



Fife College

Annual Accounts 2017-18



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2017-18**

Scottish Charity Number: SCO21203

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Principal and Chief Executive: Hugh Hall

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The Accountable Officer authorised these financial statements for issue on:

Performance Report

Performance Overview

The performance report provides an overview of Fife College's performance within the academic year to 31 July 2018 covering performance analysis, financial review for the year, key risks affecting the College and social matters.

Fife College is a Higher and Further Education College with a talented and experienced team who are dedicated to transforming the lives of our students through education and training. We offer a wide range of inspirational learning experiences from essential skills to graduate degree programmes. With our main campuses located in Dunfermline, Rosyth, Glenrothes, Levenmouth and Kirkcaldy, we operate within the heart of Fife's communities.

We are committed to offering a dynamic and relevant portfolio of courses which supports close collaboration and seamless pathways between schools, colleges, universities and employers. Our aim is to develop stronger, deeper and added value relationships with our wide range of partners and stakeholders.

Principal and Chief Executive's Statement on Performance

As one of the largest colleges of higher and further education in Scotland, Fife College is at the forefront of college provision across the sector, with the ambition, talent and assets to help shape the future delivery of education and skills in Fife and beyond. At Fife College, we have the privilege of being able to transform people's life, to equip them for the world of work, to provide them with the knowledge and skills that will enhance their lives and enable them to make a meaningful and valuable contribution to society. Fife College's expert and experienced team is dedicated to transforming the lives of our 6,000 full-time and 14,000 part-time students through education and training. We offer a wide range of inspirational learning experiences from essential skills to graduate degree programmes.

I am pleased that the College has been able to balance its books and return a modest surplus in 2017-18, despite continued reductions in SFC Funding. In what are very challenging conditions across the College sector, I am also delighted that in 2017-18 Fife College has seen improvement on a number of fronts including increases in student retention, student satisfaction and student attainment. We have also seen a doubling of students coming from the most deprived areas in the region which is wholly consistent with our ambitions to widen access to education for all and support inclusive growth.

While there has been a notable improvement in the College's performance over the past 12 months – and for that I pay tribute to my incredibly hard working and committed colleagues – there is still much to be done to sustain and grow our performance. We recently launched Fife College's Strategy 2018-23. It sets a clear and ambitious direction for the College, with aims and objectives that are unapologetically student centred. We are on a mission to continuously develop and refresh our portfolio of courses to ensure they are relevant and delivered in the right way. We aim to transform the College and strengthen its finances, in a way that is sustainable and student focussed, within the constraints of a challenging Scotland wide funding and policy environment. Amongst other things, we have:

- Developed five year financial forecasts and workforce plans to support more effective planning and inform our spending decisions, particularly around the future configuration of staffing requirements, with the impact on the cost of academic activity as a consequence of national bargaining
- Reviewed the balance of our curriculum provision to focus more on higher education and less on further education, while upscaling those academic areas that will support the future Fife and wider economy (e.g. digital, construction, care etc) and downsizing those areas which are less likely to lead to employment or further study for our student
- Revamped our planning and our business processes to ensure that we achieve greater control and our operations, like student recruitment, align more effectively with that of the universities and dovetail with school education planning timelines.

Performance Report (Continued)

- Developed a new Digital Strategy that will help deliver a fit for purpose, future proofed technological infrastructure to replace the current technology that is woefully inadequate and underinvested in
- Refreshed our Estates Strategy to ensure that we can focus our very limited resources in making much needed improvements in our grossly under-invested campuses to fully support the geographically spread and diverse Fife population
- Developed stronger links with universities and schools in a bid to secure a more coherent and cost effective learner journey.

In all of this, Fife College is committed to being student-centred in all that we do. Our aim is transform the lives of our students through inspirational learning and teaching, enabling them to develop their full potential with life enhancing skills, knowledge, experience and resilience that will shape their future success.

Legal Status

The College is incorporated under the Further and Higher Education (Scotland) Act 1992 as amended by the Post-16 Education (Scotland) Act 2013, and is registered with the Office of the Scottish Charities. The College is a registered charity (Scottish Charity number SCO21203) for the purposes of the Charity and Trustee Investment (Scotland) Act 2005.

Vision and Values

Vision Statement

Our Vision is to inspire and empower.

Our Values

To realise our vision we recognise the importance of colleagues, customers, partners and communities with whom we share these values:

Achievement

Encouraging, recognising and celebrating success and excellence in all that we do.

Social Responsibility

Acting in the best interests of the College community financially, socially and sustainably.

Enterprise

Actively supporting enterprise, creativity and open-mindedness. In our staff through continuous professional development, shared practice and empowerment. In our students through curriculum design and targeted information, advice and support, ensuring we are responsive to the needs of our students throughout their journey.

Inclusiveness

Building and sustaining relationships with the diverse communities we serve providing a safe and welcoming place in which to learn and work.

Integrity

Acting with honesty and fairness in our relationships with each other, students and partners making principled and transparent decisions which are mutually beneficial.

Performance Report (Continued)

Trust and Mutual Respect

Treating others with dignity and sensitivity to enable open communication and appreciation of other's choices and opinions.

Objectives and Strategies

During 2017-18, as detailed in the Regional Outcome Agreement, the College focussed on delivering 6 priority outcomes:

- Maintain a sustainable College for Fife which through effective and efficient management, partnership and good governance contributes to meeting the Scottish Government guarantee under Opportunities for All and supports the DYW agenda.
- Deliver a high quality relevant and dynamic curriculum that meets the needs of the region, and provides progression opportunities to more advanced study and appropriate exit points to employment.
- Provide learning opportunities which ensure high retention, attainment and achievement and contribute to the development of successful, ambitious and confident students.
- Provide engaging and accessible learning opportunities for people of all ages, and from all communities and backgrounds to improve life chances and social inclusion.
- Ensure there are appropriate opportunities and support mechanisms in place to enable successful transitions in and out of College.
- Grow our intellectual property, commercial profit and student opportunity through collaborative partnership with the business sector and other organisations.

Key Risks and Issues Affecting Fife College

The College maintains a strategic risk register which is reviewed regularly by the Executive Team and the Audit and Risk Committee. The risks are categorised by: Estates, Curriculum Design and Development, Health and Safety, Staff, Finance and Commercial Income.

The table below notes the key risks, what strategic risk they tie up with and what the remedial and preventative controls are in place to reduce the likelihood/impact of the risk:

Key Risks	Strategic Risk (as noted on Risk Register)	Controls/procedures in place to reduce the likelihood and impact of the risk to a more acceptable level.	
		Remedial	Preventative
Financial sustainability and uncertainty around future funding.	Failure to achieve annual financial targets in line with the five year financial forecast plan.	<ul style="list-style-type: none"> • Ability to deal with ongoing funding cuts. 	<ul style="list-style-type: none"> • Rigorous budgeting forecasting and ongoing reporting against budget. • Ongoing drive for efficiencies and realisation of "invest to save". • Researching alternative delivery approaches. • Effective planning and recruitment processes. • Targeted marketing and sales plans. • Ensure SFC and SG are aware that any additional costs incurred to progress the New Build Project will require to be fund from SFC/SG.
	Risk of external political/funding/regulatory changes.	<ul style="list-style-type: none"> • Take account of any foreseen 	<ul style="list-style-type: none"> • Remain abreast of sectoral/governmental developments, liaising

		changes/cuts in budget planning.	with auditors and response to SFC circulars. <ul style="list-style-type: none"> Remain abreast with developments on the New Build campus funding model and financing arrangements agreed with SFC/SG.
	Risk that we fail to achieve and grow commercial income in line with the five year financial forecast plans.	<ul style="list-style-type: none"> Review target/budget setting. 	<ul style="list-style-type: none"> Monitor complete curriculum offering. Constant review of KPI's. Monitor return on investment. Constant review of delivery options. Departmental restructure/more integrated planning/workforce. Creation of sales plans per faculty area directing focus on target markets. Ensure estates team are kept abreast with estates related enhancements/changes required to support delivery.
Failure to deliver a fit for purpose estate.	Failure to develop FFP estate which delivers outcomes college desires	<ul style="list-style-type: none"> Implement agreed Estates Strategy throughout Fife. Continue to rationalise and maintain existing estate per the Estates Strategy. 	<ul style="list-style-type: none"> Keep Estates Strategy under review. Ensure Fife College adheres to deadlines under its control. Progress New Halbeath Campus as part of Integrated Campus with Fife Council.
Uncertainty around the funding of the estates strategy and back log maintenance.	Failure to implement effective financial planning and control regarding estates.	<ul style="list-style-type: none"> Ability to retain proceeds from estates disposals. 	<ul style="list-style-type: none"> Budgeting and longer term financial planning to identify and accumulate resources for estate realisation. Appropriate use of professional expertise. Awareness of changes to government framework. Progress dialogue with SFC to obtain additional longer term estates maintenance funding.
Lack of capital funding leading to limited reinvestment in assets.	Fail to make use of technology and to be in a position to continuously enhance digital capability to enhance teaching modes in the way learners and all stakeholders	<ul style="list-style-type: none"> Digital capability discussed as integral theme in Learning and Teaching Committee Cross College work streams to support 	<ul style="list-style-type: none"> Dynamic approach to resource requirements. Continued investment in Learning, Teaching & Quality Enhancement. Collaborative approach at strategic level to support digitally

	expect.	<p>College Digital Skills Strategy</p> <ul style="list-style-type: none"> • Targeted support with ICT for Learning and Teaching activities, including in relation to student support and assistive technologies • Participation in sector and cross sector projects • Create duplicate resources / Establish schedules for use of shared facilities 	<p>enhanced curriculum design and delivery.</p> <ul style="list-style-type: none"> • Ongoing CPLP including identification and adoption of new and emerging technological options in fast moving environment. • Agree financial flexibility for variation / replacement of equipment.
	Risk of external political/funding/regulatory changes.	<ul style="list-style-type: none"> • Take account of any foreseen changes/cuts in budget planning. 	<ul style="list-style-type: none"> • Remain abreast of sectoral/governmental developments, liaising with auditors and response to SFC circulars. • Remain abreast with developments on the New Build campus funding model and financing arrangements agreed with SFC/SG.
	Failure to achieve positive and sustained transitions for students and to create attractive and motivating learning environment for progressive learner journey.	<ul style="list-style-type: none"> • Improve transition mechanisms including data sharing available (e.g. SDS data hub). • Improve information and communication channels and methodologies. • Review and refine jointly agreed regional curriculum pathways to avoid gaps and duplication. 	<ul style="list-style-type: none"> • Maintain a relevant curriculum and plan outcomes in conjunction with community partnership groups. • Maintain collegiate relationships with partner organisations. • Participation in Fife Data Hub. • Participation in and support of Fife Wide DYW Implementation Plan • Early identification of at risk students and provision of additional support measures, including partnership arrangements. • Robust, responsive and effective referral systems within partnerships. • Introduce flexibility in building design to support variety of learning and teaching contexts and approaches.

Performance Report (Continued)

Performance Summary and Overview

Fife College was allocated an activity target of 132,765 credits by the Scottish Funding Council (SFC) for the period August 2017 to July 2018.

The College exceeded the credit target for 2017-18 by 0.8% (1,086 credits) as well as undertaking a further £8.3 million of commercial training. £1.375 million was delivered through the College's wholly owned subsidiary, Carnegie Enterprise Limited.

The table below summarises the College key performance indicators in relation to student activity.

	2017-18	2016-17 Restated
Student Activity (Credits)	133,851	133,304
Performance Against Credits Activity Target	100.8%	100.4%
Credits per Staff FTE	155	161
Early Withdrawal*	5.9%	6.5%
Further Withdrawal*	11.4%	13.6%

*restated per published PI data.

Performance Analysis

Fife College in conjunction with local stakeholders draws up an annual outcome agreement, which is signed off by SFC. This makes up the basis of the College's activity in terms of the volume and subject area of credit activity agreed with SFC. The College also develops annually a financial plan including commercial delivery as well as SFC funded activity. Each department produces an operational plan outlining key objectives, in conjunction with the Strategic Plan, Regional Outcome Agreement and key college strategies and plans, linking in with external stakeholders.

Overall activity is managed by the Executive Team at fortnightly meetings where student activity targets are monitored along with performance against budget and achievement of operational plan targets.

Financial performance is also monitored quarterly at both the Finance, Commercial and Estates Committee and the Board of Governors. The Board of Governors is informed of the progress made towards key targets and performance, through Business Reporting and the Principal's report, which allows them to focus on how they will impact our Strategic and Operational Planning along with highlighting any key risk areas.

Fife College recorded a deficit before other gains and losses of £3,541k. It should be noted that this figure includes the impact of the pension liability movements of £2,686k and spend of net depreciation funding on other items. Removing the impact of these returns an underlying surplus of £132k as presented below and within note 28 of the financial statements.

Key points to note:

- The College delivered over and above the credit target of 132,765. The College was offered additional funding of 1,163 credits which had a value of £164k to deliver childcare credits in line with the Government's childcare strategy. These credits were handed back to SFC as the College could not deliver due to the time and course criteria constraints.
- A highlight for the year has been the success of the Flexible Workforce Development fund (FWDF) target achievement. The FWDF allocation for Fife College was £547k this was achieved by February 2018 and the College negotiated a further £105k from the Scottish Funding Council to deliver additional courses to the end of September 2018. A total of 120 employers were contacted to promote the fund with 68 taking up their 2017-18 funding.
- The College delivered around 500 Modern Apprenticeships under the Skills Development Scotland (SDS) MA contract. The 2017-18 SDS contract awarded to the College had a value of over £1.1m which was achieved.

Performance Report (Continued)

- The implementation of the new contract with the Scottish Prison Service (SPS) started at 1 August 2017, for Fife College to delivery in custody training across all 13 prisons within Scotland. The new 5 year contract is worth £4.5m income per annum for the College and this target was achieved in the first year of delivery.
- A challenge for the College throughout 2017-18 was the achievement of the Higher Education course recruitment targeted. This resulted in lower than budgeted associated fee income by £400k.
 - As part of the College estate strategy Robert Purvis House in Rosyth was disposed of and the College was given permission by SFC to retain the sale proceeds (£210k) to offset against spend in relation to the new campus project in Dunfermline.
 - Further work took place during 2017-18 to ensure the staffing structure was fit for purpose and efficiencies were sought from across the College. A restructure within the executive team took place removing two Vice Principal positions with plans to introduce a Chief Operating Officer role.
 - Following the appointment of the Assistant Principal: Digital, a plan for significant investment within the digital infrastructure and resources has begun. Funding up to £800k to support this investment has been awarded to the College by the Fife College Arm's Length Foundation.

Financial Review Summary

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (SORP) 2015: 'Accounting in Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2017-18 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.

The full financial picture is detailed later in this document. The following table gives a summary of key financial and other operating ratios:

	2017-18	2016-17
Operating Surplus/Deficit as % of Total Income	-7.0%	-6.5%
Non SFC Income as % of Total Income	26.8%	24.5%
Current Assets : Current Liabilities	0.76	0.76
Staff Costs as a % of total turnover	73.2%	70.0%
Ratio of days cash to total expenditure	16.5	25.7
Staff Turnover	17.1%	6.2%

Throughout the year the Executive Team monitored the key KPIs and reviewed the key risks affecting the College and provided an update on these to the Board of Governors and relevant Committees.

One consequence of college reclassification as central government bodies is that, from 1 April 2014, while colleges continued to prepare accounts under the FE/HE Statement of Recommended Practice, they are now also required to comply with Central Government budgeting rules. This affects, amongst other things, the way in which non-cash depreciation charges are treated for budgeting purposes and how the colleges spend the cash funds (cash budget for priorities) previously earmarked for depreciation.

Fife College's cash budget for priorities have been set at £2,152k by SFC, the actual net depreciation spend within the financial year is £1,808k. We continue to reconcile spend against the set value ensuring items allocated are in line with the set spend priorities. Spend allocated against the College's cash budget for priorities within the financial year is detailed below:

Performance Report (Continued)

Table of cash budget for priorities spend		
Revenue Priorities	2017-18 £'000	2016-17 £'000
2015-16 pay award	400	400
Voluntary severance	931	0
Estates capital development	0	79
Total impact on operating position	1,331	479
Capital Priorities		
Loan repayments	605	626
Unfunded pension payments	216	216
Total Capital	821	842
Total cash budget for priorities spend	2,152	1,321

ADJUSTED OPERATING POSITION	2017-18 £'000	2016-17 £'000
Surplus/(deficit) before other gains and losses	(3,541)	(3,116)
Add Back:		
- Depreciation (net of deferred capital grant release) (Note 1)	1,808	1,321
- Exceptional non-restructuring costs - New Build (Note 2)	0	700
- Non-cash pension adjustments - Net service cost (Note 3)	2,869	1,946
- Non-cash pension adjustments - Net interest cost (Note 4)	15	8
- Non-cash pension adjustments - Early retirement provision (Note 5)	(198)	145
Deduct:		
- CBP allocated to loan repayments and other capital items (Note 6)	(821)	(842)
Adjusted Operating Surplus/(Deficit)	132	162

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

Commentary on adjusting items:

Note 1: Depreciation is a non-cash item and is therefore excluded when calculating the adjusted cash operating position.

Note 2: As part of the project to create a new college campus in Dunfermline, the College has funded professional fees. No additional income has been received to support these costs. The cash proceeds from property sales have been used to fund these costs.

Note 3: The adjustments to the pensions charge represent the non-cash element of service cost (i.e. including the present value of projected benefits resulting from employee service in the current year) less cash contributions paid.

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

Note 5: The early retirement provision adjustment relates to the gain or loss arising from the actuarial valuation during the year and other non-cash movements.

Performance Report (Continued)

Note 6: The loans payments and the unfunded pensions payments are not reflected in the SOCI therefore this amount is adjusted.

Treasury Management

Treasury management is the management of the College's cash flows, its banking and managing the existing borrowing facilities; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College's treasury management arrangements are governed by the College's financial regulations.

Following reclassification on 1 April 2014, the College is unable to enter into new loan arrangements without prior approval from the Scottish Funding Council.

At the end of 31 July 2018, there was a cash balance of £2.3m. Normal practice is to pool funds in an overnight deposit account and to use a longer term deposit when circumstances permit. The cash balance at 31 July 2018 is higher than would normally be anticipated at month end as the College had a provision of £0.6m relating to 2015-16 bursary materials expenditure clawback, 2015-16 ESF credits clawback, 2017-18 childcare credits not used and 2017-18 student support funds underspend which are repayable to the Scottish Funding Council. This means that the underlying year end cash balance was £1.7m. The ongoing cash balance at a month end should be around £1.5m, being a half month cash requirement.

Supplier Payment

Fife College complies with the CBI Prompt Payment Code and has a policy of paying its suppliers within 30 days of invoice unless the invoice is contested. All disputes are handled as quickly as possible. Supplier payment runs are completed fortnightly future paying all invoices due and those falling due in the next 2 weeks to ensure all payments are made within 30 days unless the invoice is contested or alternative terms have been arranged.

In 2018, the level of creditors in terms of the proportion of year-end creditors to the aggregate invoiced amounts during the year was 34 days (2016-17: 39 days).

The College did not make any late interest payments during the year.

Review of Resource outturn for year ended 31 March 2018

Following the reclassification of colleges as public bodies on 1 April 2014, the college has been required to comply with government accounting and budgeting rules on a financial year basis (i.e. to the end of March). The college is given a revenue resource budget (RDEL) and a capital resource budget (CDEL) and must account for this budget on a financial year basis.

The resource budgets and final outturn for 2017-18 are outlined below:

	RDEL £k	CDEL £k
Resource budget for year ended 31 March 2018	53,718	0
Expenditure against resource budget	54,770	360
Net underspend/(overspend) against budget	(1,052)	(360)

The RDEL overspend is due to the timing of transactions across the fiscal year to March 2018 and the College financial years to July 2017 and July 2018 relating to in the main student support spend. This position has been reported to and agreed by SFC.

Performance Report (Continued)

Social Matters

Human Rights

Fife College has published a Slavery and Human Trafficking Policy Statement as required by the Modern Slavery Act 2015. This statement is reviewed annually and the actions from it implemented in all purchasing activity by requiring all new suppliers to confirm that they have “effective procedures in place to comply with the Modern Slavery Act 2015” before any transaction can take place. Details of our requirements have been incorporated into the Fife College Standard Terms and Conditions upon which all purchase orders and local contracts are based. These requirements are also included in the many frameworks we utilise, awarded by centres of expertise such as Advance Procurement for Universities and Colleges (APUC), Scottish Procurement and Crown Commercial Service (CCS).

Where modern slavery, human rights or workforce matters are identified as a potential risk in contracting for goods and services, relevant and proportionate requirements are included within our specification of requirements and appropriately probing questions are asked of bidders to demonstrate compliance with applicable laws, regulations and policies such as International Labour Organisation standards.

An example of this during financial year 2017-18 was our Personal Protective Equipment tender which required all bidders to detail verification of ethical and social audits used to demonstrate full compliance with minimum ethical and social standards for issues such as child labour avoidance, application of fair trade principles, health and safety and adequate working conditions in the manufacture of textiles.

As a Living Wage Foundation accredited employer we also ensure that all on-site contractors are paid at least the Real Living Wage, as set annually by the Living Wage Foundation. This has applied to both our catering and cleaning contracts.

There have been no complaints of any breaches of human rights within our supply chain.

Anti-Corruption and Bribery Matters

All new suppliers are required to confirm that they are “in full compliance with and support the Bribery Act 2010” before any transaction can take place. Details of our anti-corruption requirements are stated in the Fife College Standard Terms and Conditions upon which all purchase orders and local contracts are based. These requirements are also included in the many frameworks we utilise, awarded by centres of expertise such as Advance Procurement for Universities and Colleges (APUC), Scottish Procurement and Crown Commercial Service (CCS).

Fife College has a Fraud Prevention Policy and Response Plan which is regularly reviewed and clearly details the requirements for staff members to adhere to as well as advising on how to report suspected breaches.

Our procurement and financial transaction processes ensure a clear separation of duties between requestors, budget approvers and payees to mitigate against potential risk or fraudulent activity.

There have been no complaints of any breaches of corruption or bribery within our supply chain.

Environmental Matters

Fife College has a target to reduce our carbon footprint, compared with a 2013-14 baseline, by 20% by the end of the 2018-19 academic year. The College has already exceeded this target having reduced our annual emissions from 5400 tCO₂e (2013-14) to under 4000 tCO₂e (currently). We also purchase REGO certified electricity which means that the electricity we consume is certified to be from 100% renewable sources. Therefore, our actual emissions are approximately 1,700 tCO₂e less than we currently report through the Public Bodies Climate Change Duties Report (PBCCDR).

Performance Report (Continued)

The College also recognises its role in the broader community of Fife, Scotland and the UK. To this effect, we provide one of two college representatives on the Environmental Association of Universities and Colleges (EAUC Scotland) Office Bearers' Group (OBG) where policy and performance are shaped and monitored. Fife College also has the sole Further Education representation on the EAUC Climate Change Risk Working Group which is exploring the climate change risks and adaptation measures appropriate for universities and colleges across the UK. The College is also an active partner in local environmental organisations such as Fife Environmental Partnership, Fife Biodiversity Partnership and Fife Communities Climate Action Network, which are all involved in environmental initiatives across Fife.

Working with our students, we promote sustainability both through our teaching, and with Fife College Students' Association initiatives such as Green Week, and Green Club. Where possible, we also work on joint projects with other organisations, for example, The Woodland Trust, to improve our social sustainability in addition to our environmental sustainability. The College is acutely aware of our environmental leadership responsibilities and we endeavour, wherever possible, to demonstrate this commitment in our relationships with members of the community both within the college and in the wider environment.

Fife College also confirms compliance with the Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009 which sets out the required content for the report to Scottish Government. The College has reported every year since the 2015 Schedule became active, including the initial voluntary year 2015-16. Fife College is also an active participant in the EAUC Sustainability for Smaller Institutions committee that provides peer reviews for the PBCCDR, thereby improving the accuracy of our reporting and that of other institutions.

Post Balance Sheet Events

Guaranteed Minimum Pensions

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

Carnegie Enterprise Limited

Following a decision by the Carnegie Enterprise Ltd Board to liquidate the company and transfer all the assets into the College in December 2018 the financial statements for Carnegie Enterprise Limited have been prepared on a break-up basis. Accordingly, adjustments have been made to provide for the diminution in value of all fixed assets so as to reduce their carrying value to their estimated realisable amount, to provide for any further liabilities which will arise, and to reclassify fixed assets and long-term liabilities as current assets and liabilities.

Performance Report (Continued)

Offer of Funding from SFC to Exercise Option for Land Purchase

On 30 October 2018 the Scottish Funding Council (SFC) offered Fife College funding of £4.56m to allow the College to purchase the site at Halbeath, Dunfermline from Shepherd Offshore for a potential new build campus in West Fife. The College had an option to purchase the land with Shepherd Offshore which following receipt of the funding offer from SFC was exercised on 31 October 2018.

Signed Accountable Officer..... Date.....

Accountability Report 2017-18

Corporate Governance Report – Director's Report

The director's report sets out the membership of the Board of Governors and the Executive Team of Fife College and its wholly owned subsidiary companies over the course of the financial year.

The following table gives details of Fife College Board of Governors membership and relevant Register of Interests from 1 August 2017 to 31 July 2018:

Member's Name	Date Appointed	Term of Office	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
R Black	30.06.14 01.08.17	Until 31.07.21		Non Executive Member	N/A	Royal Dutch Shell	Audit and Risk Chair's
V Ilendo	03.10.13 03.03.15 01.08.18	Until 31.07.20		Non Executive Member	VI Consultancy	Fife Polish Education Trust Cupar Development Trust EKOS Limited	Audit and Risk Health and Safety and Human Resources Chair's
S Magee	01.08.13 04.03.14 03.03.18	Until 02.03.19		Non Executive Member (Regional Chair)	University of Dundee	Colleges Scotland	Chair's Estates Project Board
B Poole	03.10.13 03.03.15 01.08.18	Until 31.07.22		Non Executive Member	N/A	N/A	Audit and Risk Chair's
S Olivier	03.03.15	Until 31.07.22		Non Executive Member	University of the West of Scotland	N/A	Academic Quality
E Blades	01.08.14	Until 31.07.18	31.07.18	Teaching Staff Member	Fife College	EIS/FELA	Finance, Commercial and Estates Academic Quality
S Cochrane	01.08.14 01.08.18	Until 31.07.22		Non Executive Member	Thinking to Success Ltd	Carnegie Enterprise Ltd	Finance, Commercial and Estates Academic Quality Chair's
J Trail OBE	03.03.15 01.08.18	Until 31.07.22		Non Executive Member	GIA Business Properties	Scottish Children's Panel Carnegie Enterprise Ltd	Finance, Commercial and Estates Estates Project Board Chair's

Member's Name	Date Appointed	Term of Office	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
B Thomson	03.03.15	Until 31.07.18	31.07.18	Non Executive Member	University of St Andrews	N/A	Audit and Risk Chair's
H Wray	01.02.16	31.07.19		Non teaching Staff Member	Fife College	UNISON	Health and Safety and Human Resources Academic Quality
R Taylor	01.04.16	31.06.19		Non Executive Member	Taylor Law Ltd Young & Partners	Law Society of Scotland Glen Housing Association Fife Chamber of Commerce Chartered Institute of Arbitrators Notary Public	Estates Project Board Audit and Risk
J Walls	01.10.16	31.07.20		Non Executive Member	Inzievar Medical Practice Dr Boggon & Halford	Carnegie Enterprise Ltd	Finance, Commercial and Estates
T Martin	01.10.16	31.07.20		Non Executive Member	N/A	Opportunities Fife	Audit and Risk Academic Quality Health and Safety and Human Resources
Z Thomson	01.10.16	31.07.20		Non Executive Member	Fife Council	N/A	Academic Quality Health and Safety and Human Resources
H Hall	01.03.17	Duration of contract of employment		Principal and Chief Executive	Fife College	Carnegie Enterprise Ltd Scottish Children's Lottery Fife Chamber of Commerce & Enterprise Ltd	Health and Safety and Human Resources Finance, Commercial and Estates Estates Project Board Academic Quality
J Anderson	01.06.17 01.06.18	Until 31.05.19		Student Member	Fife College Students' Association	NUS	Health and Safety and Human Resources Academic Quality
G Jackson	01.06.17	31.05.18	27.09.17	Student Member	Fife College Students' Association	NUS	Finance, Commercial and Estates Academic Quality

Member's Name	Date Appointed	Term of Office	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
C Hunter	24.10.17 01.06.18	Until 31.05.19		Student Member	Fife College Students' Association Scottish SPCA	NUS	Academic Quality
T Vandermortten	29.01.18	Until 31.07.21		Non Executive Member		N/A	Health and Safety and Human Resources

Attendance Record

The Board of Governors formally meets 4 times a year, during 2017-18 there was also 3 other meetings covering estates plans, overall college strategy and a Board development day. The Board also has a number of Committees which are formally constituted with terms of reference. The following table provides a record of attendance of Board members at Board and Committee meetings.

Member's Name	Board of Governors	Academic Quality	Audit and Risk	Finance, Commercial and Estates	Health and Safety and Human Resources	Chair's	Carnegie Enterprise	Estates Project Board
J Anderson	4/6	3/3		3/4	1/3			
B Black	5/6		4/4			2/2		
E Blades	5/6	3/3		4/4				
S Cochrane	5/6	3/3		3/4			4/5	
H Hall	6/6	3/3		4/4	2/2		4/5	5/5
C Hunter	5/5	2/2						
V Ilendo	5/6				3/3	2/5		
S Magee	6/6					5/5		5/5
T Martin	6/6	3/3	4/4		2/3			
S Olivier	3/6	1/3						
B Poole	6/6		3/4			5/5		
R Taylor	3/6		2/2					2/5
B Thomson	5/6		4/4			2/3		
Z Thomson	6/6	2/3			0/3			
J Trail	6/6			3/4	2/2	5/5	5/5	5/5
T Vandermortten	4/4							
J Walls	4/6			2/4			5/5	
H Wray	4/6	2/3			2/3			

The Directors of Carnegie Enterprise Ltd, the College's wholly-owned trading subsidiary company, for the period 1 August 2017 to 31 July 2018 were:

- D Colman
- H Hall
- J Thomson
- J Trail
- J Walls

The members of the Executive Team of Fife College for the period 1 August 2017 to 31 July 2018 were:

- Hugh Hall, Principal and Chief Executive
- Dorothee Leslie, Vice Principal: Academic Strategy
- David Neilson, Vice Principal: Financial Strategy (leaving date 28 March 2018)
- Carol Scott, Vice Principal: Business Transformation (leaving date 8 April 2018)
- Tom Gorman, Vice Principal: Estates Strategy (0.5 FTE shared position with Forth Valley College)
- Iain Hawker, Assistant Principal: Quality and Academic Partnerships
- Susan Dunsmuir, Assistant Principal: Finance and Commercialisation
- Kris Getchell, Assistant Principal: Digital

Non Audit Fees

No payments were made to the External Auditor, Ernst & Young LLP, other than in respect of the Statutory Audit fee (see note 10).

Personal Data Security

The Principal is the Senior Information Risk Owner (SIRO). Day-to-day management of information risks is the responsibility of all Directors across the College supported by the Data Protection Officer. There have been no reportable breaches of personal data security during 2017-18 (2016-17 nil).

Corporate Governance Report – Statement of Board of Governor’s Responsibilities

In accordance with the Further and Higher Education (Scotland) Act 1992, the Board of Governors 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 year.

The Board of Governors 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 Statement of Recommended Practice on Accounting for Further and Higher Education (2015) and the 2017-18 Government Financial Reporting Manual (FRoM) issued by the Scottish Government and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council (SFC) and the College’s Board of Governors, the Board of Governors, through its designated Principal, is required to prepare financial statements for each financial year 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 year.

In causing the financial statements to be prepared, the Board of Governors 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 College will continue in operation. The Board of Governors 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 Governors has taken reasonable steps to:

- ensure that funds from the SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the SFC and any other conditions which the SFC 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

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, all managers within the College
- a comprehensive strategic and operational planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- regular reviews of key performance indicators and monthly reviews of financial results by the Executive Team supplemented by quarterly reviews to the Finance, Commercial and Estates Committee involving variance reporting and updates of forecast out-turn
- clearly defined 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 Governors
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit and Risk Committee and the Finance, Commercial and Estates Committee
- an Internal Audit service whose annual programme is reviewed by the Audit and Risk Committee and approved by the Board of Governors, a partner of which provides the Board of Governors with an annual 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

Corporate Governance Report – Statement of Board of Governor’s Responsibilities (continued)

- the implementation of action plans designed to reduce the likelihood and impact of operational and financial risks as recommended by the Code of Good Governance for Scotland’s Colleges

Any system of internal financial control can, however, only provide reasonable but not absolute assurance against material misstatement or loss.

Corporate Governance Report – Governance Statement

Introduction

Fife College is committed to exhibiting good practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the 2016 Code of Good Governance for Scotland's Colleges. Its purpose is to help the reader of the financial statements to understand how the principles have been applied.

For the annual accounts of 2017-18, we are required to confirm that the College has complied with the Code of Good Governance for Scotland's Colleges. The latest version of the code was issued in 2016.

Board of Governors

The College's Board of Governors comprised 18 members who were drawn from the public and private sector and who had both an interest in the work of the College and specific expertise, knowledge and skills that contributed to the effective governance of the College. The Board also includes the Principal, two elected Student Representatives and two elected members of staff. The roles of Chair and Depute Chair were separated from the College's Principal.

From 1 August 2013, new Board Members have been appointed in accordance with the Ministerial Guidance on College Sector Board Appointments.

A separate Board had been established for Carnegie Enterprise, the College's wholly-owned trading subsidiary. Membership of the Board comprised of a majority of members of Fife College's Board of Governors, one non-executive independent member and one senior staff member of Fife College.

The Board of Governors was responsible for setting the mission and strategic direction of the College and for protecting its reputation. The Board approved major developments and partnership projects and actively monitored and promoted financial stability. The Board had strategic responsibility for maintaining the effectiveness of staff, the welfare of students and the standards of teaching and learning. The Board promoted high standards of ethical conduct and integrity.

The Board of Governors meets four times per year and receives minutes and reports from its Committees, including the:

- Finance, Commercial and Estates Committee
- Chair's Committee
- Audit and Risk Committee
- Health and Safety and Human Resources Committee
- Academic Quality Committee
- Estates Project Board

The Board annually holds both a strategy day and a development day, together with the Executive Team, at which strategic directions, aims and objectives were set for the forthcoming three-year period. This strategic planning process included the identification of significant high-level risks and the incorporation of such risks into the existing strategic risk register, which was in turn reviewed and updated to ensure that it was appropriate and valid. Action plans were put in place to minimise and manage all significant risks. The Audit and Risk Committee then received regular reports identifying progress against the action plans to minimise and manage risks. The Risk Management Policy for Fife College was approved by the Audit and Risk Committee in June 2014 and revised by the Committee in June 2017.

Evaluation of Board, Committee and Chair performance was carried out. Each Committee undertook a review of its effectiveness and the Chair has conducted individual annual reviews with each Board Member. The Chair's Committee undertook an annual review with the Chair.

Corporate Governance Report – Governance Statement (continued)

Executive Team

The Executive Team received regular reports setting out progress against key performance indicators and objectives and considered possible control issues brought to their attention through management information reports including student recruitment and retention, income and expenditure and staff performance. The Executive Team also received reports from internal audit and from quality agencies. All of these reports were also fully considered by operational managers.

The Executive Team regularly reviewed progress towards objectives. The Principal prepared a report for each meeting of the Board of Governors on progress towards achievement of planned objectives and targets and a general update on matters affecting the overall progress and development of the College.

Finance, Commercial and Estates Committee

The purpose of the Finance, Commercial and Estates Committee is to assure the Board of Governors that Fife College has appropriate strategies, plans, budgets and controls in place which manage identified risks creating a sustainable and stable college.

Chair's Committee

The purpose of the Chair's Committee is to ensure that the governance structure of Fife College is fit for purpose and meets legislative obligations; act as a Nomination Committee for recruitment and selection to the Board of Governors; and review and approve the salaries of the Principal, Vice Principals and the Director: Governance and Compliance.

Audit and Risk Committee

The purpose of the Audit and Risk Committee is to assure the Board of Governors that Fife College has in place a system of governance, internal control and risk management which is being maintained and developed to meet legislation and regulations applying to the sector. The Committee must support the Board and the Principal by reviewing the comprehensiveness, reliability and integrity of assurances: the College's governance, risk management and internal control framework.

Internal and External Auditors attended relevant meetings of this Committee. Whilst senior members of College staff including the Principal attended meetings of the Audit and Risk Committee, they were not members of the Committee. Once a year, the Audit and Risk Committee met both the External Auditors and Internal Auditors for independent discussions.

The Audit and Risk Committee should have a range of skills and experience and at least one member must have recent relevant financial or audit experience. The Committee includes a qualified practising accountant who is also a member of the Board of Governors.

Health and Safety and Human Resources Committee

The purpose of the Health and Safety and Human Resources Committee is to assure the Board of Governors that Fife College has in place appropriate policies and procedures to promote and safeguard the health, safety and wellbeing of staff, students and all stakeholders and satisfies current legislation. With regard to organisational development and human resources, it is to assure the Board of Governors that Fife College meets its ethical and legal obligations to staff and has appropriate strategies, policies and procedures in place to promote a positive and inclusive culture.

Academic Quality Committee

The purpose of the Academic Quality Committee is to assure the Board of Governors that Fife College's learning and teaching strategy meets the needs of all stakeholders and to ensure consistency in the strategic development of learning, teaching, quality and related issues throughout the College.

Corporate Governance Report – Governance Statement (continued)

Estates Project Board

The purpose of the Estates Project Board is to ensure that the new build project at Dunfermline is effectively managed and implemented in accordance with the Business Case as approved by the Scottish Funding Council.

Risk Management

Fife College is accountable to a variety of stakeholders and the environment in which it operates is subject to wide range of risks, requiring effective risk management. Therefore, the approach of Fife College is that risk management is embedded within the operation of the College and part of its culture by actions such as:

- Including risk at departmental level, both in setting a development plan for the year ahead and monitoring throughout the year
- Including risk in strategic and operational planning
- Regular review of risk management arrangements
- Operating a formalised reporting process
- Promoting Risk Management Policy at a high level

Responsibility for risk management is assigned as follows:

The Board of Governors

- Receives assurance from the Accounting Officer that a framework for the effective management of risk is in place
- Endorses the policy and approves the strategy
- Receives a formal annual review from the Audit and Risk Committee as the basis for the preparation of the Statement on Internal Control
- Receives and comments upon periodic reviews of key risks facing the College and actions put in place to manage those risks. This function is delegated by the Board of Governors to the Audit and Risk Committee

The Accounting Officer (the Principal)

- Accepts overall responsibility for risk management within the College
- Sets the policy and strategy for the management of risk within the College

The Audit and Risk Committee

- Implements the policy and strategy set by the Accounting Officer and endorsed by the Board of Governors
- Reviews strategic risks and action plans, including those identified through the operational risk management process on a periodic basis and reports this to the Board of Governors
- Ensures that an appropriate overarching framework is in place and operational in order that objectives set out above are met.
- Determines the level of maturity the risk management process should achieve

The Executive Team

- Identifies key risks to business plan objectives as an integral part of the business planning process
- Ensures that management plans are in place and reviewed to mitigate the key risks identified during the business planning risk assessment process
- Ensures regular receipt and review of risk reports on key business plan objectives within their area of responsibility
- Ensures that risk to business plan objectives is a regular item on the agenda for the Executive Team meetings

Corporate Governance Report – Governance Statement (continued)

Risk Owners

- The risk owner is the individual responsible for ongoing management and reporting of a specific risk on the Risk Register.

Assurance Responsibilities of the Audit and Risk Committee

- Reviews the adequacy and effectiveness of the overall arrangements put in place by management to manage risk
- Received regular updates from the Executive Team on the management of the risks on the Strategic Risk Register
- Reviews the annual Statement on Internal Control and recommends it for approval by the Board of Governors

Strategic Risk Management Process

The Strategic Risk Management Process focuses on the views of the Accounting Officer and the other Executive Team Members, (both as a team and individually). It will also include the views of key Non-Executive Directors and any issues of a strategic nature identified through the Operational Risk Management process or Strategic Planning and Operational Planning.

As part of the operational planning process, each departmental plan contains a Risk Register. As these plans are informed by the Strategic Plan, the local Risk Registers will have been drawn up and taken into account in the main Risk Register.

Departmental risks are reviewed on an on-going basis at departmental meetings as part of an ongoing review of the Department's plan.

Throughout 2017-18 the key strategic risks were reported to and monitored by the Audit and Risk Committee at each of their meetings.

Internal Audit

Internal audit is a key independent source of assurance.

The strategic and annual planning of the internal audit programme is risk based, meaning their work is targeted to the areas identified as greatest risk and strategic importance.

The Audit and Risk Committee agree an internal audit schedule annually based on an audit needs assessment. They receive:

- The internal audit reports as per the agreed work programme and ensure that recommendations are adequately responded to by the college.
- An annual report from the internal auditor which should include an opinion on the degree of assurance that can be placed on the systems of internal control and any follow-up actions still outstanding which should be closed off by the College.

Internal audit carried out 7 reviews in 2017-18, none of which identified any major control weakness.

Implementation of internal audit recommendations is closely monitored and progress is reported to each meeting of the Audit and Risk Committee.

Significant Issues

There are no significant issues to report.

Corporate Governance Report – Governance Statement (continued)

Estates Strategy

A review of the original Board approved Estates Strategy Document 2014–24 was completed in December 2017 following the appointment of the Vice Principal Estates.

The review identified 14 key findings and outlined a Management Action Plan highlighting specific actions and timescales where appropriate which was approved by the Board in March 2018.

The progress against these actions have been monitored and reported to the Finance, Commercial and Estates Committee.

When the Estates Strategy is finished, the proposed primary campus sites will be:

- New Halbeath, Dunfermline
- Stenton, Glenrothes
- St Brycedale, Kirkcaldy
- Levenmouth

Summary of the key findings and progress thereof:

- In its current form, the College Estate will not meet the objectives of the College's 5-year Strategic Plan and if left in its current condition will rapidly deteriorate over this period, seriously impacting on the core business. The College has been advised that no capital funding is available for a new build in Dunfermline. Therefore, good progress has been made on the proposed revenue funded shared campus with Fife Council.
- Linked to the above is ensuring that funding is secured for the purchase of the land required for the new campus within Dunfermline. SFC has now confirmed approval of the £4.56m funding for the land purchase, on the basis of a shared campus with Fife Council and subject to Ministerial approval.
- It has been agreed that the existing Halbeath site, excluding the Busy Bees Nursery, will be sold once the new Halbeath Campus has been completed.
- Good progress continues on reviewing the projected target distribution of curriculum delivery across the proposed new estate.
- There is a general issue with room capacity across the entire estate meaning the College cannot deliver its curriculum in an efficient and effective manner. There has been good progress on increased utilisation at Stenton, but the other campuses require to further improve space utilisation.
- Further estates rationalisation activities continue with the recent sale of Robert Purvis House in Rosyth, the proposed sale of the Viewfield campus when available and the proposed exit from the Cosmos centre in St Andrews.
- Our Engineering campus within Rosyth Docks is leased with high rental and running costs. A relocation strategy has been approved by Executive Team and phase 1 of the relocation has begun.

The 5 yearly revaluation of the College's land and buildings was undertaken by FG Burnett for the year ending 31 July 2018. This resulted in an overall increase in the depreciated replacement cost value of the land and buildings of £8.6m which has been reflected in the College's 2017-18 accounts.

Going Concern

The Board of Governors considered that the College had adequate resources to continue in operational existence for the foreseeable future.

Conclusion

The Board of Governors is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. Such a system was designed to manage rather than eliminate the risk of failure to achieve business objectives and could only provide reasonable and not absolute assurance against material misstatement or loss.

Corporate Governance Report – Governance Statement (continued)

The Audit and Risk Committee agenda included a regular item for consideration of risk and control and received reports thereon from the Executive Team and the Internal Auditors. The emphasis was on obtaining the relevant degree of assurance and not merely reporting by exception.

The Board of Governors was of the view that there was an on-going process for identifying, evaluating and managing the College's significant risks, that it had been in place for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts, that it was regularly reviewed by the Board of Governors and that it accords with the 2016 Code of Good Governance for Scotland's Colleges.

Remuneration and Staff Report

Remuneration Report

Introduction

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2017-18 Government Financial Reporting Model (FrEM) issued by the Scottish Government, which came into force for the period ending 31 July 2018.

The report sets out the remuneration and accrued pension benefits of the Principal, Vice Principals and remunerated board members.

The following report has been prepared in accordance with the aforementioned regulations.

The College's External Auditor are required by the Code to audit the disclosures of remuneration and pension benefit, pay bands, and exit packages and express a separate opinion within their independent auditor's report on whether they have been properly prepared in accordance with the regulations.

Remuneration Policy

The remuneration of the Principal, Vice Principals and Director: Governance and Compliance is considered by Chair's Committee, the remit of the Chair's Committee in terms of Remuneration is as follows:

- Determine the remuneration for the Principal, Vice Principals and the Director: Governance and Compliance on an annual basis
- Approve the terms of any staff severance scheme, taking into account Scottish Funding Council guidance and thresholds; together with limits on funding and payback periods and monitor progress against this
- Consider severance scheme applications from the Principal, Vice Principals and Director: Governance and Compliance where relevant following recommendations by the Principal

Remuneration including salary and pension entitlements

Salary entitlements

The following table provides detail of the remuneration and pension interests of the Principal, Vice Principals and board members that are remunerated.

No information has been disclosed for board members that are not remunerated.

Name	Year ended 31 July 2018			Year ended 31 July 2017		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Stephen Magee	25-30	0	25-30	25-30	0	25-30
Hugh Hall ¹	130-135	20-25	150-155	50-55	0-10	60-65
Hugh Logan ²	0	0	0	30-35	-10-0	25-30
Carol Scott ³	60-65	15-20	90-95	90-95	35-40	130-135
Dorothee Leslie	90-95	-10.0-0	80-85	90-95	120-125	215-220
David Neilson ⁴	55-60	-5.0-0	50-55	90-95	5-10	95-100
Tom Gorman ⁵	45-50	0	45-50	0	0	0
Debbie Miller ⁶	0	0	0	10-15	0-5	10-15

¹ Start date 1st March 2017 – The Principal has ceased to pay pension contributions into the Superannuation Scheme. Therefore, the pension benefit noted reflects salary paid in lieu of pension on an equivalent basis.

Remuneration and Staff Report (continued)

² Leaving date 31 October 2016

³ Leaving date 8 April 2018

⁴ Leaving date 28 March 2018

⁵ Start date 1 October 2017, salary only as seconded post from Forth Valley College who administer pension

⁶ Leaving date 31 August 2016

The Regulations require information to be published on the total number of College employees (including Executive Team members) whose total actual remuneration was £60,000 or more. This information is to be disclosed in salary bandings of £10,000 above £60,000 and is shown in note 7 to the financial statements.

Remuneration of the Senior Post holder is as set out in note 8 to the financial statements.

Median remuneration

Based on the 12 month equivalent figures, the banded remuneration of the highest paid official in the organisation in the financial year 2017-18 was £130-135,000. This was 3.5 times (2016-17 4.1 times) the median remuneration of the workforce which was £36,960 (2016-17 £31,781).

Accrued pension benefits

Pension benefits for employees are provided through the Scottish Teacher's Superannuation Scheme (STSS), a defined benefit scheme, which is notionally funded and contracted out of State Earnings-Related Pension Scheme and the Local Government Pension Scheme (LGPS).

Contribution rates are set annually for all employees and can be found in note 25.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on final pensionable salary and years of pensionable service.

Principal and Vice Principals pension

Pension benefits are provided to the Principal and Vice Principals on the same basis as all other staff. The accrued pension benefits for Executive Team members are set out in the table below, together with the pension contributions made by the College:

Name	Accrued pension at pension age at 31 July 2018 £'000	Accrued lump sum at pension age at 31 July 2018 £'000	Real increase in pension 1 to 31 July 2018 £'000	Real increase in lump sum 1 to 31 July 2018 £'000	CETV at 31 July 2018 £'000	CETV at 31 July 2017 £'000	Real increase in CETV £'000
Stephen Magee	0	0	0	0	0	0	0
Hugh Hall	0	0	0	0	0	0	0
Carol Scott	40-45	75-80	0-2.5	0	917	860	52
Dorothee Leslie	25-30	60-65	0-2.5	-5.0-0	462	422	7
David Neilson	15-20	55-60	0-2.5	0-2.5	434	407	8

Cash Equivalent Transfer Value (CETV)

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

Remuneration and Staff Report (continued)

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service and not just their current appointment.

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

- (i) the figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
- (ii) the accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

1 employee of the College's wholly owned subsidiary left under compulsory redundancy during the year.

66 employees left under Voluntary Severance during the year.

0 employees left under voluntary exit terms during the year.

The total cost of the above was £938k.

The table below summarises the exit packages by cost band.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	3	25	28
£10,000 - £25,000	-	33	33
£25,000 - £50,000	-	7	7
£50,000 - £100,000	-	1	1
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
Total number of exit packages	3	66	69
Total cost (£'000)	11	927	938

Remuneration and Staff Report (continued)

Staff report

Introduction

The staff report contains information in relation to staff costs and numbers.

Senior Staff

The number of senior staff throughout the year was 6. Senior staff is defined as being the Principal, Vice Principals or a remunerated Board Member for the College.

The table below shows the senior staff by bands of £5,000;

Senior Staff Numbers Bands	2018 No	2017 No
£25,001 to £30,000 per annum	1	1
£45,001 to £50,000 per annum	1	0
£80,001 to £85,000 per annum	0	1
£85,001 to £90,000 per annum	1	0
£90,001 to £95,000 per annum	2	3
£130,001 to £135,000 per annum	1	2
Total	6	7

Total Staff Numbers and Costs

The following table provides an analysis of the staff numbers and costs split between permanent and temporary staff:

	2018 Directly employed staff	2018 Seconded and agency staff	2018 Total	2017 Total Restated*
Wages and salaries	26,378	1,508	27,886	25,739
Social security costs	2,512	105	2,617	2,402
Other pension costs	4,135	189	4,324	4,333
Total	33,025	1,802	34,827	32,474
Average number of FTE*	775	89	864	829

The college employed 627 females and 379 males as at 31 July 2018.

Sickness absence data

The average number of days lost per full time equivalent (FTE) to sickness absence during the year 2017-18 was 8.9 days, this compares to 8.88 days for the same period during 2016-17.

The following table shows the sickness absence days for the year 2017-18 comparing to the same period during 2016-17.

Days Sickness Absence	2018	2017
	12 months	12 months
Short Term (Under 20 days)	2,976	3,076
Long Term (Over 20 days)	4,456	4,112
Total	7,432	7,188

Remuneration and Staff Report (continued)

Policies in relation to disabled persons

The College Equality and Diversity Policy sets the principles and values of equality and diversity for the College. These are implemented through the College's Equality Outcomes and associated action plan which are aligned to the College Regional Outcome Agreement as well as the policies and procedures that guide the way in which people behave. Progress against the Equality Outcomes is reported every two years and is published on the Fife College website.

The policy is also implemented through a number of policies and procedures that concern the experience of staff and students. For staff, these cover the employment cycle:

- **Recruitment and Selection**

The College does wish to be a good employer and one of choice so that it can attract the best staff. Part of this includes being positive about disability and supporting people with disabilities through the recruitment and selection process including the provision of any additional support to enable all candidates to participate fairly in the process, which promotes an inclusive culture supported through the College's Vision and Values.

The College also commits to ensuring that posts are advertised in a wide variety of places that attract all people and that the way in which external advertisements are worded is inclusive of all the population. The College has continued to have The Disability Confident Committed Employer scheme and has achieved and maintained Level 2. This scheme helps us:

- draw from the widest possible pool of talent
 - secure high quality staff who are skilled, loyal and hard working
 - improve employee morale and commitment by demonstrating that we treat all employees fairly
- It also helps customers and other businesses identify that we are committed to equality in the workplace. It also enables the College to use the Disability Confident Logo on all advertisements.

- **Professional Development**

All staff will have the opportunity to participate in development activity that enables them to develop their qualifications and skills. They are also expected to participate in the Colleges Professional Development Review Scheme and undertake any staff development and training necessary for the full performance of their duties.

- **Equal Pay**

Fife College reaffirms the principle that all members of staff receive equal pay for the same or broadly similar work, for work rated as equivalent and for work of equal value. The College will ensure that all pay practice applies equally to all staff and is best practice; communicate pay practice to help members of staff develop understanding of how pay is determined; undertake equal pay audits in accordance with any legal obligations and in any case at least once every two years; provide guidance and support to managers where they make decisions on pay and benefits for staff; and work within the National Bargaining Framework for colleges in Scotland including implementation of any agreed job evaluation scheme.

- **Work Life Balance**

The College recognises that members of staff have priorities outside of their employment and that it is important for the wellbeing of all staff that there is balance between work and home life. The College also recognises that members of staff will have differing requirements at differing points in their working life and the range of Family Friendly/Flexible Working Policies and Procedures aims to ensure that an appropriate balance between work and home life can be achieved throughout a member of staff's employment at the College.

Remuneration and Staff Report (continued)

- **Conduct**

The College promotes and lives up to the principals within its Equality and Diversity Policy of: Treating people with respect; Encouraging, maintaining and promoting good relations; Applying policies, procedures and processes fairly and with due regard to every individual; Welcoming the differences between each person and value the contribution that they make to the cultural and social wellbeing of the College's working and learning environment.

- **Exit**

Members of staff will be treated fairly in circumstances where there is a reduction in the need for certain types of roles and in the application of disciplinary procedures where dismissal may be an outcome.

Health and Safety

The Board of Management of Fife College not only accepts its legal duties of care as set out in the Health and Safety at Work etc. Act 1974 and subsequent legislation but also its moral and ethical obligations to staff and to all other persons who may be affected by operational practices and procedures.

It is the policy of the Board of Governors of Fife College to conduct its activities so that

- prime consideration is given to the health and safety of its employees and all other persons affected directly or indirectly by its activities
- proper regard is given to minimise any possible undesirable effect of its activities on the student population

The Principal and Chief Executive of the College has ultimate responsibility for health and safety of the staff, students and of any members of the general public having access to College premises, and in particular assumes responsibility for:

- Considering and addressing the implications of Board decisions.
- Maintaining management structures for the effective implementation, monitoring and review of the College Health and Safety Policy, performance, systems and procedures.
- Appointing a member of the Executive Team (Vice Principal) to the role responsible for Health and Safety

Fife College has introduced a cloud based Health and Safety Management tool to help implement and manage its legal duties set out in current legislation. The management tool holds all Health and Safety information and is the main forum for staff to undertake risk assessments, accident reports, training compliance, COSHH data and also acts as the main source of data for regular reporting on Health and Safety performance.

Fife College's duty to consult on Health and Safety matters with trade unions and staff is structured through a Health and Safety Committee. The Committee meetings are scheduled three times over the curriculum year. These meetings are chaired by a Senior Manager and made up of the College Management, representatives of each recognised union and staff representatives. Typical Health and Safety performance topics being discussed would include accident trends, training compliance, inspection reports and issues raised over the period covered. The College Health and Safety Team also conduct weekly workplace spot inspections jointly with trade union safety representatives as well as conducting Health and Safety audits of Faculties throughout the College. The Faculty audits are undertaken throughout March, April and May with audit reports and action logs issued to the Faculty Director for sign off and action. The Health and Safety team then follows up all audit actions in October to make sure all outstanding action have been completed. Also, as part of the internal audit programme when selected Health and Safety processes and procedures are reviewed by the College internal auditors.

Remuneration and Staff Report (continued)

Employment Issues

The College commits itself to the fundamental conventions of the ILO where they apply to employment in particular with regard to, freedom to join a Trade Union (convention number 87), collective bargaining (convention number 98), equal pay for men and women (convention number 100) and equality of opportunity (convention number 111).

In relation to equality of pay, the Gender Pay Gap Report dated April 2018 highlights the College has a pay gap of overall mean and median pay gap of -3.45% and -0.73% between women and men. There are larger pay gaps in relation to disability and ethnicity which are a result of the numbers of staff with these protected characteristics.

The College has a published commitment to equal pay within this report which reaffirms the principle that all members of staff receive equal pay for the same or broadly similar work, for work rated as equivalent and for work of equal value. To achieve this, the College commits to:

- Ensure that all pay practice applies equally to all staff and is best practice;
- Communicate pay practice to help members of staff develop understanding of how pay is determined;
- Undertake equal pay audits in accordance with any legal obligations and in any case at least once every two years;
- Provide guidance and support to managers where they make decisions on pay and benefits for staff; and
- Work within the National Bargaining Framework for colleges in Scotland including implementation of any agreed job evaluation scheme.

The College also has a commitment to equality and diversity demonstrated by the principles of adopted by the College in this regard which are:

- Treating people with respect;
- Encouraging, maintaining and promoting good relations;
- Applying policies, procedures and processes fairly and with due regard to every individual;
- Welcoming the differences between each person and value the contribution that they make to the cultural and social wellbeing of the College's working and learning environment.

11.7% of staff participated in "Career Long Professional Learning" (CLPL) activities which led to a recognised qualification. During 17/18 14 members of staff achieved the 'Teaching Qualification (Further Education) with the University of Aberdeen. Twenty two members of staff were enrolled to undertake the 'PDA: Teaching Practice in Scotland's Colleges' with 18 achieving the qualification (two deferred and two are continuing).

The College has a Professional Development Review process which includes a CLPL element to support the development of both College and Faculty/Professional service specific CLPL activity.

The College has a robust framework of policies and procedures which support the employment lifecycle. These include for recruitment, induction, to be family friendly, encourage flexible working, discipline and grievance issues, promote health and wellbeing, absence, capability and exit.

Trade Unions

The College recognises three Trade Unions, EIS, UNISON and UNITE. The relationships with each are governed by the appropriate Recognition and Procedure Agreements augmented with regular informal discussions with senior staff including the Principal and Director: OD and HR. We have also recently agreed for the recognised Trade Unions and Management to discuss how the relationships are working with the Health and Safety and Human Resources Committee of the Board. We are an active member of the Employer's Association to support National Bargaining dialogue, discussion and agreement. All of this highlights our commitment to partnership working and a no surprises relationship based on openness and transparency from management and the recognised Trade Unions.

Remuneration and Staff Report (continued)

Facility Time

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

Relevant union officials

Number of employees who were relevant union officials during the relevant period:	Full time equivalent employee number:
10	10

Percentage of time spent on facility time

Percentage:	Number of employees:
0%	-
1%-50%	10
51%-99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time:	£25,941
Total pay bill:	£33,599,559
Percentage of the total pay bill spent on facility time:	0.08%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	4.80%
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Marketing

Fife College undertakes responsible marketing and research through working collaboratively with internal teams, partners and stakeholders to better understand the needs of our target audiences. Campaigns are then developed to ensure that messages are clear and authentic and promote opportunities for all. For example, our recent Higher Education campaign identifies the wide variety of pathways available into a career, employment or further study, ensuring students take the route that is the best for them, with particular focus on sectors where there are current or emerging skills gaps, such as engineering, digital technologies, computing, construction and care. With colleges playing a crucial role in providing higher education to students from the most deprived backgrounds, our campaigns promote that all learners, regardless of age, background or gender have equal access to education and training.

Community Relations

Fife College develops positive relationships with communities through initiatives such as the co-location of our Levenmouth campus with Levenmouth Academy, which provides interdisciplinary learning for STEM subjects and improved vocational pathways from school to college then employment. We also provide offender learning programmes and services at all 13 public sector prisons across Scotland to support offenders by providing them with the skills and knowledge to support them reintegrate into society with the ultimate goal of helping them into employment or further training. Our curriculum teams also work with their students to support community projects such as beach clean ups, improving outdoor areas in schools and retirement homes and house renovations for the homeless people in Fife.

Remuneration and Staff Report (continued)

Expenditure on consultancy

Consultancy expenditure £0k was incurred during 2017-18 (£0k 2016-17).

Parliamentary Accountability Report

Fees and Charges

Throughout the financial year Fife College had a contract with the Scottish Prison Service to deliver education services within 13 prisons across Scotland.

The direct cost of running this contract was £3.8m and income generated was £4.5m.

The Corporate Governance Statement on pages 19 – 24 was approved by the Board of Governors on 19 December 2018 and signed on its behalf by:

Hugh Hall
Principal

Stephen Magee
Chair, Board of Governors

Independent auditor's report to the members of the Board of Management of Fife College, the Auditor General for Scotland and the Scottish Parliament

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Fife College and its group for the year ended 31 July 2018 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated and College Statement of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheet, and the Consolidated and College Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college and its group as at 31 July 2018 and of the surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

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

Conclusions relating to going concern

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

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

Independent auditor's report to the members of the Board of Management of Fife College, the Auditor General for Scotland and the Scottish Parliament (continued)

Responsibilities of the Board of Management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other information in the annual report and accounts

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

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

Report on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Independent auditor's report to the members of the Board of Management of Fife College, the Auditor General for Scotland and the Scottish Parliament (continued)

Responsibilities for regularity

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

Report on other requirements

Opinions on other matters prescribed by the Auditor General for Scotland

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Stephen Reid, for and on behalf of Ernst & Young LLP
Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

19 December 2018

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Fife College

Consolidated and College Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £'000	College £'000	Consolidated Restated £'000	College Restated £'000
Income					
SFC Grants	2	36,438	34,957	36,390	34,790
Tuition fees and education contracts	3	10,685	10,685	8,523	8,523
Other income	4	2,856	2,142	3,067	2,210
Investment income	5	4	4	2	2
Donations and endowments	6	60	60	64	64
Revenue Grant from Arms Length Foundation	4	443	443	250	250
Total income		50,486	48,291	48,296	45,839
Expenditure					
Staff costs	7	36,957	36,510	33,815	33,375
Restructuring costs	7	938	930	315	298
Interest and other finance costs	9	1,045	1,042	926	924
Other operating expenses	10	11,875	10,167	13,548	11,561
Depreciation	12	3,158	3,136	2,749	2,738
Charitable Donations		54	54	59	59
Total expenditure		54,027	51,839	51,412	48,955
Surplus/ (Deficit) before other gains losses		(3,541)	(3,548)	(3,116)	(3,116)
Gain/(loss) on disposal of fixed assets		(20)	(20)	(18)	(18)
Surplus / (Deficit) before other comprehensive income		(3,561)	(3,568)	(3,134)	(3,134)
Other comprehensive income					
Actuarial (loss)/gain in respect of pension schemes	19	19,855	19,855	(42)	(42)
Unrealised gain/(loss) on revaluation of fixed assets	22	8,627	8,627	1,598	1,598
Total comprehensive income for the year		24,921	24,914	(1,578)	(1,578)
Represented by:					
Unrestricted comprehensive income for the year		24,921	24,914	(1,578)	(1,578)
		24,921	24,914	(1,578)	(1,578)
Surplus for the year attributable to:					
Non controlling interest		-	-	-	-
College		(3,561)	(3,568)	(3,134)	(3,134)
Total Comprehensive income for the year attributable to					
Non controlling interest		-	-	-	-
College		24,921	24,914	(1,578)	(1,578)

All items of income and expenditure relate to continuing activities

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 28 provides details of the adjusted operating position on a Central Government accounting basis and presents the underlying surplus for the year.

Fife College

Consolidated and College Balance Sheet

	Notes	As at 31 July 2018		As at 31 July 2017	
		Consolidated	College	Consolidated	College
		£'000	£'000	£'000	£'000
Non-current assets					
Tangible Assets	12	74,242	74,242	68,752	68,730
Investments	13	32	2	32	2
Investment in joint venture	13	404	404	404	404
		74,678	74,648	69,188	69,136
Current assets					
Stock	14	127	112	148	130
Trade and other receivables	15	2,839	2,764	1,950	1,934
Cash and cash equivalents	16	2,294	2,223	3,432	3,385
		5,260	5,099	5,530	5,449
Less: Creditors - amounts falling due within one year	17	(6,944)	(6,755)	(7,319)	(7,181)
Net current (liabilities)/assets		(1,684)	(1,656)	(1,789)	(1,732)
Total assets less current liabilities		72,994	72,992	67,399	67,404
Creditors: amounts falling due after more than one year	18	(30,728)	(30,728)	(32,668)	(32,668)
Provisions					
Pension provisions	19	(5,880)	(5,880)	(22,866)	(22,866)
Other provisions	20	(3,254)	(3,254)	(3,654)	(3,654)
Total net assets		33,132	33,130	8,211	8,216
Restricted Reserves					
Income and expenditure reserve - endowment reserve		-	-	-	-
Income and expenditure reserve - restricted reserve		-	-	-	-
Unrestricted Reserves					
Income and expenditure reserve - unrestricted	21	(426)	(396)	(17,793)	(17,756)
Revaluation reserve	22	33,558	33,526	26,004	25,972
		33,132	33,130	8,211	8,216
Non-controlling interest					
Total Reserves		33,132	33,130	8,211	8,216

The financial statements on pages 1 to 54 were approved by the Board of Management on 19/12/2018 and were signed on its behalf on that date by:

Mr Stephen Magee
Chairman

Mr Hugh Hall
Principal

Fife College
Consolidated Statement Cash Flow

	Note	31 July 2018	31 July 2017
		£'000	£'000
Cash flow from operating activities			
Surplus / (Deficit) for the year		(3,561)	(3,134)
Adjustment for non-cash items			
Depreciation	12	3,158	2,749
Deferred Government grants released to income	2	(927)	(1,001)
Deferred Non Government grants released to income	4	(423)	(427)
Loss / (Gain) on disposal of assets		16	10
Loss / (Gain) on disposal of assets-cash cost		(4)	(8)
Decrease/(increase) in stock	14	21	4
(Increase)/decrease in debtors	15	(884)	154
Increase/(decrease) in creditors	17	805	(301)
Pension Costs	25	2,130	1,341
(Decrease) in other provisions	20	(400)	(64)
(Decrease)/increase in student funds	24	(1,165)	1,178
Adjustment for investing or financing activities			
Investment income	5	(4)	(2)
Interest payable	9	1,045	926
Net cash inflow from operating activities		(193)	1,425
Cash flows from investing activities			
Proceeds from sales of fixed assets		210	740
Investment income	5	4	2
Payments made to acquire fixed assets	12	(248)	(993)
Cash flows from financing activities			
Interest paid	9	(246)	(255)
Interest element of finance lease	9	(60)	(66)
Repayments of amounts borrowed	17/18	(486)	(478)
Capital element of finance lease and service concession payments	17/18	(119)	(130)
(Decrease)/increase in cash and cash equivalents in the period		(1,138)	245
Cash and cash equivalents at beginning of the period		3,432	3,187
Cash and cash equivalents at end of the period		2,294	3,432
(Decrease)/increase in cash		(1,138)	245

Fife College

Consolidated and College Statement of Changes in Reserves

Year ended 31 July 2018

Consolidated	Income and expenditure account			Revaluation reserve	Total
	Endowment	Restricted	Unrestricted		
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2016	0	0	(15,274)	25,063	9,789
Surplus/(deficit) from the income and expenditure statement	0	0	(3,134)	0	(3,134)
Other comprehensive income	0	0	(42)	1,598	1,556
Transfers between revaluation and income and expenditure reserve	0	0	657	(657)	0
	0	0	(2,519)	941	(1,578)
Balance at 1 August 2017	0	0	(17,793)	26,004	8,211
Surplus/(deficit) from the income and expenditure statement	0	0	(3,561)	0	(3,561)
Other comprehensive income	0	0	19,855	8,627	28,482
Transfers between revaluation and income and expenditure reserve	0	0	1,073	(1,073)	0
Total comprehensive income for the year	0	0	17,367	7,554	24,921
Balance at 31 July 2018	0	0	(426)	33,558	33,132
College	Income and expenditure account			Revaluation reserve	Total
	Endowment	Restricted	Unrestricted		
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2016	0	0	(15,237)	25,031	9,794
Surplus/(deficit) from the income and expenditure statement	0	0	(3,134)	0	(3,134)
Other comprehensive income	0	0	(42)	1,598	1,556
Transfers between revaluation and income and expenditure reserve	0	0	657	(657)	0
	0	0	(2,519)	941	(1,578)
Balance at 1 August 2017	0	0	(17,756)	25,972	8,216
Surplus/(deficit) from the income and expenditure statement	0	0	(3,568)	0	(3,568)
Other comprehensive income	0	0	19,855	8,627	28,482
Transfers between revaluation and income and expenditure reserve	0	0	1,073	(1,073)	0
Total comprehensive income for the year	0	0	17,360	7,554	24,914
Balance at 31 July 2018	0	0	(396)	33,526	33,130

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 in Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2017-18 Government Financial Reporting Model (FReM) issued by the Scottish Government and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

Basis of Consolidation

The consolidated financial statements include the College and its subsidiary undertaking, Carnegie Enterprise Limited. Carnegie College Board of Management wholly owns Carnegie Enterprise Limited. Intra-group sales and profits are eliminated fully on consolidation. The College has no student union. All financial statements are made up to 31 July 2018.

Joint ventures are accounted for using the equity method.

Basis of accounting

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain fixed assets.

The accounting policies contained in the FReM apply International Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the College for the purposes of giving a true and fair view has been selected. The particular policies adopted by the College in dealing with items that are considered material to the financial statements are set out.

Recognition of income

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount.

All income from short-term deposits and Investment income is credited to the statement of income and expenditure on a receivable basis.

Grant funding

Government revenue grants including the recurrent grants from the Scottish Funding Council (SFC) 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.

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the College is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the College is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms of the restriction applied to the individual endowment fund.

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, the funds will be held in deferred income under creditors until conditions are met.

Tangible fixed assets

In line with FReM all tangible assets must be carried at fair value.

Land and buildings

Land and buildings are measured using the revaluation model. Under the revaluation model, 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 an annual indexation exercise will be completed. Depreciation and impairment losses are subsequently charged on the revalued amount.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College.

If a building is brought into use mid-way through a year the depreciation charge in the first year will be pro-rated to reflect the number of months that the asset was in use.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2018. They 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 10 to 50 years as determined by professional opinion and valuation.

Equipment

Equipment is carried at depreciated historical cost, which is used as a proxy for fair value. Depreciated historical cost is deemed to be more appropriate than revaluing for equipment as it is common for such assets to reduce in value, rather than increase, as they are utilised by the College.

Capitalised equipment is depreciated over its useful economic life as follows:

Building Fixtures	10% per year
Surface Works / Car Parks	25% per year
Non ICT Equipment	25% per year
ICT Equipment	25% per year
ICT Software	25% per year
Vehicles	25% per year

For all Equipment only one-off spend above £10,000 will be considered for capitalisation and be capitalised at cost.

Where equipment is brought into use mid-way through a year the depreciation charge in the first year will be prorated to reflect the number of months that the asset was in use.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Leased assets

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 income & expenditure account in proportion to the reducing capital element outstanding.

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.

Service Concession Arrangements

Fixed assets held under service concession arrangements will be recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are bought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value, or at a fair estimate of value placed on such assets by an independent valuer for insurance purposes. Artwork investments are subject to an independent valuation every five years.

Investments in jointly controlled entities are carried at cost less impairment in the Colleges accounts as a measurement for fair value.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

Stocks

Stocks held are valued at cost.

Cash

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Taxation

The College is an exempt charity and is therefore not liable for corporation tax under section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988. The subsidiary company transfers its profits to the College by gift aid in order to minimise their tax liabilities.

The College does not receive exemption in respect of Value Added Tax. (VAT)

The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation although where profits are transferred by gift aid, corporation tax will not be liable.

Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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 Income and Expenditure Account, 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 Income and Expenditure Account.

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.

Notes to the Financial Statements (continued)

Retirement benefits**Fife Council Pension Fund**

The Fife Council Pension Fund is a pension scheme providing benefits based on final pensionable pay. 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 Age Attained Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes, after making allowances for future withdrawals. The amount charged to the income and expenditure account represents the service cost expected to arise from employee service in the current year.

Scottish Teachers' Superannuation Scheme

The College participates in the Scottish Teachers' Superannuation Scheme 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, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the year.

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the college, are held as a permanently restricted fund which the college must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the college is restricted in the use of these funds.

	Notes	Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated £'000	College £'000	Consolidated £'000 Restated	College £'000 Restated
2 SFC Grants					
FE recurrent grant		31,340	31,340	30,790	30,790
Childcare funds	24	1,436	0	1,555	0
Release of deferred capital grants		927	927	1,001	1,001
Other SFC grants		2,709	2,664	2,968	2,923
Funding for Merger		26	26	76	76
		36,438	34,957	36,390	34,790
3 Tuition fees and education contracts					
FE fees - UK		137	137	150	150
HE fees		3,363	3,363	3,231	3,231
SDS Contracts		675	675	884	884
Education contracts		6,510	6,510	4,258	4,258
		10,685	10,685	8,523	8,523
4 Other income					
European funds		(18)	(18)	(72)	(72)
Release of deferred capital grants		423	423	427	427
Other grants		193	193	109	109
Other income-generating activities		1,527	748	1,698	826
Other income		731	796	905	920
		2,856	2,142	3,067	2,210
Revenue Grant from Arms Length Foundation		443	443	250	250
		3,299	2,585	3,317	2,460
5 Investment income					
Other interest receivable		4	4	2	2
6 Donations and endowments					
Unrestricted donations		60	60	64	64
		60	60	64	64

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
7 Staff costs				
Staff Costs :				
Salaries	27,886	27,493	25,739	25,350
Social security costs	2,617	2,585	2,402	2,372
Other pension costs	4,324	4,301	4,333	4,312
FRS 102 adjustment	2,130	2,130	1,341	1,341
Fundamental restructuring costs	938	931	315	298
Total	37,895	37,440	34,130	33,673
Academic/ Teaching Departments	17,728	17,728	19,137	19,137
Academic/ Teaching Services	9,786	9,786	6,110	6,110
Other Support Services	2,295	2,295	2,027	2,027
Administration and Central Services	2,085	2,085	2,212	2,212
Premises	1,393	1,393	1,349	1,349
Full Cost Activities	1,429	982	1,450	1,010
Other expenditure	111	111	189	189
Pension Charge less contributions paid	2,130	2,130	1,341	1,341
Sub-total	36,957	36,510	33,815	33,375
Fundamental restructuring costs	938	930	315	298
	37,895	37,440	34,130	33,673
Employment costs for staff on permanent contracts	33,031	32,620	30,807	30,420
Employment costs for staff on temporary contracts	1,796	1,759	1,667	1,614
Pension charge less contribution paid	2,130	2,130	1,341	1,341
Fundamental restructuring costs	938	931	315	298
	37,895	37,440	34,130	33,673

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

	Restated	
	2018	2017
Academic/ Teaching Departments	472	418
Academic/ Teaching Services	200	212
Other Support Services	60	61
Administration and Central Services	44	49
Premises	39	38
Full Cost Activities	47	49
Other staff	2	2
	864	829

The number of staff, including senior post-holders and the Principal, who received emoluments in the following ranges were: (A split is shown below for 2018 between staff whose emoluments include a voluntary severance (VS) payment and those that do not include a VS payments.

	2018		2018 Total No	2017 Total No
	VS included	No VS		
£60,001 to £70,000 per annum	1	9	10	4
£70,001 to £80,000 per annum	1	2	3	0
£80,001 to £90,000 per annum	2	0	2	0
£90,001 to £100,000 per annum	1	1	2	4
£100,001 to £110,000 per annum	0	0	0	0
£110,001 to £120,000 per annum	1	0	1	0
£120,001 to £130,000 per annum	0	0	0	0
£130,001 to £140,000 per annum	0	0	0	0
£140,001 to £150,000 per annum	0	0	0	0
£150,001 to £160,000 per annum	0	1	1	0
	6	13	19	8

8 Senior post-holders' emoluments

	Period ended 31 July 2018	Period ended 31 July 2017
	£	£
Emoluments of the Principal		
Salary	130,000	94,529
Pension contributions	0	5,702
Salary in lieu of pension contributions	22,360	8,228
Total emoluments of the Principal	<u>152,360</u>	<u>108,459</u>

Included within the emoluments figures are amounts in respect of salary and pension contributions. The Superannuation Scheme in respect of the Principal's pension are paid at the same rates as for other staff. The current Principal has ceased to pay pension contributions into the Superannuation Scheme and the College's contributions to the pension scheme were paid to the Principal as salary on an equivalent basis.

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
9 Interest and other finance costs				
On bank loans, overdrafts and other loans:				
Repayable within five years, not by instalments	11	8	12	10
Repayable within five years, by instalments	35	35	38	38
Repayable wholly or partly in more than five years	200	200	205	205
	<u>246</u>	<u>243</u>	<u>255</u>	<u>253</u>
On finance leases	60	60	66	66
Total net of pension charge	306	303	321	319
Net charge on pension scheme	739	739	605	605
	<u>1,045</u>	<u>1,042</u>	<u>926</u>	<u>924</u>

10 Other operating expenses by activity

Academic/ Teaching Departments	1,919	2,111	2,135	2,208
Academic/ Teaching Services	221	218	276	279
Other Support Services	116	116	114	108
Administration and central services	2,568	2,586	2,511	2,520
Student Funds Overspend	48	47	(24)	(24)
Merger Costs	0	0	59	59
General Education	1,243	1,244	1,198	1,178
Premises costs	3,407	3,400	4,934	4,959
Planned maintenance	173	174	122	122
Interest on early retirement provision	15	15	8	8
Other Expenses	1,644	127	1,717	108
Other income generating activities	596	174	531	69
Residences and catering	(75)	(45)	(33)	(33)
	<u>11,875</u>	<u>10,167</u>	<u>13,548</u>	<u>11,561</u>

Other operating expenses include:

Auditors' remuneration				
- external audit of these financial statements	34	30	39	35
- internal audit services	46	46	28	28
- other services	6	6	9	8

11 Taxation

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

12 Fixed Assets

	Land and Buildings £'000	Equipment £'000	Total Assets £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation					
At 1 August 2017	71,950	2,550	74,500	177	74,677
Additions	(22)	447	425	248	673
Revaluation	5,820	0	5,820	0	5,820
Transfers	0	0	0	(425)	(425)
Disposals	(250)	(123)	(373)	0	(373)
At 31 July 2018	77,498	2,874	80,372	0	80,372
Depreciation					
At 1 August 2017	3,458	2,467	5,925	0	5,925
Charge for the year	3,005	153	3,158	0	3,158
Written back on depreciation:					
Revaluation	(2,823)	0	(2,823)	0	(2,823)
Disposals	(7)	(123)	(130)	0	(130)
At 31 July 2018	3,633	2,497	6,130	0	6,130
Net book value					
At 1 August 2017	68,492	83	68,575	177	68,752
At 31 July 2018	73,865	377	74,242	0	74,242

Fixed Assets (College only)

	Land and Buildings £'000	Equipment £'000	Total Assets £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation					
At 1 August 2017	71,910	2,295	74,205	177	74,382
Additions	(22)	447	425	248	673
Revaluation	5,820	0	5,820	0	5,820
Transfers	0	0	0	(425)	(425)
Disposals	(250)	(123)	(373)	0	(373)
At 31 July 2018	77,458	2,619	80,077	0	80,077
Depreciation					
At 1 August 2017	3,431	2,221	5,652	0	5,652
Charge for the year	2,991	145	3,136	0	3,136
Written back on depreciation:					
Revaluation	(2,823)	0	(2,823)	0	(2,823)
Disposals	(7)	(123)	(130)	0	(130)
At 31 July 2018	3,592	2,243	5,835	0	5,835
Net book value					
At 1 August 2017	68,479	74	68,553	177	68,730
At 31 July 2018	73,866	376	74,242	0	74,242

All assets are deemed to be exchequer funded. The proceeds from the disposal of any asset, potentially could result in a repayment of funds to the exchequer.

Land and buildings were independently valued for the purposes of the financial statements by F G Burnett, Property Consultants. The basis of valuation used was Depreciated Replacement Cost at 31 July 2018. Directly attributable acquisition costs have been included and expected selling costs deducted.

Freehold land at the Halbeath campus, which was inherited on incorporation at a nominal value of £1, was revalued on 31 July 2018 and restated in the accounts at £1.7million (£1.8million 2017)

Other tangible fixed assets inherited from the local authority at incorporation were revalued on 31 July 2018 on a depreciated replacement cost basis with the assistance of independent advice. If inherited land and buildings had not been valued they would be included at nil cost and nil net book value.

The title to land, buildings and equipment with an original net book value of £5,335,000 originally funded from local authority sources was formally transferred to the College during 1997-98. The disposal of these assets and retention of any proceeds is subject to the approval of the Scottish Funding Council in accordance with the procedures set out in its Circular letter FE/48/00

Included in the College's tangible fixed assets (land and buildings) is a finance lease asset with a net book value of £1.2 million. The finance lease is for a 25-year period commencing October 2003. Under the terms of the lease the amount payable is reviewable every 5 years. The next review is due in October 2018.

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
13 Investments				
Investments in Joint Venture companies	404	404	404	404
Investments in subsidiary companies	0	2	0	2
CEL Artworks	32	0	32	0
Total	436	406	436	406
14 Stocks				
Stores	0	0	2	2
Consumables	112	112	128	128
Other	15	0	18	0
	127	112	148	130
15 Trade and other receivables				
Trade debtors - net of provision for doubtful debts	1,091	1,022	693	632
European funding	0	0	401	401
Amounts owed by SFC	261	261	132	132
Amounts owed by subsidiaries	0	(2)	0	47
VAT	0	0	0	8
Prepayments and accrued income	1,487	1,483	724	714
	2,839	2,764	1,950	1,934
16 Cash and cash equivalents				
Cash at bank	2,277	2,208	3,415	3,369
Cash in hand	17	15	17	16
	2,294	2,223	3,432	3,385
<p>The College receives certain Funding Council grants on an agency basis. The funds are available solely for students and the College acts only as paying agent. The funds held in trust are reflected on the balance sheet, as both cash at bank and as a current liability. The following agency funds are included in cash at bank and in hand at the year end:</p>				
Bursary Funds	208	208	1,419	1,419
HE Discretionary	91	91	0	0
Childcare	175	175	129	129
	474	474	1,548	1,548
17 Creditors - amounts falling due within one year				
Bank loans and overdrafts	494	494	511	511
Obligations under finance leases	121	121	119	119
Trade creditors	1,208	1,173	1,128	1,109
VAT	44	4	18	0
Pension	586	583	586	583
Amounts owed to SFC	266	266	32	32
Other taxation and social security	708	701	735	728
Other creditors	53	53	54	53
Accruals and deferred income	3,081	2,977	2,588	2,498
Bursaries and Access funds for future disbursement	383	383	1,548	1,548
	6,944	6,755	7,319	7,181

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
18 Creditors: amounts falling due after more than one year				
Bank loans	4,891	4,891	5,360	5,360
Obligations under finance leases	1,359	1,359	1,480	1,480
Government Grants	24,478	24,478	25,828	25,828
	30,728	30,728	32,668	32,668
19 Pension Provision				
As at 1 August 2017	22,866	22,866	20,878	20,878
Current service cost	4,350	4,350	3,469	3,469
Employer contributions	(2,220)	(2,220)	(2,128)	(2,128)
Interest Charged	739	739	605	605
Transfer to/ (from) income & expenditure	2,869	2,869	1,946	1,946
Actuarial gains/ (losses)	(19,855)	(19,855)	42	42
As at 31 July 2018	5,880	5,880	22,866	22,866
20 Other Provisions				
At 1 August 2017	3,654	3,654	3,718	3,718
Expenditure in the period	(217)	(217)	(217)	(217)
Revaluation adjustment	(198)	(198)	145	145
Interest charged	15	15	8	8
At 31 July 2018	3,254	3,254	3,654	3,654
The above liability is in respect of future pension liabilities arising from early retirals.				
A valuation of the existing pension provision was carried out by Hymans Robertson LLP, an independent firm of actuaries, at 31 July 2018.				
21 Income & Expenditure Reserve Unrestricted				
At 1 August 2017	(17,793)	(17,756)	(15,274)	(15,237)
Surplus/ Deficit for the year	(3,561)	(3,568)	(3,134)	(3,134)
Revaluation of Asset				
Transfer from revaluation reserve	1,073	1,073	657	657
Actuarial gain/ (loss) in pension scheme	19,855	19,855	(42)	(42)
At 31 July 2018	(426)	(396)	(17,793)	(17,756)
22 Revaluation Reserve				
At 1 August 2017	26,004	25,972	25,063	25,031
Disposal	(16)	(16)	0	0
Revaluation	5,820	5,820	(586)	(586)
Write back of depreciation on revaluation	2,823	2,823	2,184	2,184
Transfer to Income & expenditure account in respect of:				
Depreciation on revalued assets	(1,073)	(1,073)	(657)	(657)
At 31 July 2018	33,558	33,526	26,004	25,972

23 Lease obligations

Minimum lease payments receivable under non-cancellable Finance leases in future years are detailed below:

	31 July 2018		31 July 2017	
	Land and Buildings £'000	Plant and Machinery £'000	Total £'000	Total £'000
Payable during the year	121	0	121	119
Future minimum lease payments due:				
Not later than 1 year	121	0	121	119
Payable within 2 - 5 years	0	0	0	0
Payable within 6 - 10 years	0	0	0	0
Payable within 11 - 15 years	1,359	0	1,359	1,480
Payable within 16 - 20 years	0	0	0	0
Total lease payments due	1,480	0	1,480	1,599

Minimum lease payments receivable under non-cancellable operating leases in future years are detailed below:

Payable during the year	0	0	0	3
Future minimum lease payments due:				
Not later than 1 year	0	0	0	3
Later than 1 year and not later than 5 years	0	0	0	0
Later than 5 years	0	0	0	0
Total lease payments due	0	0	0	3

24 FE Bursary and other Student Support Funds

	FE		EMA's £000	Other £000	Period ended	Period ended
	Bursary £000	Hardship £000			31 July 2018	31 July 2017
Balance brought forward	1,419	0	0	0	1,419	358
Allocation received in year	6,700	479	564	284	8,027	8,433
	8,119	479	564	284	9,446	8,791
Expenditure	(6,076)	(427)	(564)	(193)	(7,260)	(7,088)
Repayable to Funding Council as Clawback	(1,397)	0	0	0	(1,397)	(333)
College Contribution to funds	62	0	0	0	62	29
Virements	(500)	(52)	0	0	(552)	20
Balance Carried forward	208	0	0	91	299	1,419

All 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.

Represented by:

Repayable to Funding Council as Clawback	299	1,419
Retained by College for Students		
	299	1,419

FE Childcare Funds

Balance brought forward	129	58
Allocation received in year	1,104	1,749
	1,233	1,807
Expenditure	(1,481)	(1,600)
Repayable to Funding Council as Clawback	(129)	0
College Contribution to funds	0	(58)
Virements	552	(20)
Balance Carried forward	175	129

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

25 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS) and the Fife Council Pension Scheme (LGPS). The CEL employees belong to the Aviva Union Pension Scheme which is noted in the CEL Annual Accounts.

The total pension costs for the institution was :

	12 months to 31 July 2018	12 months to 31 July 2017
	£000	£000
Contribution to STSS	2,461	2,244
Contribution to LGPS	2,037	1,923
Aviva	23	21
Total pension cost (Note 7)	<u>4,521</u>	<u>4,188</u>
Contribution rates		
STSS	17.2%	17.2%
LGPS	19.1%	19.1%

Scottish Teachers Superannuation Scheme (STSS)

The STSS is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rate.

Fife Council Pension Scheme

The Fife Council Pension Scheme is a notional fund and is a defined benefit multi-employer scheme. The latest actuarial valuation for the scheme was carried out as at 31 July 2018

The assumptions which have the most significant effect on the valuation and other relevant data are as follows:

Rate of return on investments in excess of rate of increase in salaries	-0.1%
Rate of return on investments in excess of rate of increase in pensions	5.2%
Market value of the assets as at 31 July 2018	80,591,000

The following notes are derived from the Actuarial report supplied by Hymans Robertson's LLP dated September 2018 to comply with the reporting requirements of FRS102, as amended

**

The FCPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended. It is contracted out of the State Second Pension.

In June 2010 the Chancellor announced that future pension increases would be linked to the Consumer Price Index (CPI) and not the Retail Price Index (RPI). The effect of this change comes through as a negative past service cost item and this has been accounted for in the income & expenditure account

Reconciliation of Defined Benefit Obligation

Period ended	31 July 2018	31 July 2017
	£000	£000
Opening Defined Benefit Obligation	96,607	85,652
Current Service Cost	3,929	3,383
Interest Cost	2,646	2,084
Contributions by Members	626	591
Actuarial Losses / (Gains)	(12,442)	6,349
Past Service Costs / (Gains)	21	22
Estimated Unfunded Benefits Paid	(207)	(212)
Estimated Benefits Paid	(1,455)	(1,262)
Closing Defined Benefit Obligation	<u>89,725</u>	<u>96,607</u>

Balance Sheet

Period ended	31 July 2018	31 July 2017
	£000	£000
Fair Value of Employer Assets	80,591	70,087
Present Value of Wholly Funded Obligations	(86,471)	(92,953)
Net (Under) Funding in Funding Plans	(5,880)	(22,866)
Unrecognised Past Service Cost	0	0
Net (Liability) held in Balance Sheet	<u>(5,880)</u>	<u>(22,866)</u>

The present value of Unfunded Obligations is £3,254K (was £3,654k in 16/17) in relation to Early Retirements agreed in previous years. There are no partly funded obligations.

Reconciliation of Fair Value of Employer Assets

Period Ended	31 July 2018 £000	31 July 2017 £000
Opening value	70,087	61,056
Interest income on plan assets	1,907	1,479
Expected Return on Assets	7,413	6,307
Contributions by Members	626	591
Contributions by the Employer	2,013	1,916
Contributions in respect of Unfunded Benefits	207	212
Unfunded Benefits Paid	(207)	(212)
Benefits Paid	(1,455)	(1,262)
Closing Fair Value of Employer Assets	80,591	70,087

Fair Value of Employer Assets

Period Ended	31 July 2018 £000	31 July 2017 £000
Equities	58,831	50,463
Bonds	10,477	9,812
Properties	6,447	5,607
Cash	4,835	4,205
Total	80,591	70,087

Analysis of amounts included in interest receivable (Note 5 & 9)

	31 July 2018 £000	31 July 2017 £000
Net return/ (Cost) on pension asset/ liability	(739)	(605)
Interest Income on Plan Assets	1,907	1,479
Interest on pension liabilities	(2,646)	(2,084)
Net Interest	(739)	(605)

Analysis of amounts charged to staff costs (Note 7)

	31 July 2018 £000	31 July 2017 £000
Pension Charge less contributions paid	2,130	1,341
Current service costs	4,329	3,447
Past service costs	21	22
Total operating charge	4,350	3,469
Less Contributions Paid	(2,220)	(2,128)
Pension costs less contributions payable	2,130	1,341

Actuarial Assumptions

The Actuaries recommended assumptions are summarised below:

Period Ended	31 July 2018 % p.a.	31 July 2017 % p.a.
Rate of increase in salaries	2.9%	3.7%
Rate of increase in pensions	2.4%	2.5%
Expected return on Assets	2.8%	2.7%
Discount rate for liabilities	2.8%	2.7%

The expected return on assets is based on the discount rate

Period Ended	31 July 2018 % p.a.	31 July 2017 % p.a.
Equities	2.8%	2.7%
Bonds	2.8%	2.7%
Property	2.8%	2.7%
Cash	2.8%	2.7%

Mortality Rates

The average life expectancy after retiring at the age of 65 is assumed to be as follows:

	Males	Females
Current Pensioners	21	24
Future Pensioners	23	26

Amounts for the current and previous accounting periods

Year to 31 July (to 31 March in 2014)	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Fair value of Employer Assets	80,591	70,087	61,056	52,610	45,636
Present Value of Defined Benefit Obligation	(89,725)	(96,607)	(85,652)	(71,066)	(58,774)
(Deficit)	(9,134)	(26,520)	(24,596)	(18,456)	(13,138)

26 Summary Pension Note

The analysis of amounts charged to the Statement of Comprehensive Income (SOI) is as follows:

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Charged to staff costs:		
Current service costs	(3,929)	(3,383)
Past service costs	(21)	(22)
Total charged to staff costs	(3,950)	(3,405)
Credit/charge for net return on pension scheme:		
Interest income	1,907	1,479
Interest cost	(2,646)	(2,084)
Net interest charges	(739)	(605)
Credit/charge to other comprehensive income:		
Return on assets	7,413	6,307
Other experience	5,215	2
Gains and losses arising on changes in financial assumptions	7,227	(6,351)
Actuarial Gain/(Loss)	19,855	(42)
Total charge to the SOCI	15,166	(4,052)
Analysis of the movement in deficit during the year:		
Deficit in scheme at start of the year	(26,520)	(24,596)
Service costs	(3,950)	(3,405)
Employer contributions	2,220	2,128
Net interest costs	(739)	(605)
Actuarial gain/(loss)	19,855	(42)
Deficit in scheme at end of year	(9,134)	(26,520)

27 Related Party Transaction

RELATED PARTY TRANSACTIONS

COMPANY	Sales	Purchases	Name	Position in Company
Colleges Scotland	15,177	0	Stephen Magee	Board Member
University of the West of Scotland	0	2,450	Prof Steve Olivier	Vice Principal
Fife Chamber of Commerce	639	3,840	Ross Taylor	Premier Partner
University of St Andrews	9,398	0	Beki Thomson	Deputy Director
Totals	25,214	6,290		

28 Non-Cash Budget for Depreciation

The following note provides details of the adjusted operating position on a Central Government Accounting basis

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Surplus/(Deficit) Before Other Gains and Losses (FE/HE SORP Basis)	(3,541)	(3,548)	(3,116)	(3,116)
Add Back: Non-Cash Allocation for Depreciation (Net of Deferred Capital Grant)	1,808	1,830	1,321	1,332
Operating Surplus/(Deficit) on Central Government Accounting Basis	(1,733)	(1,718)	(1,795)	(1,784)

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

Under the FE/HE SORP, the college recorded an operating deficit of £3,541,000 for the year ended 31 July 2018. After taking account of the Government non-cash budget, the college shows an "adjusted" deficit of £1,733,000 on a Central Government accounting basis. Further removing the impact of the non-cash pension adjustments and the impact of revenue funding allocated to capital items the below demonstrates that the college is operating sustainably within its funding allocation to 31st of July 2018.

	(1,733)	(1,718)	(1,795)	(1,784)
Operating Surplus/(Deficit) on Central Government Accounting Basis	(1,733)	(1,718)	(1,795)	(1,784)
Non-cash pension adjustments	2,686	2,686	2,099	2,099
Exceptional Non-Restructuring Costs	0	0	700	700
Revenue Funding Allocated to Loan Repayments and other capital items	(821)	(821)	(842)	(842)
Adjusted Operating Surplus/(Deficit)	132	147	162	173

29 Post Balance Sheet Events

Guaranteed Minimum Pensions

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

Carnegie Enterprise Limited

Following a decision by the Carnegie Enterprise Ltd Board to liquidate the company and transfer all the assets into the College in December 2018 the financial statements for Carnegie Enterprise Limited have been prepared on a break-up basis. Accordingly, adjustments have been made to provide for the diminution in value of all fixed assets so as to reduce their carrying value to their estimated realisable amount, to provide for any further liabilities which will arise, and to reclassify fixed assets and long-term liabilities as current assets and liabilities.

Offer of Funding from SFC to Exercise Option for Land Purchase

On 30 October 2018 the Scottish Funding Council (SFC) offered Fife College funding of £4.56m to allow the College to purchase the site at Halbeath, Dunfermline from Shepherd Offshore for a potential new build campus in West Fife. The College had an option to purchase the land with Shepherd Offshore which following receipt of the funding offer from SFC was exercised on 31 October 2018.

2017-18 Accounts direction for Scotland's colleges

1. It is the Scottish Funding Council's direction that colleges comply with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.
2. Colleges must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (for assigned colleges).
3. Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2017-18 (FReM) where applicable.
4. Incorporated colleges are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2018.
5. The annual report and accounts should be signed by the chief executive officer and by the chair, or one other member of the governing body.
6. Incorporated colleges should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
13 July 2018