35	140-145
Tom Gorman	**20-25**	**19**	**40-45**	105-110	71	175-180
Alison Stewart	**95-100**	**51**	**145-150**	90-95	32	120-125
David Allison	**90-95**	**53**	**140-145**	85-90	55	140-145
Fiona Brown	**85-90**	**45**	**130-135**	80-85	38	115-120

The Principal received no benefits in kind during 2018/19 (2017/18:nil).

For 2018/19 and 2017/18 no bonus schemes were in operation.

This information in this table has been subject to audit.

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 August 2018 to 30 September 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. Mr Gorman retired on 30 September 2018.

Chair Remuneration

For the year to July 2019 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 31 July 2019 the chairman was paid remuneration of £12,000 (2017/18: £7,600).

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 2019	Year Ended 31 July 2018
	£	£
Annualised remuneration of the highest paid member of the Senior Management Team	**157,474**	150,446
Median Remuneration of Forth Valley College Employees	**37,514**	33,987
Remuneration Ratio	1 : 4.20	1 : 4.43

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

Including severance payments, no employee (2018: 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 2019 are:

	Accrued Pension at pension age as at 31 July 2019 and related lump sum £000	Real increase in Pension and related lump sum at pension age £000	Cash Equivalent Transfer Value At 31 July 2019 £000	At 31 July 2018 £000	Real increase in CETV £000
Ken Thomson	50 - 55 plus lump sum of 155 - 160	0 - 2.5 plus lump sum of 0 - 2.5	1,253	1,157	30
Andy Lawson	40 - 45 plus lump sum of 120 - 125	0 - 2.5 plus lump sum of 2.5 - 5.0	974	884	21
Tom Gorman	25 - 30 plus lump sum of 25 - 30	0 - 2.5 plus lump sum of 0 - 2.5	497	480	15
Alison Stewart	15 - 20 plus lump sum of 0 - 5	2.5 - 5.0 plus lump sum of 0 - 2.5	249	202	38
David Allison	35 - 40 plus lump sum of 55 - 60	2.5 - 5.0 plus lump sum of 0 - 2.5	555	492	55
Fiona Brown	25 - 30 plus lump sum of 75 - 80	0 - 2.5 plus lump sum of 5.0 - 7.5	639	553	48

Mr Gorman retired on 30 September 2018. The information provided above for Mr Gorman is therefore at this date.

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 2019 there were 629 staff in post. The split across gender and business area is detailed in the table below.

Employees	Male	Female	Prefer not to say	Total
Senior Management Team	3	2	0	5
Heads of Teaching / Service	3	9	0	12
Academic Staff	138	148	12	298
Support Staff	106	200	8	314
	250	359	20	629

The following table shows the salary and related costs for all staff for the year ended 31st July 2019, identifying temporary, inward seconded and agency staff separately:

Salaries and related costs	2019 Directly employed staff on permanent UK contracts	2019 Other staff including temporary, seconded and agency staff	2019 Total	2018 Total
	£000	£000	£000	£000
Wages and salaries	18,706	1,208	19,914	18,767
Social security costs	1,879	79	1,958	1,865
Other pension costs	4,405	195	4,600	3,982
Total	24,990	1,482	26,472	24,614
Average number of FTE	501	52	553	573

During the year 4 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 2019 Number of voluntary redundancies	Year Ended 31 July 2019 Number of other departures	Year Ended 31 July 2019 Total	Period Ended 31 July 2018 Total
< £5k	0	0	0	1
£10k - £15k	0	1	1	0
£15k - £20k	2	0	2	0
£25k - £50k	2	0	2	0
£55k - £65k	0	0	0	3
Total number of exit packages	4	1	5	4
Total cost			£95,264	£179,587

Attendance Management

The College recognises that employees need to be properly supported during absences, matched with our priority, 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 2018/19, an average of 8.9 days (including leavers) was lost per staff member compared to 7.1 days from 2017/18. The 2018/19 average equates to 3.44% overall absence rate for the year.

Trade Union Facility Time – 1st April 2018 to 31st March 2019

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 2018/19. The full time equivalent employee number was 9.7.

Percentage of time spent on facility time

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

The total cost of facility time amounted £43,023, 0.18% of the total pay bill of £23,794,843, 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 continues its commitment 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 of our current Regional Outcome Agreement with the Scottish Funding Council. These plans outline the broad range of support available for all students; demonstrate our commitment to creating an inclusive learning environment; identify areas for enhancement and outline 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/

Dr Ken Thomson
Principal and Chief Executive
5 December 2019

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

Report on the audit of the financial statements

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 2019 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, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college as at 31 July 2019 and of the 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 (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. 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 were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is three years. 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. Non-audit services prohibited by the Ethical Standard were not provided to the board. 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 basis of accounting

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.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

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 obtain 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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 independent auditor's report. 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, 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 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 Auditor General for Scotland 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.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

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, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Stephen Reid, for and on behalf of Ernst & Young LLP

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

5 December 2019

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 2019[1]

INCOME	Note	Year Ended 31 July 2019	Year Ended 31 July 2018
		£000	£000
Scottish Funding Council grants	2	**25,571**	24,176
Tuition fees and education contracts	3	**7,706**	7,136
Other grant income	4	**283**	166
Other operating income	5	**1,313**	1,330
Grant from FVC Foundation	4	**251**	146
Total Income		**35,124**	32,954
EXPENDITURE			
Staff costs	8	**26,210**	24,471
Pension provision charge	10	**475**	(92)
Other operating expenses	11	**6,964**	6,258
Estates Development Costs		**925**	737
Depreciation	15	**1,776**	1,788
Interest and other finance costs	12	**556**	551
Donation to FVC Foundation	13	**0**	0
Total Expenditure		**36,906**	33,713
Deficit before other gains and losses		**(1,782)**	(759)
Gain on disposal of fixed assets		**3**	700
Deficit before other comprehensive income		**(1,779)**	(59)
Other comprehensive (expenditure)/income			
Actuarial (loss)/gain in respect of pension scheme		**(4,542)**	12,762
Total comprehensive (expenditure)/income for the year		**(6,321)**	12,703
Represented by:			
Unrestricted comprehensive (expenditure)/income for the year		**(6,285)**	12,739
Revaluation reserve comprehensive expenditure for the year		**(36)**	(36)
		(6,321)	12,703

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 2019

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Income and expenditure account		
Opening balance	**(9,981)**	(22,720)
Deficit from the income and expenditure statement	**(1,779)**	(59)
Other comprehensive (expenditure)/income	**(4,542)**	12,762
Transfers between revaluation and income and expenditure reserve	**36**	36
Closing balance	**(16,266)**	(9,981)
Revaluation reserve		
Opening balance	**5,257**	5,293
Transfers between revaluation and income and expenditure reserve	**(36)**	(36)
Revaluation adjustment	**6,683**	0
Closing balance	**11,904**	5,257
Total reserves at 31 July 2019	**(4,362)**	(4,724)

Balance Sheet as at 31 July 2019

	Note	As at 31 July 2019	As at 31 July 2018
		£000	£000
Non Current Assets			
Tangible fixed assets	15	**101,642**	60,720
Current assets			
Stocks		**28**	25
Trade debtors and other receivables	16	**2,485**	1,388
Cash at bank and in hand	21	**2,020**	5,249
Total current assets		**4,533**	6,662
Less: Creditors - amounts falling due within one year	17	**7,543**	6,133
Net current (liabilities)/assets		**(3,010)**	529
Total assets less current liabilities		**98,632**	61,249
Creditors - amounts falling due after more than one year	18	**82,084**	51,288
Provisions			
Early retirement provision	19	**6,884**	6,816
LGPS pension provision	19, 23	**14,026**	7,869
		20,910	14,685
Total Net Liabilities		**(4,362)**	(4,724)
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		**(16,266)**	(9,981)
Revaluation reserve		**11,904**	5,257
Total Reserves		**(4,362)**	(4,724)

The financial statements on pages 37 to 57 were approved by the Board of Management on 5 December 2019 and were signed on its behalf on that date by:

Ross Martin
Chairman

Dr Ken Thomson
Principal and Chief Executive

Cash Flow Statement for the year ended 31 July 2019

	Note	Year Ended 31 July 2019	Year Ended 31 July 2018
		£000	£000
Cash flow from operating activities			
Deficit for the year		**(1,779)**	(59)
Adjustment for non-cash items			
Depreciation	15	**1,776**	1,788
Gain on disposal of fixed assets		**(3)**	(700)
Increase in stock		**(3)**	0
(Decrease)/Increase in debtors	16	**(1,097)**	315
(Decrease)/Increase in creditors	17, 18	**(395)**	386
Increase/(Decrease) in pension provision	19	**68**	(489)
Pension Costs	23	**1,380**	874
Adjustment for investing or financing activities			
Interest payable	12	**556**	551
Capital grant income	2	**(1,479)**	(1,571)
Net cash inflow from operating activities		**(976)**	1,095
Cash flows from investing activities			
Proceeds from sale of fixed assets		**5**	2,100
Capital grants receipts		**34,091**	19,962
Investment income	6	**0**	0
Payments made to acquire fixed assets	15	**(36,017)**	(20,186)
		(1,921)	**1,876**
Cash flows from financing activities			
Interest paid	12	**(165)**	(172)
Repayments of amounts borrowed		**(167)**	(160)
		(332)	**(332)**
(Decrease)/Increase in cash and cash equivalents in the year		**(3,229)**	2,639
Cash and cash equivalents at beginning of the year		**5,249**	2,610
Cash and cash equivalents at end of the year		**2,020**	5,249

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. A new Statement of Recommended Accounting Practice (SORP) 2019 is mandatory for accounting periods beginning after 1 January 2019. This has not been adopted early in these financial statements.

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' Association as the College does not exert control or dominant influence over policy decisions.

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.

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 are 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 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, gender 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 income or expenditure. 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 2019	Year Ended 31 July 2018
	£000	£000
2 Scottish Funding grants		
FE recurrent grant (including fee waiver)	**21,874**	20,804
Childcare funds	**625**	530
SFC release of deferred capital grant	**1,479**	1,571
Scottish Funding Council maintenance grant	**434**	432
Other Scottish Funding Council grants	**1,159**	839
Total	**25,571**	24,176

3 Tuition fees and education contracts		
Further education fees - UK & EU Students	**155**	127
Further education fees - non EU Students	**15**	6
Higher education fees	**1,537**	1,582
Skills Development Scotland income	**1,710**	1,172
Education contracts	**1,804**	1,643
Other contracts	**2,485**	2,606
	7,706	7,136

4 Other grant income		
Forth Valley College Foundation	**251**	146
Other grants	**283**	166
Total	**534**	312

5 Other operating income		
Residences, catering and conferences	**839**	730
Other income	**474**	600
Total	**1,313**	1,330

6 Investment income

There was no investment income during 2018/19 (2017/18: nil)

7 Donations

There were no donations during 2018/19 (2017/18: nil)

	Year Ended 31 July 2019 £000	Year Ended 31 July 2018 £000
8 Staff costs		
Salaries	**19,652**	18,624
Social security costs	**1,958**	1,865
Other pension costs (including FRS 102 adjustment of £1,380k, 2017/18:£874k)	**4,600**	3,982
Total	**26,210**	24,471
Academic/ Teaching Departments	**15,435**	15,035
Academic/ Teaching Services	**3,890**	3,477
Administration and Central Services	**5,113**	3,859
Premises	**772**	730
Other expenditure	**499**	456
Catering and Residences	**327**	317
Modern Apprentice Trainees	**79**	420
Sub-total	**26,115**	24,294
Restructuring costs	**95**	177
Total	**26,210**	**24,471**

Compensation for loss of office payable to a senior post-holder:

Mr Tom Gorman retired from office during the year. No compensation payment was made.

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

	No.	No.
Senior management	**5**	6
Academic/ Teaching Departments	**257**	259
Academic/ Teaching services	**167**	155
Admin and central services	**88**	86
Premises	**12**	12
Catering	**14**	15
Modern Apprentice Trainees	**4**	25
Total	**547**	558
Analysed as:		
Staff on permanent contracts	**501**	489
Staff on temporary contracts	**46**	69
	547	558

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:

	2019	**2019**	2018	2018
	Senior post-holder No.	**Other members of staff No.**	Senior post-holder No.	Other members of staff No.
£20,001 to £30,000 per annum	1	0	0	1
£30,001 to £40,000 per annum	0	1	0	0
£50,001 to £60,000 per annum	0	0	0	7
£60,001 to £70,000 per annum	0	6	0	2
£80,001 to £90,000 per annum	1	0	2	0
£90,001 to £100,000 per annum	2	0	1	0
£100,001 to £110,000 per annum	0	0	2	0
£110,001 to £120,000 per annum	1	0	0	0
£130,001 to £140,000 per annum	0	0	1	0
£150,001 to £160,000 per annum	1	0	0	0

The emoluments for the six Senior Management team are set out in the Remuneration report.

	Year Ended 31 July 2019	Year Ended 31 July 2018
9 Senior post-holders' emoluments	**No.**	No.
The number of senior post-holders who form the senior management team, including the Principal	**5**	6

	Year Ended 31 July 2019	Year Ended 31 July 2018
	£000	£000
Senior post-holders' emoluments are made up as follows:		
Salaries and benefits	**565**	615
Employer's pension contributions	**79**	103
Benefits in kind	**0**	0
Total emoluments	**644**	718
The above emoluments include amounts payable to the Principal, the highest paid senior post-holder, of:		
Salary	**157**	138
Benefits in kind	**0**	0
	157	138
Pension contributions	**0**	15

Two of the 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. For 2018/19 financial year this was £21k (2017/18: £7k).

The Chair of the Board of Management claimed remuneration of £12,000 in the financial period (2017/18: £7,600). 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 2019	Year Ended 31 July 2018
	£000	£000
10 Pension Provision Charge		
Increase/(Decrease) due to revaluation of pension liability	**290**	(284)
Interest	**185**	192
	475	(92)

	Year Ended 31 July 2019	Year Ended 31 July 2018
	£000	£000
11 Other operating expenses		
Teaching departments	**2,008**	1,623
Administration and central services	**1,350**	1,315
Premises costs	**1,554**	1,513
Planned maintenance	**355**	321
Other employee related costs	**371**	397
Agency staff costs	**169**	63
Other expenses	**206**	218
Residences, catering and conferences	**326**	278
Childcare	**625**	530
Total	**6,964**	6,258
Other operating costs include:		
Auditors' remuneration		
- external audit of the financial statements	**24**	23
- internal audit services	**28**	20
Hire machinery - operating leases	**82**	86
Hire of premises - operating leases	**25**	23

12 Interest and other finance costs

Loan interest	**165**	172
Increase in fair value of derivatives	**156**	(151)
Pension finance costs (note 23)	**235**	530
Total	**556**	551

13 Forth Valley College Foundation

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

14 Taxation

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

15 Tangible fixed assets

Land and buildings were revalued at 31 July 2019 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 new Falkirk campus site, which is valued on the basis of cost until the campus is brought into use. Land is not depreciated and buildings are depreciated over their estimated life as identified by the valuer.

	Land and Buildings	Plant and Equipment	Assets Under Construction	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 August 2018	45,445	5,838	19,670	70,953
Additions	0	247	35,770	36,017
Disposals	0	(4)	0	(4)
Revaluation	6,683	0	0	6,683
At 31 July 2019	**52,128**	**6,081**	**55,440**	**113,649**
Depreciation				
At 1 August 2018	5,332	4,901	0	10,233
Charge for the year	1,386	390	0	1,776
Disposals	0	(2)	0	(2)
At 31 July 2019	**6,718**	**5,289**	**0**	**12,007**
Net Book Value at 31 July 2018	40,113	937	19,670	60,720
Net Book Value at 31 July 2019	**45,410**	**792**	**55,440**	**101,642**

Land and buildings with a net book value of £45m 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 2019	Year Ended 31 July 2018
	£000	£000

16 Trade debtors and other receivables

Amounts falling due within one year:		
Trade debtors - net of provision for doubtful debts	**447**	363
Prepayments and accrued income	**1,855**	981
Other debtors	**183**	44
	2,485	1,388

17 Creditors: Amounts falling due within one year

Trade creditors	**324**	419
Other taxation and social security	**0**	458
Accruals and deferred income	**3,450**	3,356
Loan repayment	**175**	167
Other creditors	**331**	267
Deferred capital grant	**3,263**	1,466
	7,543	6,133

Deferred income

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

Grant income	**308**	319
Other income	**232**	259
Donation Income	**27**	20
	567	598

	Year Ended 31 July 2019	Year Ended 31 July 2018
	£000	£000
18 Creditors: Amounts falling due after one year		
Deferred Income		
Unsecured loan	**3,562**	3,737
Deferred capital grant	**77,931**	47,116
Interest rate swap	**591**	435
	82,084	51,288
Analysis of unsecured loans		
Repayable within one year	**175**	167
Repayable between one and two years	**184**	175
Repayable between two and five years	**606**	579
Repayable over five years	**2,772**	2,983
	3,737	3,904

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 2019 of £3.7m (July 18: £3.9m) at a fixed rate of 4.3% which terminates on 30 July 2029. In the 12 month period to 31 July 2019, the College repaid £167k (2018: £160k) of the loan principal.

	Early Retirement	LGPS Pension	Year Ended 31 July 2019	Year Ended 31 July 2018
19 Provisions for liabilities and charges	£000	£000	£000	£000
At 1 August 2018	**6,816**	**7,869**	**14,685**	26,532
Utilised in year	**(407)**	**(1,670)**	**(2,077)**	(1,926)
Additions in year	**0**	**3,050**	**3,050**	2,403
Revaluation adjustment	**290**	**4,542**	**4,832**	(13,046)
Interest charged	**185**	**235**	**420**	722
At 31 July 2019	**6,884**	**14,026**	**20,910**	14,685

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 2019 performed by Hymans Robertson, an independent firm of actuaries. The LGPS pension provision relates to the liability under the College's membership of the Local Government Pension Scheme. Further details are provided at note 23.

20 Restricted Reserves

The college has no restricted reserves as at 31 July 2019 (2018: nil)

	As at 31 July 2018	Cash Movement	As at 31 July 2019
	£000	£000	£000
21 Cash and cash equivalents			
Cash and cash equivalents	5,249	(3,229)	**2,020**

22 Lease commitments	Equipment £000	Property £000	Year Ended 31 July 2019 Total £000	Year Ended 31 July 2018 Total £000
Payable during the year	82	25	**107**	109
Future minimum lease payments due:				
Not later than 1 year	87	25	**112**	105
Later than 1 year and not later than 5 years	102	0	**102**	164
Later than 5 years	0	0	**0**	0
Total lease payments due	189	25	**214**	269

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 2019 Total £000	Year Ended 31 July 2018 Total £000
The total pension costs for the institution were :		
Contribution to STSS	1,578	1,607
Contribution to LGPS	1,642	1,501
Pension costs (as a result of FRS 102)	1,380	874
Total pension cost (Note 8)	4,600	3,982
Employer contribution rates		
STSS	17.2%	17.2%
LGPS	21.9%	21.4%

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 2016 and this has set contribution rates from 1 September 2019 to 31 March 2023 at 23%.

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, and is increasing to 23% from 1 September 2019. Employees paid variable rates ranging from 7.2% to 11.9%.

The total employer contributions received for the Scottish Teachers' scheme in the year to 31 March 2018 were £417.5m 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 2018/19.

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 2019 was £2,106k of which employer's contributions totalled £1,642k and employee's contributions totalled £464k. 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 2019 using approximation methods which allow for changes in financial assumptions, additional benefits, cash flows and actual pension increase orders. This valuation at 31 July 2019 includes the impact of the High Court decision on 26 October 2018, whereby 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.

When the LGPS benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. Following legal proceedings argued in the McCloud and Sargeant cases, the Court of Appeal found that the transitional provisions introduced in the judges and firefighters' pension schemes in 2015 gave rise to unlawful age discrimination. The UK Government requested leave to appeal this finding but this was refused by the Supreme Court on 27 June 2019. The UK Government has formally accepted the Court's decision and, recognising the implications for all public sector pension schemes, is engaging with relevant representatives to agree how the discrimination will be remedied.

The Government Actuary's Department (GAD) has estimated that the impact of the McCloud/Sargeant rulings for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. The College's own actuary has adjusted GAD's estimate to better reflect the College's local assumptions, particularly withdrawal rates and salary increases. The College's approach has therefore been to include an estimated cost of the impact of the McCloud judgement in 2018/19 financial statements based on the actuary's estimate. This impact has been recognised as a past service cost for 2018/19 of £252,000. These numbers are high level estimates based on a combination of Scheme and Fund level calculations and therefore depend on various key assumptions which may or not be borne out in practice. Further uncertainties affecting the final cost relate to the number of members who will ultimately be affected and the precise way in which they will be compensated. The estimate will continue to be updated in the College's future financial statements as more information on the nature of the remedy becomes clearer.

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	20.5 years	22.8 years
Future pensioners	21.7 years	24.3 years

	As at 31 July 2019	As at 31 July 2018
Pension increase rate	2.4%	2.4%
Salary increase rate	2.9%	2.9%
Discount rate	2.1%	2.8%

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

	Split of investments 31 July 2019	Split of investments 31 July 2018
Equities	62%	66%
Bonds	27%	23%
Property	6%	6%
Cash	5%	5%

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

	Year Ended 31 July 2019	Year Ended 31 July 2018
	£000	£000
Comprehensive Income and Expenditure Statement		
Current service cost	**3,050**	2,403
Interest cost	**1,408**	1,551
Interest income on plan assets	**(1,173)**	(1,021)
Total	**3,285**	2,933
Reconciliation of present value of defined benefit obligations		
Opening defined benefit obligations	49,183	56,522
Current service cost	3,050	2,403
Interest cost	1,408	1,551
Contributions by members	464	441
Remeasurements		
- change in demographic assumptions	(2,319)	322
- change in financial assumptions	8,962	(4,352)
- other experience	(8)	(6,803)
Benefits paid	(893)	(873)
Unfunded benefits paid	(28)	(28)
Closing defined benefits obligation	**59,819**	49,183
Reconciliation of the movements in the fair value of the plan assets		
Opening fair value of the plan assets	41,314	37,295
Interest income on plan assets	1,173	1,021
Remeasurements		
- return on plan assets excluding the amount included in the net interest	2,093	1,929
Contributions by members	464	441
Contributions by employer	1,642	1,501
Contributions in respect of unfunded benefits	28	28
Benefits paid	(893)	(873)
Unfunded benefits paid	(28)	(28)
Closing fair value of the plan assets	**45,793**	41,314
The underlying net liability for retirement benefits attributable to the College at 31 July	**14,026**	**7,869**

Analysis of projected amount to be charged to operating result for the year to 31 July 2020	**Year Ended 31 July 2020**
	£000
Projected current service cost	3,372
Interest on obligation	1,427
Interest income on plan assets	(975)
Total	3,824

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, are considered to be material with respect to both parties, are noted below:

Member	Organisation	Nature of Transaction	College Income	College Purchases
			£000	£000
Mr K Thomson	SQA	Secondment income/Certification fees	10	346
Mr K Thomson	Historic Environment Scotland	Rental income/Hire of accommodation	49	10
Mr K Thomson	Ceteris	Rental costs	0	8
Mr K Thomson	JISC	Licences	0	12
Ms T Craggs	Historic Environment Scotland	Rental income/Hire of accommodation	49	10
Ms T Craggs	TACtran	Liftshare funding	2	0
Miss L Dougall	University of Strathclyde	HEI income	57	0
Mr L McCabe	University of Stirling	HEI income/Hire of accommodation	1,280	4

As at 31 July 2019 the following balances for the organisations noted above, which are considered to be material, were:

Organisation	Due to the College	Due from the College
	£000	£000
SQA	0	13
University of Stirling	99	0
	99	13

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 K Thomson	JISC	Trustee and Board Member
Ms T Craggs	Historic Environment Scotland	Board Member
Ms T Craggs	TACtran	Non-councillor 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

The members of the Senior Management Team who are not Board members have also been considered in relation to these disclosures, and there are no interests or transactions to note.

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 31 July 2019 was £591K (2018: £435k). 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 2019 the college repaid £167k of the loan principal.

26 FE Bursary and other Student Support Funds	FE Bursary	EMA's	Other	Year Ended 31 July 2019	Year Ended 31 July 2018
	£000	£000	£000	£000	£000
Balance brought forward	92	0	6	98	255
Allocation received in year	3,273	170	247	3,690	2,983
	3,365	170	253	3,788	3,238
Expenditure	(3,237)	(171)	(239)	(3,647)	(3,140)
Virements	(43)			(43)	0
Balance carried forward	85	(1)	14	98	98
Represented by:					
Repayable to(due from) Funding Council as Clawback	85	(1)	14	98	98
	85	(1)	14	98	98

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 2019	Year Ended 31 July 2018
	£000	£000
Balance brought forward	16	74
Allocation received in year	566	472
	582	546
Expenditure	(625)	(530)
Virements	43	0
Balance carried forward	0	16
Represented by:		
Repayable to Funding Council as Clawback	0	16
	0	16

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 2019	Year Ended 31 July 2018
	£000	£000
Balance brought forward	1	5
Allocation received in year	138	149
	139	154
Expenditure	(125)	(148)
Repayable to SAAS as Clawback	(1)	(5)
Balance carried forward	13	1
Represented by:		
Repayable to SAAS as Clawback	13	1
	13	1

29 Capital Commitments

As a result of the approval of the New Falkirk Campus, there is a contracted capital commitment of £9.6m 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 2019.

31 Post Balance Sheet Events

Completion of the building works and handover for the new Falkirk Campus is scheduled for November 2019 and opening to all staff and students in January 2020.

32 Table of Non-cash allocation

	31 July 2019	31 July 2018
	£000	£000
Deficit before other gains and losses	**(1,782)**	(759)
Depreciation budget for government funded assets (net of deferred capital grant) for academic year	**613**	613
Operating deficit on Central Government accounting basis	**(1,169)**	(146)

Following reclassification, incorporated 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.

Under the FE/HE SORP, the college recorded an operating deficit of £1,782k for the year ended 31 July 2019. After adjusting for the non-cash allocation provided under government rules, the College shows an "adjusted" deficit of £1,169k 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 2019/20 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:

- Once the new Falkirk campus building comes in to use in early 2020, a formal property valuation will be sought for the appropriate carrying value of the site and building.
- 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 institutions comply with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.

2. A new SORP ("the 2019 SORP") was issued in October 2018 and this must be adopted for accounting periods beginning on or after 1 January 2019 and thereafter. Early adoption is permitted as described in Section 27 ('Transition to the 2019 SORP') of the 2019 SORP.

3. Institutions 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 (RSB) (for assigned colleges).

4. Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2018-19 (FReM) where applicable.

5. 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 2019.

6. The annual report and accounts should be signed by the Chief Executive Officer / Executive Director and by the Chair, or one other member of the governing body.

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

Scottish Funding Council
5 July 2019