



**Fife College**

**Annual Accounts 2018-19**



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Principal and Chief Executive: Dr 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 2019 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 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 giving our 6,000 full-time and 14,000 part-time students the best possible College experience. We offer a wide range of inspirational learning experiences from essential skills to graduate degree programmes.

I am pleased that the College has returned a modest surplus in 2018-19, despite continued downward pressure on our core funding from the Scottish Funding Council. In what are very challenging conditions across the College sector, I am also delighted that Fife College continues to see improvements in performance across a number of fronts including increases in student retention, student satisfaction and student attainment. Those improvements are due in no small measure to the hard work and dedication of my colleagues across the College.

There is still much to be done to sustain and improve our performance still further. Fife College's Strategy that we launched last year is now firmly embedded in how we go about our business. 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:

- Continued to reconfigure our staffing infrastructure to match our portfolio of existing and future programmes while enabling us to pursue commercial and other revenue generating opportunities
- Continued to revamp our curriculum provision to focus more on higher education and less on further education, while upscaling those academic areas that will support the future economy of Fife and beyond (e.g. digital, construction, health and social care, etc) and downsizing those areas which are less likely to lead to employment or further study for our students
- Implemented a business improvement function that will work with colleagues across the College to streamline our systems and processes
- Invested significantly in our digital infrastructure strategy that will deliver a fit for purpose, future proofed technological infrastructure to replace the current inadequate technology

## **Performance Report (Continued)**

- Continued to invest in our physical infrastructure the limited resources made available by the Scottish Funding Council for that purpose. While the Scottish Government's recent decision to fund up to £90 million in a new Dunfermline campus is welcome, significant investment is still required to address backlog maintenance/modernisation requirements in our campuses in Glenrothes and Kirkcaldy
- Strengthened our links with universities and schools as we seek to achieve a more student-centred and coherent learner journey.

Fife College is committed to being student-centred in all that we do. Our aim is to 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. In all of this we are acutely aware of the need to exercise sound stewardship and achieve continuous improvement across all parts of the College.

## **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 Charity Regulator. 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**

### **Our Vision**

To transform the lives of our students through inspirational learning and teaching.

### **Our Mission**

We will deliver excellent opportunities for our students and work with them to develop their full potential with life enhancing skills, knowledge, experience and resilience that will shape their future success.

### **Our Values**

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

- Student Centred
- Ambitious
- Inclusive
- Collaborative
- Integrity
- Innovative

### **Our Key Priority Aims**

Learning and teaching is at the heart of everything we do. We recognise that delivering a relevant curriculum and an outstanding student experience is critical to our success as a College of Higher and Further Education.

The Fife College Strategic Plan which covers the period 2018-23 is based on five key priorities:

- 1 Foster ambition and develop successful students ready to progress through an inspirational and high quality learning experience
- 2 Provide a first class learning environment
- 3 Provide a dynamic digital environment that will engage, empower and enhance experience

## Performance Report (Continued)

- 4 Develop and empower our staff to work in a culture of trust and respect in a successful and reputable college
- 5 Maintain long term financial sustainability and become more commercially focused

The Strategy is underpinned by and aligned to key college strategies, including our learning and teaching strategy, digital strategy, estates strategy, workforce planning strategy and our five year financial forecasts. Priorities outlined in the Scottish Funding Council (SFC) Regional Outcome Agreement (ROA) contribute to our key priorities and objectives.

### 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 which are in line with the 5 key priority aims noted above.

The table below notes the key risks considered in 2018-19, 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"> <li>• Ability to deal with ongoing funding cuts.</li> </ul>	<ul style="list-style-type: none"> <li>• Review of staffing structures and cost base for 2019-20 to align with rising costs and real time funding cuts as indicated within Scottish Funding Council (SFC) funding assumptions and Scottish Government (SG) sector draft budget.</li> <li>• Rigorous budgeting forecasting and ongoing reporting against budget.</li> <li>• Ongoing drive for efficiencies and realisation of "invest to save".</li> <li>• Researching alternative delivery approaches.</li> <li>• Effective planning and recruitment processes.</li> <li>• Targeted marketing and sales plans.</li> <li>• Ensure SFC and SG are aware that any additional costs incurred to progress the New Build Project will require to be funded from SFC/SG.</li> </ul>
	Risk of external political / funding / regulatory changes.	<ul style="list-style-type: none"> <li>• Take account of any foreseen changes/cuts in budget planning.</li> <li>• Participation on College Funding Group.</li> </ul>	<ul style="list-style-type: none"> <li>• Remain abreast of sectoral/governmental developments, liaising with auditors and response to SFC circulars.</li> <li>• Remain abreast with developments on the New Build campus funding model and financing arrangements agreed with SFC/SG.</li> </ul>

	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"> <li>Review target/budget setting.</li> <li>Adjust marketing as required.</li> </ul>	<ul style="list-style-type: none"> <li>Monitor complete curriculum offering. Constant review of Key Performance Indicators (KPIs).</li> <li>Monitor return on investment.</li> <li>Constant review of delivery options.</li> <li>Departmental restructure/more integrated planning/workforce.</li> <li>Creation of sales plans per faculty area directing focus on target markets.</li> <li>Ensure estates team are kept abreast with estates related enhancements/changes required to support delivery.</li> </ul>
Uncertainty around the funding of the estates strategy and back log maintenance.	Failure to implement effective financial planning and control regarding estates and deliver outcomes for the college.	<ul style="list-style-type: none"> <li>Implement agreed Estates Strategy throughout Fife.</li> <li>Continue to rationalise and maintain existing estate per the Estates Strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Keep Estates Strategy under review.</li> <li>Ensure Fife College adheres to deadlines under its control.</li> <li>Budgeting and longer term financial planning to identify and accumulate resources for estate realisation.</li> <li>Appropriate use of professional expertise.</li> <li>Maintain dialogue with SFC to obtain additional longer term estates maintenance funding.</li> </ul>
	Failure to deliver new appropriate accommodation in Dunfermline and deliver outcomes for the College.	<ul style="list-style-type: none"> <li>Ensure existing estate continues to be fit for purpose.</li> </ul>	<ul style="list-style-type: none"> <li>Working with regional and national partners to deliver the vision.</li> <li>Keep Estates Strategy under review.</li> <li>Ensure Fife College adheres to deadlines under its control.</li> <li>Appropriate use of professional expertise.</li> <li>Maintain dialogue with SFC /Scottish Government to obtain additional longer term estates maintenance funding.</li> <li>Establish dialogue with Universities for possible funding route.</li> </ul>
Lack of capital funding leading to limited reinvestment in assets.	Fail to make use of current and emerging technology and to be in a position to continuously enhance digital capability to enhance teaching modes in the way learners and all stakeholders expect.	<ul style="list-style-type: none"> <li>Digital capability discussed as integral theme in Learning and Teaching Committee and Learning and Teaching strategy</li> <li>Cross College work streams to support College Digital Skills Strategy and associated Career Long Professional Learning (CLPL) activity</li> <li>Targeted support for</li> </ul>	<ul style="list-style-type: none"> <li>Dynamic approach to resource requirements.</li> <li>Continued investment in Learning, Teaching &amp; Quality Enhancement, including review of roles and responsibilities.</li> <li>Collaborative approach at strategic level to support digitally enhanced curriculum design and delivery.</li> <li>Ongoing CLPL including identification and adoption of new and emerging technological options in fast moving environment.</li> <li>Agree financial flexibility for</li> </ul>

		<p>Digital enhancement of Learning and Teaching activities, including in relation to student support and assistive technologies</p> <ul style="list-style-type: none"> <li>• Participation in sector and cross sector innovation projects</li> <li>• Create duplicate resources / Establish schedules for use of shared facilities, including with external partners</li> </ul>	<p>variation / replacement of equipment.</p>
	<p>Failure to achieve positive transitions for students and to create attractive and motivating learning environment for progressive learner journey.</p>	<ul style="list-style-type: none"> <li>• Improve transition mechanisms including data sharing available (e.g. Skills Development Scotland data hub).</li> <li>• Improve information and communication channels and methodologies.</li> <li>• Review and refine jointly agreed regional curriculum pathways to avoid gaps/duplication and facilitate seamless transitions.</li> <li>• Improve knowledge and understanding of career opportunities to support effective pathways building</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain a relevant curriculum and plan outcomes in conjunction with community partnership groups.</li> <li>• Maintain collegiate and mutually beneficial relationships with partner organisations.</li> <li>• Participation in Fife Data Hub.</li> <li>• Participation in and support of Fife Wide Developing Young Workforce Implementation Plan and Opportunities Fife aims and objectives.</li> <li>• Early identification of at risk students and provision of additional support measures, including partnership arrangements and prioritisation of resources.</li> <li>• Robust, responsive and effective referral systems within partnerships.</li> <li>• Introduce flexibility in building design to support variety of learning and teaching contexts and approaches to increase accessibility.</li> </ul>
<p>Uncertainty around Brexit implications, in particular, the impact on commercial business and the replacement scheme for European Social Fund funding.</p>	<p>All Strategic Risks</p>	<ul style="list-style-type: none"> <li>• Brexit Plan in place and updated regularly to take into account developments as and when known.</li> <li>• Creation of action plan which identifies all the actions, aligned to relevant areas of the College, to ensure appropriate consideration and planning is carried out in preparation for Brexit.</li> <li>• Those responsible for actions within the Brexit Plan provide regular updates on progress made with actions.</li> </ul>	

The College's overall risk management process and internal control review are noted in detail within the Corporate Governance Statement (page 21).



## Performance Report (Continued)

### Performance Summary and Overview

Fife College was allocated an activity target of 132,685 credits by the Scottish Funding Council (SFC) for the period August 2018 to July 2019.

The College exceeded the credit target for 2018-19 by 0.3% (345 credits) as well as undertaking a further £8.8 million of commercial training. £0.6 million was delivered through the College's wholly owned subsidiary company, Carnegie Enterprise Limited to the period ending 31 December 2018.

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

	2018-19	2017-18
Student Activity (Credits)	133,030	133,851
Performance Against Credits Activity Target	100.3%	100.8%
Credits per Staff FTE	160	155
Early Withdrawal*	2.1%	5.9%
Further Withdrawal*	12.5%	11.4%

We have developed a range of performance measures that are used to report progress to the Board and the Executive Team on a regular basis throughout each year. We have identified 12 key performance indicators (KPIs) and targets that are fundamental to delivering the College's strategy.

The table below details the KPIs and states the actual position for 2018-19 compared to the 2017-18 actual and the targets:

KPI No.	KPI	Actual Position 2017-18	Actual Position 2018-19	Status	Five Year Target %
1	Students successfully achieving recognised qualifications	69%	75%	↑	80%
2	Students successfully achieving HNC/HND qualifications	68%	69%	↑	75%
3	Full-time college qualifiers in work/training and/or further study 3-6 months after qualifying (CLD)	91%	Not Yet Available for 2018/19	-	78%
4	Students from the MD (multiple deprivation) 10 areas participating in college courses	11%	11%	→	20%
5	Students from the MD (multiple deprivation) 10 areas successfully achieving a recognised qualification	60%	68%	↑	73%
6	Volume of credits used for Higher Education programmes	32%	30%	↓	40%
7	Student satisfaction response rate	33%	43%	↑	40%
8	Students satisfied with their college experience	90%	94%	↑	92%
9	Proportion of SFC credits used to provide STEM courses	32%	31%	↓	35%
10	Operating surplus as a % of total income	0.3%^	1.2%^	↑	3%
11	Total other income as % of total income	31%	29%	↓	32%
12	Reduction of carbon emissions	3,685 tCO <sub>2</sub> e (32% reduction from 2013-14)	3,561 tCO <sub>2</sub> e (34% reduction from 2013-14)	↑	Reduce by 38%

^ Figure does not include the pension adjustment

The main points to note regarding the variances between 2017-18 and 2018-19 are:

- Students successfully achieving (KPIs 1, 2 and 5) has improved as a result of the implementation of various initiatives, i.e. early intervention at withdrawal stage to provide support to students, introduction of flexible delivery models to support student ongoing engagement and progression.

## Performance Report (Continued)

- Volume of credits used for HE programmes (KPI 6) have dropped due to lower than expected HE recruitment during 2018-19.
- Student satisfaction response rate (KPI 7) has increased as a result of a more targeted approach to encourage students to complete the survey.
- Students satisfied with their college experience (KPI 8) has increased as a result of the implementation of the new strategic plan which places the student at the heart of all our activities encouraging a student centred culture.
- Operating surplus as a percentage of total income (KPI 10) has increased due to a growth in income and expenditure savings being made.
- Total other income as a percentage of total income (KPI 11) has decreased due to the SFC main grant increasing as a result of the national bargaining being fully funded during 2018-19.

## 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 members 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 £3.319 million. It should be noted that this figure includes the impact of the pension liability movements of £2.652 million and spend of net depreciation funding on other items. Removing the impact of these returns an underlying surplus of £208,000 as presented below and within note 28 of the financial statements.

Key points to note:

- The College delivered over its SFC credit target of 132,685 by 0.3%.
- During the year the College also exceeded its non-SFC income target of £9.1m by 1.2%.
- The College delivered around 500 Modern Apprenticeships under the Skills Development Scotland Modern Apprenticeship contract.
- During 2018-19 the College undertook a business transformation process to implement a faculty restructure and realignment of aspects of professional services. The objectives of the transformation change were to:
  - Realign the faculty structure to reflect the reduction from six to four faculties;
  - Increase capacity to enable greater innovation, further support economic priorities, improve career progression and drive up commercial income;
  - Refocus the delivery models for mainstream and commercial activity;
  - Improve efficiencies within business processes and reduce bureaucracy;
  - Rationalise some of the roles within Professional Services as part of the actions described above; and
  - Support financial sustainability which preserves as many posts as possible.
- Several grants have been awarded from the college's Arm's Length Foundation in order to purchase equipment to enhance the students learning such as:
  - £330k for an Advanced and Digital Training Academy.
  - £97k for the development of Modern Methods of Construction training.

## Performance Report (Continued)

- £27k to enable the development of new NDT courses for Eddy Current Methods.
  - £30k for an IPC soldering centre.
- Some of the spend relating to these grants will be carried forward to 2019/20.
- 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 College 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. The Scottish Government has recently announced the creation of a Dunfermline Learning Campus which will consist of Fife College and 2 existing high schools in Dunfermline for completion around 2024. The announcement proposed £90m capital to fund the College aspect of the learning campus.

## 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 2018-19 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. The current liabilities include the deferred capital grant for the land purchase of £4.5m. This will be held on the balance sheet until the conditions of the grant have been met and as this is a land grant the full amount will be released to the Statement of Comprehensive Income. The remaining condition to be met is a firm plan on the project to proceed. Removing this would increase the current ratio to 0.76.

	2018-19	2017-18
Operating Surplus/Deficit as % of Total Income	-6.1%	-7.0%
Non SFC Income as % of Total Income	24.3%	26.8%
Current Assets : Current Liabilities	0.52	0.76
Staff Costs as a % of total turnover	71.2%	73.2%
Ratio of days cash to total expenditure	31.0	16.5
Staff Turnover	14.7%	17.1%

Ratio of days cash to total expenditure has increased due to the year-end cash balance being significantly higher which is discussed in the Treasury Management section on page 10.

One consequence of college reclassification as central government bodies is that, from 1 April 2014, while colleges continued to prepare financial statements 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 has been set at £2.152 million by SFC, the actual net depreciation spend within the financial year is £1.705 million. 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	2018-19	2017-18
	£'000	£'000
2015-16 pay award	400	400
Voluntary severance	922	931
<b>Total impact on operating position</b>	<b>1,322</b>	<b>1,331</b>
Capital Priorities		
Loan repayments	614	605
Unfunded pension payments	216	216
<b>Total Capital</b>	<b>830</b>	<b>821</b>
<b>Total cash budget for priorities spend</b>	<b>2,152</b>	<b>2,152</b>

ADJUSTED OPERATING POSITION	2018-19	2017-18
	£'000	£'000
<b>Surplus/(deficit) before other gains and losses</b>	<b>(3,319)</b>	<b>(3,541)</b>
<b>Add Back:</b>		
- Depreciation (net of deferred capital grant release) (Note 1)	1,705	1,808
- Non-cash pension adjustments - Net service cost (Note 2)	2,364	2,869
- Non-cash pension adjustments - Net interest cost (Note 3)	(10)	15
- Non-cash pension adjustments - Early retirement provision (Note 4)	297	(198)
<b>Deduct:</b>		
- Cash budget for priorities allocated to loan repayments and other capital items (Note 5)	(830)	(821)
<b>Adjusted Operating Surplus/(Deficit)</b>	<b>208</b>	<b>132</b>

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

The adjusted operating surplus has been agreed with the Scottish Funding Council.

### 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:** 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 3:** 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 4:** The early retirement provision adjustment relates to the gain or loss arising from the actuarial valuation during the year and other non-cash movements.

**Note 5:** The loans payments and the unfunded pensions payments are not reflected in the SOCI therefore this amount is adjusted.

## **Performance Report (Continued)**

### **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 31 July 2019, there was a cash balance of £4.96m. 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 2019 is higher than would normally be anticipated at the year-end as the College had a provision of £0.5m relating to money due to the Scottish Funding Council and a provision of £0.3m for cash granted by the Arm's Length Foundation which will not be spent until 2019-20. There was also £0.6m of voluntary severance payments which were committed before July 2019 but will not be paid until August 2019 onwards as well as £1.3m of ICT and Estates spend which we anticipated making in July which will now be paid in August. This means that the underlying year end cash balance was £2.6m. The ongoing cash balance at a month end should be around £2m, 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 2018-19, the level of creditors in terms of the proportion of year-end creditors to the aggregate invoiced amounts during the year was 48 days (2017-18: 34 days). This is mainly as a result of increased expenditure costs due to higher very high priority estates backlog costs.

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

### **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 & 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 & 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 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 2018-19 was our Metals Tender which requested bidders to detail any supply chain audits, monitoring and improvement plans in the sourcing of metals provided under the Contract.

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 Services and Cleaning, Hygiene and Waste contracts.

## **Performance Report (Continued)**

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 tCO<sub>2</sub>e (2013-14) to 3685 tCO<sub>2</sub>e (2017-18) and we expect this trend to continue in the 2018-19 academic year. With this in mind we are now redrafting our Carbon Management Plan, with a view to incorporating more demanding targets in line with the Scottish Government's latest declaration of a climate emergency. 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 1,400 tCO<sub>2</sub>e less than we currently report through the Public Bodies Climate Change Duties Report (PBCCDR).

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 has been exploring the climate change risks and adaptation measures appropriate for universities and colleges across the UK. This group has now published its findings and guidance. The College is also the only college to be represented on the Sustainable Scotland Network Steering Group, the body that works with all public bodies across Scotland on climate change action and public bodies reporting. Fife College is 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. One of the largest projects in this year has been 'The Leven', where Fife College staff and students have been key partners in the programme designed to combine environmental, economic and social regeneration centred around the River Leven, to which the Principal has signed the Sustainable Growth Agreement in partnership with other key local and national organisations.

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. One example of these partnerships is that staff and students have planted over 400 trees supplied by the Woodland Trust in College grounds in the past twelve months. 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.

## Performance Report (Continued)

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 submitted a full report in the 2015-16 trial period and has reported every year since the 2015 Schedule became active. Fife College has no data from the baseline year of 1990, and so the College has set the baseline at 2013-14. The College set a target of 20% reduction by the 2018-19 reporting year. By reporting year 2017-18 we had achieved a 32% reduction in GHG emissions, and expect this trend to continue. 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. The College's Carbon Management Plan states our intention to match the Scottish Government commitment to be carbon neutral by 2045.

## Post Balance Sheet Events

### *New Dunfermline Campus*

It was announced by the Deputy First Minister on 4 September 2019 that the Scottish Government were committed to funding £90m towards a new campus in Dunfermline for Fife College as part of the Dunfermline Learning Campus. This will be subject to the approval of a satisfactory business case.

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

## Accountability Report 2018-19

The Accountability Report comprises the Corporate Governance Report and the Remuneration and Staff Report, and is signed by the Chair and the Principal.

### 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 company 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 2018 to 31 July 2019:

Member's Name	Date Appointed	Term of Office Ends	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
R Black	30.06.14 01.08.17	31.07.21		Non Executive	N/A	Royal Dutch Shell Standard Life	Audit and Risk Committee Chair's Committee
V Ilendo	03.10.13 03.03.15 01.08.18	31.07.20		Non Executive	VI Consultancy	Fife Polish Education Trust Fife Migrants Forum EKOS Limited	Health and Safety and Human Resources Committee Chair's Committee
S Magee	01.08.13 04.03.14 03.03.18	02.03.19	02.03.19	Non Executive (Regional Chair)	University West of Scotland	Colleges Scotland	Chair's Committee Estates Project Board
B Poole	03.10.13 03.03.15 01.08.18	31.07.22		Non Executive Member	N/A	N/A	Audit and Risk Committee Chair's Committee
S Olivier	03.03.15	31.07.18	05.02.19	Non Executive	University West of Scotland	N/A	Academic Quality Committee
S Cochrane	01.08.14 01.08.18	31.07.22		Non Executive	Thinking to Success Ltd	Carnegie Enterprise Ltd	Finance, Commercial and Estates Committee Academic Quality Committee Chair's Committee
J Trail OBE	03.03.15 01.08.18	31.07.22		Non Executive	GIA Business Properties	Scottish Children's Panel Carnegie Enterprise Ltd	Finance, Commercial and Estates Committee Estates Project Board Committee Chair's Committee
H Wray	01.02.16	31.07.19	31.07.19	Non teaching Staff	Fife College	UNISON	Health and Safety and Human Resources Committee



Member's Name	Date Appointed	Term of Office Ends	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
							Academic Quality Committee
R Taylor	01.04.16 01.08.19	31.07.23	10.09.19	Non Executive	Taylor Law Ltd	Law Society of Scotland Glen Housing Association Fife Chamber of Commerce Chartered Institute of Arbitrators Notary Public	Estates Project Board Audit and Risk Committee
J Walls	01.10.16	31.07.20	11.11.19	Non Executive	Inzievar Medical Practice Dr Boggon & Halford	Carnegie Enterprise Ltd	Finance, Commercial and Estates Committee
T Martin	01.10.16	31.07.20		Non Executive	N/A		Audit and Risk Committee Academic Quality Committee Health and Safety and Human Resources Committee
Z Thomson	01.10.16	31.07.20		Non Executive	Fife Council	N/A	Academic Quality Committee
H Hall	01.03.17	Duration of contract of employment		Principal	Fife College	Carnegie Enterprise Ltd Scottish Children's Lottery Fife Chamber of Commerce & Enterprise Ltd College Development Network	Health and Safety and Human Resources Committee Finance, Commercial and Estates Committee Estates Project Board Academic Quality Committee
J Anderson	01.07.17 01.07.18	30.06.19	21.11.18	Student	Fife College Students' Association	NUS	Health and Safety and Human Resources Committee Academic Quality Committee
C Hunter	24.10.17 01.07.18 01.07.19	30.06.20		Student	Fife College Students' Association	NUS	Academic Quality Committee Finance, Commercial and Estates Committee
T Vandermotten	29.01.18	31.07.21		Non Executive	Scottish SPCA	N/A	Health and Safety and Human Resources Committee
S Mitchell	01.11.18	31.07.22		Non Executive	Glasgow Caledonian University	N/A	Audit and Risk Committee Chair's Committee
J Harney	01.08.18	31.07.22		Teaching Staff	Fife College	EIS	Academic Quality Committee Finance, Commercial and Estates Committee

Member's Name	Date Appointed	Term of Office Ends	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
J Sherriffs	05.12.18	30.06.19	30.06.19	Student	Fife College Students' Association	N/A	Health and Safety and Human Resources Committee
D C Watt	03.03.19	02.03.23		Non Executive (Regional Chair)	Institute of Directors	BGR Training Colleges Scotland	Chair's Committee

The Board of Governors formally meets 4 times a year, during 2018-19 there was also 2 other meetings covering 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 College's wholly-owned trading subsidiary company, Carnegie Enterprise Ltd., Directors for the period 1 August 2018 to 31 December 2018 were:

- S Cochrane
- H Hall
- J Thomson
- J Trail
- J Walls

December 2018 was the last trading month for Carnegie Enterprise with all operations transferring to the College from 1 January 2019.

The members of the Executive Team of Fife College for the period 1 August 2018 to 31 July 2019 were:

- Dr Hugh Hall, Principal and Chief Executive
- Dorothée Leslie, Vice Principal: Academic Strategy
- Susan Dunsmuir, Chief Financial Officer (start date 01.10.18)
- Sue Reekie, Chief Operating Officer (start date 07.01.18)
- Iain Hawker, Assistant Principal: Quality and Academic Partnerships
- Kris Getchell, Assistant Principal: Digital
- Tom Gorman, Vice Principal: Estates Strategy (leaving date 29.09.18)

### **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 2018-19 (2017-18 nil).

## 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 2018-19 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.

As Accountable Officer for the college sector, the Scottish Funding Council Chief Executive is required to provide a governance certificate of assurance covering all colleges to the Principal Accountable Officer of the Scottish Government. This is based upon certificates of assurance from each college, which confirm that the Principal has undertaken a review of the internal control arrangements of the College and that these controls have been, and are, working well.

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 system of internal control is based on a framework of management information processes and procedures, including the segregation of duties, and relevant key college systems of delegation, automation and accountability. In particular, it includes:

- Comprehensive budgeting systems and processes and quarterly review of the budget, agreed by the Finance, Commercial and Estates Committee and the Board of Governors.
- Financial Regulations outlining financial delegation of authority, approved by the Board of Governors.
- A Strategic Plan supported by a 5 year financial forecast broken down into annual income, expenditure, capital and cash flow budgets.
- Procurement Policy and Procedures designed to ensure that all College procurement activity is focussed on the delivery of value for money and conducted to high professional standards and to the relevant legal requirements.

### **Statement of Board of Governor's Responsibilities (Continued)**

- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns.
- A comprehensive risk management process whereby the adequacy and effectiveness of the overall arrangements put in place to manage risk are reviewed on a quarterly basis.
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board.
- The adoption of formal project management disciplines.
- Board of Governors business report produced on a quarterly basis and includes information on financial performance, key performance indicators such as student activity levels and retention and achievement rates, estates and IT developments and staffing indicators.

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

### **Auditor**

The Auditor General for Scotland has appointed Ernst & Young to undertake the audit for the year ended 31 July 2019.

### **Disclosure of Information to Auditors**

The Board members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each Board member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

## 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.

This governance statement is designed to supplement the information provided in the financial statements. It sets out the governance structures, risk management and internal control processes that have been operating in the College in the year to 31 July 2019 and reports the Board's assessment of the effectiveness of these arrangements.

### Statement of Compliance

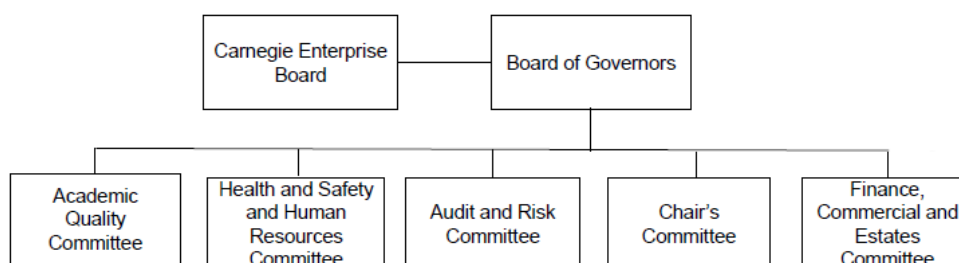
The College complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, and it has complied throughout the financial year ended 31 July 2019.

### Board of Governors

The College's Board of Governors comprised a total of 18 members. Twelve of these members were non-executive members who were drawn from the public and private sector and were selected due to their specific expertise, knowledge and skills that contributed to the effective governance of the College. The other members include the Chair, the Principal, two elected student members and two elected staff members. The Chair was appointed by Scottish Ministers. One of the non-executive members was elected by the Board as Depute Chair and Senior Independent Member.

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

The structure of Fife College's Board of Governors is as follows:



The Board has established the undernoted Committees, all of which are formally constituted with Terms of Reference, as delegated by the Board of Governors. All the committees are chaired by a non-executive member of the Board. The committees are:

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

A separate Board had been established for Carnegie Enterprise, the College's wholly-owned trading subsidiary company. 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. Carnegie Enterprise went into voluntary liquidation on 31 December 2018 and the Board was disbanded at this date.

## **Governance Statement (Continued)**

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 met four times during the year and received minutes and reports from its Committees.

The Board held its annual strategy day, with the Executive Team present. The Board reviewed the college's curriculum and workforce plans, discussing these in the context of the overall Strategic Plan. An update was also given by Education Scotland on progress made by the College.

At the start of the year, the Board reviewed the Strategic Risks for the College, and these were subsequently monitored by the Audit and Risk Committee through quarterly reports which demonstrated the progress that had been made to minimise and manage each risk. 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.

The Board receives quarterly business reports which give updates on key performance indicators for the college in relation to students, staff, finance, digital and estates. This format of reporting has been extended to other Committees.

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 development meetings with each Board Member.

### **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. The committee recommends to the Board of Governors the College's annual budgets and monitors performance in relation to the approved budgets. It considers the Estates Strategy and ensures that the College's buildings are fit for purpose and maintained to an appropriate standard. It receives quarterly reporting in relation to the Colleges Digital strategy and performance thereof.

### **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 of members to the Board of Governors; and review and approve the salaries of the Principal, Vice Principals, Chief Financial Officer and Chief Operating Officer.

## **Governance Statement (Continued)**

### **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 meet both the External Auditors and Internal Auditors for independent discussions.

The Audit and Risk Committee has a range of skills and experience with representation from financial and risk management backgrounds. The Committee includes a qualified 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.

### **Attendance at Meetings**

Attendance at the relevant meetings throughout the year was as follows:

Board of Governors	79%	(2017/18: 84%)
Academic Quality	82%	(2017/18: 85%)
Audit and Risk	89%	(2017/18: 94%)
Finance, Commercial and Estates	78%	(2017/18: 79%)
Health and Safety and Human Resources	82%	(2017/18: 63%)
Chair's Committee	87%	(2017/18: 84%)
Carnegie Enterprise Board	88%	(2017/18: 90%)
Estates Project Board	88%	(2017/18: 85%)

### **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



## Governance Statement (Continued)

- Operating a formalised reporting process
- Promoting Risk Management Policy at a high level

The Board of Governors has overall responsibility for ensuring the effective identification, mitigation and monitoring of strategic risks within the College. The Audit and Risk Committee has delegated authority from the Board of Governors to implement the policy and strategy set by the Accounting Officer and endorsed by the Board, and to review strategic risks and action plans, including those identified through the operational risk management process on a periodic basis and report this to the Board of Governors.

The College operates a Strategic Risk Register which identifies the most significant risks to the College. The Principal is responsible for the maintenance of the College Strategic Risk Register and for ensuring that appropriate risk mitigation actions are implemented to address significant risks to College operations and strategic objectives. The Executive Team members are responsible for ensuring that management plans are in place and reviewed to mitigate the key risks identified during the business planning risk assessment process. This information is included on the Strategic Risk Register in summary form.

The Audit and Risk Committee receives quarterly reports from the College's Executive Team. The Executive Team reviews operational risk and proposes updates to the Strategic Risk Register. Any proposed changes to the Strategic Risk Register are highlighted and discussed by the Audit and Risk Committee. It is also provided annually to the Board of Governors.

Throughout the year, the Audit and Risk Committee received updates on the Strategic Risk Register and monitored and considered the updates and actions provided. The following table sets out the twelve strategic risks for which the underlying risk has been scored as "high". It records the residual risk, with no risks shown as "High" and ten as "Moderate", following the mitigating actions which have been taken.

No.	Risk	Before Mitigation	After Mitigation
1	Failure to implement effective financial planning and control regarding estates and deliver outcomes for the College.	High	Moderate
2	Failure to achieve annual financial targets in line with the five year financial forecast plan.	High	Moderate
3	Failure to make use of current and emerging technology and to be in a position to continuously enhance digital capability to enhance teaching modes in the way learners and all stakeholders expect.	High	Moderate
4	Failure to focus on wider wellbeing of staff and students.	High	Moderate
5	Failure to achieve student recruitment targets across GIA and Non-GIA income activity and to deliver relevant, inclusive and sustainable regional curriculum, including ensuring successful outcomes for all students.	High	Moderate
6	Failure to develop capacity and skills mix that fits the strategy.	High	Low
7	Risk of external political/ funding/regulatory changes.	High	Moderate
8	Risk that we fail to achieve and grow commercial income in line with the five year financial forecast plans.	High	Moderate
9	Failure to achieve cohesive culture.	High	Moderate
10	Failure to achieve positive transitions for students and to create attractive and motivating learning environment for progressive learner journey.	High	Moderate
11	Failure to take steps to maintain reliable IT infrastructure and to protect systems from attacks and misuse, possibly remotely over the internet. Steps may be technical or procedural in nature. Technical steps more easily addressed than procedural steps which require buy in from staff and learners across the College.	High	Moderate
12	Failure to fully comply with statutory or regulatory requirements.	High	Low
13	Failure to deliver new appropriate accommodation in Dunfermline and deliver outcomes for the College.	Moderate	Moderate

## Governance Statement (Continued)

Throughout the year, other Board committees received information relating to the key risks relevant to their remit i.e. the Finance, Commercial and Estates Committee received information on the key financial risks, progress towards financial targets, balancing the budget and maintaining financial sustainability and the Academic Quality Committee received regular updates on credit position, performance indicators, student recruitment and the learning and teaching strategy.

### 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 agrees an internal audit schedule annually based on an audit needs assessment. It receives:

- 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.

In 2018-19 the Audit and Risk Committee commissioned the internal auditors to review the following key risks/areas which have been numbered in accordance with the above table:

Key Risk	Internal Audit Area
Risk 2 - Failure to achieve annual financial targets in line with the five-year financial forecast plan.	Non SFC Income
Risk 5 - Failure to achieve student recruitment targets across GIA and Non-GIA income activity and to deliver relevant, inclusive and sustainable regional curriculum, including ensuring successful outcomes for all students.	Performance Management – Curriculum Student Marketing Strategy for Schools Course Provision
Risk 7 - Risk of external political/funding/regulatory changes.	Non SFC Income
Risk 8 - Risk that we fail to achieve and grow commercial income in line with the five year financial forecast plans.	Non SFC Income Scottish Prison Service Contract
Risk 10 - Failure to achieve positive transitions for students and to create attractive and motivating learning environment for progressive learner journey.	Student Enrolment and Induction Strategy for Schools Course Provision

None the above reviews carried out in 2018-19 identified any major control weakness.

As well as the above, our internal auditors also held a Risk Management workshop within the year which focused on all risks detailed within the Strategic Risk Register, this was delivered to senior managers across the College.

At the end of 2018-19, of the 17 audit recommendations received, 8 were signed off as fully complete, 5 partially complete, 3 not yet due and 1 was deemed no longer applicable. Implementation of internal audit recommendations was closely monitored by the Executive Team and progress was reported to each meeting of the Audit and Risk Committee.

## **Governance Statement (Continued)**

Through the reporting on progress made with audit recommendations, the Audit and Risk Committee received assurance from the College that it is committed to implementing the recommendations received and maintaining systems of control.

The internal auditor has expressed the opinion that the Board of Governors of Fife College has a framework of internal controls in place that provides reasonable assurance regarding the organisation's governance, risk management, achievement of objectives and value for money.

## **Significant Control Issues/Weaknesses**

In completing this governance statement there have been no exceptions or issues raised for inclusion by internal or external auditors in respect of significant control issues/weaknesses.

## **Going Concern**

The College is reporting a net asset position in these financial statements of £24.59 million. This includes a pension liability of £20.98 million for the College's share of the Fife Council Local Government Pension Scheme (LGPS). The College has returned an adjusted operating surplus within the financial year. Following review of our 5-year financial forecasts, the Board of Governors considers that the College has 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.

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 2019 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 2018-19 Government Financial Reporting Model (FrM) issued by the Scottish Government, which came into force for the period ending 31 July 2019.

The report sets out the remuneration and accrued pension benefits of the Executive Team and remunerated board members.

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

#### Audit of Remuneration Report

All information disclosed in the tables in this report will be audited by the College's external auditor and all other sections of the Remuneration Report will be reviewed to ensure they are consistent with the financial statements.

#### Remuneration Policy

The remuneration of the Principal, Vice Principal, Chief Financial Officer and Chief Operating Officer is considered by Chair's Committee which is made up of the Chair and Depute Chair of the Board of Governors and the Chairs of the College committees. The remit of the Chair's Committee in terms of Remuneration is as follows:

- Determine the remuneration for the Principal, Vice Principal, Chief Financial Officer and Chief Operating Officer 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 Principal, Chief Financial Officer, and Chief Operating Officer 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 Principal, Chief Financial Officer, Chief Operating Officer and board members that are remunerated. The remuneration of the Chair of Board of Governors is set by the Scottish Government and is a non-pensionable post.

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

Name	Job Title	Year ended 31 July 2019			Year ended 31 July 2018		
		Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Stephen Magee <sup>1</sup>	Chair of Board of Governors	15-20	0	15-20	25-30	0	25-30
David C Watt <sup>2</sup>	Chair of Board of Governors	0-5	0	0-5	0	0	0
Hugh Hall <sup>3</sup>	Principal and Chief Executive	130-135	20-25	155-160	130-135	20-25	150-155
Dorothee Leslie	Vice Principal Academic Strategy	95-100	20-25	115-120	90-95	0	90-95
Susan Dunsmuir <sup>4</sup>	Chief Financial Officer	75-80	55-60	130-135	0	0	0
Sue Reekie <sup>5</sup>	Chief Operating Officer	50-55	15-20	65-70	0	0	0
Tom Gorman <sup>6</sup>	Vice Principal Estates Strategy	10-15	0	10-15	45-50	0	45-50

<sup>1</sup> Leaving date 2 March 2019. Full year equivalent salary equates to band 25-30.

## Remuneration and Staff Report (Continued)

<sup>2</sup> Start date 3 March 2019. Full year equivalent salary equates to band 25-30.

<sup>3</sup> 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.

<sup>4</sup> Start date 1 October 2018. Full year equivalent salary equates to band 95-100.

<sup>5</sup> Start date 7 January 2019. Full year equivalent salary equates to band 95-100.

<sup>6</sup> Leaving date 28 September 2018. Full year equivalent salary equates to band 45-50.

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.

### Median Remuneration

Based on the 12 month equivalent figures, the banded remuneration of the highest paid official in the organisation in the financial year 2018-19 was £130-135,000. This was 3.8 times (2017-18 3.5 times) the median remuneration of the workforce which was £34,591 (2017-18 £36,960).

### 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.

### Executive Team

Pension benefits are provided to the Vice Principal Academic Strategy, Chief Financial Officer and Chief Operating Officer on the same basis as all other staff. The accrued pension benefits for only those with a pension are set out in the table below, together with the pension contributions made by the College:

Name	Job Title	Accrued pension at pension age at 31 July 2019 £'000	Accrued lump sum at pension age at 31 July 2019 £'000	Real increase in pension 1 August 2018 to 31 July 2019 £'000	Real increase in lump sum 1 August 2018 to 31 July 2019 £'000	CETV at 31 July 2019 £'000	CETV at 31 July 2018 £'000	Real increase in CETV £'000
Dorothee Leslie	Vice Principal Academic Strategy	25-30	65-70	0-2.5	0-2.5	526	495	31
Susan Dunsmuir	Chief Financial Officer	10-15	0	2.5-5	0	121	82	31
Sue Reekie	Chief Operating Officer	0-5	0	0-2.5	0	13	0	0

### 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.

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.

## Remuneration and Staff Report (Continued)

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

60 employees left under Voluntary Severance during the year.

1 employee left under voluntary exit terms during the year.

There were no compulsory redundancies during the year.

The total cost of the above was £1,001k.

The table below summarises the exit packages by cost band.

<b>Exit Package Cost Band</b>	<b>Total Number of Exit Packages by Cost Band</b>
<£10,000	16
£10,000 - £25,000	40
£25,000 - £50,000	3
£50,000 - £100,000	2
<b>Total number of exit packages</b>	<b>61</b>
<b>Total cost (£000)</b>	<b>£1,001</b>

## Remuneration and Staff Report (Continued)

### Staff Report

#### Introduction

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

#### Staff Numbers and Costs

##### Total Staff Numbers and Costs

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

	<b>2019 Directly employed staff</b>	<b>2019 Seconded and agency staff</b>	<b>2019 Total</b>	<b>2018 Total</b>
Wages and salaries	27,809	1,054	28,863	27,886
Social security costs	2,589	75	2,664	2,617
Other pension costs	4,758	129	4,887	4,324
<b>Total</b>	<b>35,156</b>	<b>1,258</b>	<b>36,414</b>	<b>34,827</b>
Average number of FTE	794	37	831	864

There is a reduction of 33 FTE from 2017-18 to 2018-19. This is mainly due to a reduction in temporary staffing and the restructure relating to Scottish Prison Service staff.

The college employed 599 females and 355 males as at 31 July 2019, the following table details the breakdown:

	<b>Female</b>	<b>Male</b>
Executive	3	3
Director	6	5
All other Employees	590	347
<b>TOTAL</b>	<b>599</b>	<b>355</b>

#### Sickness Absence Data

The average number of days lost per full time equivalent (FTE) to sickness absence during the year 2018-19 was 8.8 days, this compares to 8.9 days for the same period during 2017-18.

The following table shows the sickness absence days for the year 2018-19 comparing to the same period during 2017-18.

<b>Days Sickness Absence</b>	<b>2019 12months</b>	<b>2018 12months</b>
Short Term (Under 20 days)	3,169	2,976
Long Term (Over 20 days)	4,225	4,456
<b>Total</b>	<b>7,245</b>	<b>7,432</b>

## **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 College's 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 principles 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 Governors 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 Fife College Board of Governors 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 (Chief Operating Officer) 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. Typically, 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 conducts regular 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 complete.

Also, as part of the internal audit programme when selected Health and Safety processes and procedures are reviewed by the College internal auditors. During June 2019 a full Health and Safety External Audit was conducted to refresh the targets for the forthcoming period to focus on area where improvement was identified.

## **Remuneration and Staff Report (Continued)**

### **Employment Issues**

The College commits 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 2019 highlights the College has a pay gap of overall mean and median pay gap of -4.36% and 1.26% 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.

14.7% of staff participated in "Career Long Professional Learning" (CLPL) activities which led to a recognised qualification which is slightly higher than 2017-18 (11.7%). During 2018-19, 15 members of staff achieved the 'Teaching Qualification (Further Education) with the University of Aberdeen. Twenty-seven members of staff were enrolled to undertake the 'PDA: Teaching Practice in Scotland's Colleges' with 20 achieving the qualification with 7 continuing into the next academic year. There were 8 members of staff who achieved the CDN Award for Teaching in Colleges Today.

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. The recognised Trade Unions and Management also have the opportunity to annually 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 2019.

#### Relevant union officials

Number of employees who were relevant union officials during the relevant period:	Full time equivalent employee number:
9	9

#### Percentage of time spent on facility time

Percentage:	Number of employees:
0%	-
1%-50%	9
51%-99%	-
100%	-

#### Percentage of pay bill spent on facility time

Total cost of facility time:	£27,446
Total pay bill:	£37,061,635
Percentage of the total pay bill spent on facility time:	0.07%

#### 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, colleges play a crucial role in providing higher education to students from the most deprived backgrounds, and as such our Higher Education Campaign promotes that all learners, regardless of age, background or gender have equal access to education and training. In the wider sense, our campaigns focus on the destination rather than the course, identifying the wide variety of pathways available into a career, employment or further study, ensuring students take the route that is the best for them. Particular focus is placed on sectors that are crucial for the local economy and where there are current or emerging skills gaps, such as engineering, digital technologies, computing, construction and care, establishing education as a driver for economic change and social inclusion.

### 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**

There was no consultancy expenditure incurred during 2018-19.

## **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 £3.81m and income generated was £4.6m.

The Corporate Governance Statement on pages 19 – 24 was approved by the Board of Governors on 11 December 2019 and signed on its behalf by:

Hugh Hall  
Principal

David C Watt  
Chair, Board of Governors

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

### **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 2019 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheet, and the Consolidated 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 2019 and of the deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

#### **Basis of opinion**

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is three years. We are independent of the college 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. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern basis of accounting**

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board 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 Governors of Fife College, the Auditor General for Scotland and the Scottish Parliament (continued)**

### **Risks of material misstatement**

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

### **Responsibilities of the Board of Governors for the financial statements**

As explained more fully in the Statement of the Board of Governors' Responsibilities, the Board of Governors 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 Governors 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 Governors is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

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

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://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 Governors is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our independent auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

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

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

### **Report on regularity of expenditure and income**

#### **Opinion on regularity**

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

#### **Responsibilities for regularity**

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

### **Report on other requirements**

#### **Opinions on matters prescribed by the Auditor General for Scotland**

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

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

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

#### **Matters on which we are required to report by exception**

We are required by the Auditor General for Scotland to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

#### **Conclusions on wider scope responsibilities**

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

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

**Use of our report**

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

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

Ernst & Young 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 2019		Year ended 31 July 2018	
		Consolidated £'000	College £'000	Consolidated Restated £'000	College Restated £'000
<b>Income</b>					
SFC Grants	2	40,326	40,326	36,438	36,393
Tuition fees and education contracts	3	10,567	10,567	10,685	10,685
Other income	4	2,566	2,344	2,856	2,142
Investment income	5	24	24	4	4
Donations and endowments	6	124	124	60	60
Revenue Grant from Arms Length Foundation	4	475	475	443	443
<b>Total income</b>		<b>54,082</b>	<b>53,860</b>	<b>50,486</b>	<b>49,727</b>
<b>Expenditure</b>					
Staff costs	7	38,498	38,295	36,957	36,510
Restructuring costs	7	1,171	1,171	938	930
Interest and other finance costs	9	559	557	1,045	1,042
Other operating expenses	10	14,081	14,073	11,875	11,603
Depreciation	12	3,035	3,035	3,158	3,136
Charitable Donations		57	57	54	54
<b>Total expenditure</b>		<b>57,401</b>	<b>57,188</b>	<b>54,027</b>	<b>53,275</b>
<b>Surplus / (Deficit) before other gains losses</b>		<b>(3,319)</b>	<b>(3,328)</b>	<b>(3,541)</b>	<b>(3,548)</b>
Gain/(loss) on disposal of fixed assets		0	0	(20)	(20)
<b>Surplus / (Deficit) before other comprehensive income</b>		<b>(3,319)</b>	<b>(3,328)</b>	<b>(3,561)</b>	<b>(3,568)</b>
Unrealised surplus on revaluation of land and buildings					
<b>Other comprehensive income</b>					
Actuarial (loss)/gain in respect of pension schemes	19	(9,414)	(9,414)	19,855	19,855
Unrealised gain/(loss) on revaluation of fixed assets	22	4,193	4,193	8,627	8,627
<b>Total comprehensive income for the year</b>		<b>(8,540)</b>	<b>(8,549)</b>	<b>24,921</b>	<b>24,914</b>

Total comprehensive income for the year is wholly represented by unrestricted income and is fully attributable to College.

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 2019		As at 31 July 2018	
		Consolidated	College	Consolidated	College
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Tangible Assets	12	80,790	80,790	74,242	74,242
Investments	13	32	32	32	2
Investment in joint venture	13	404	404	404	404
		<b>81,226</b>	<b>81,226</b>	<b>74,678</b>	<b>74,648</b>
<b>Current assets</b>					
Stock	14	90	90	127	112
Trade and other receivables	15	2,519	2,519	2,839	2,764
Cash and cash equivalents	16	4,955	4,955	2,294	2,223
		<b>7,564</b>	<b>7,564</b>	<b>5,260</b>	<b>5,099</b>
Less: Creditors - amounts falling due within one year	17	(14,356)	(14,356)	(6,944)	(6,755)
<b>Net current (liabilities)/assets</b>		<b>(6,792)</b>	<b>(6,792)</b>	<b>(1,684)</b>	<b>(1,656)</b>
<b>Total assets less current liabilities</b>		<b>74,434</b>	<b>74,434</b>	<b>72,994</b>	<b>72,992</b>
Creditors: amounts falling due after more than one year	18	(28,865)	(28,865)	(30,728)	(30,728)
<b>Provisions</b>					
Pension provisions	19	(17,658)	(17,658)	(5,880)	(5,880)
Other provisions	20	(3,319)	(3,319)	(3,254)	(3,254)
<b>Total net assets</b>		<b>24,592</b>	<b>24,592</b>	<b>33,132</b>	<b>33,130</b>
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted	21	(12,516)	(12,516)	(426)	(396)
Revaluation reserve	22	37,108	37,108	33,558	33,526
<b>Total Reserves</b>		<b>24,592</b>	<b>24,592</b>	<b>33,132</b>	<b>33,130</b>

The financial statements on pages 1 to 54 were approved by the Board of Governors on 11 December 2019 and were signed on its behalf on that date by:

Hugh Hall  
Principal

David C Watt  
Chair, Board of Governors

## Fife College

### Consolidated Statement Cash Flow

	Note	31 July 2019	31 July 2018
		£'000	£'000
<b>Cash flow from operating activities</b>			
(Deficit) / Surplus for the year		(3,319)	(3,561)
<b>Adjustment for non-cash items</b>			
Depreciation	12	3,035	3,158
Deferred Government grants released to income	2	(927)	(927)
Deferred Non Government grants released to income	4	(403)	(423)
Loss / (Gain) on disposal of assets		0	16
(Gain) / Loss on disposal of assets-cash cost		0	(4)
Decrease / (increase) in stock	14	37	21
Decrease / (increase) in debtors	15	321	(884)
Increase / (decrease) in creditors	17	7,558	805
Pension Costs	25	2,084	2,130
Increase / (decrease) in other provisions	20	65	(400)
(Decrease) / increase in student funds	24	(171)	(1,165)
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(14)	(4)
Interest payable	9	559	1,045
<b>Net cash inflow from operating activities</b>		<b>8,825</b>	<b>(193)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		0	210
Investment income	5	14	4
Payments made to acquire fixed assets	12	(5,285)	(248)
<b>Cash flows from financing activities</b>			
Interest paid	9	(225)	(246)
Interest element of finance lease	9	(54)	(60)
Repayments of amounts borrowed	17/18	(493)	(486)
Capital element of finance lease and service concession payments	17/18	(121)	(119)
<b>Increase / (decrease) in cash and cash equivalents in the period</b>		<b>2,661</b>	<b>(1,138)</b>
Cash and cash equivalents at beginning of the period		2,294	3,432
Cash and cash equivalents at end of the period		4,955	2,294
<b>Increase / (decrease) in cash</b>		<b>2,661</b>	<b>(1,138)</b>

**Fife College**  
**Consolidated and College Statement of Changes in Reserves**  
**Year ended 31 July 2019**

<b>Consolidated</b>	<b>Income and expenditure account</b>	<b>Revaluation reserve</b>	<b>Total</b>
	<b>Unrestricted</b>		
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 August 2017</b>	<b>(17,793)</b>	<b>26,004</b>	<b>8,211</b>
Surplus/(deficit) from the income and expenditure statement	(3,561)	0	<b>(3,561)</b>
Other comprehensive income	19,855	8,627	<b>28,482</b>
Transfers between revaluation and income and expenditure reserve	1,073	(1,073)	<b>0</b>
	<b>17,367</b>	<b>7,554</b>	<b>24,921</b>
<b>Balance at 1 August 2018</b>	<b>(426)</b>	<b>33,558</b>	<b>33,132</b>
Surplus/(deficit) from the income and expenditure statement	(3,319)	0	<b>(3,319)</b>
Other comprehensive income	(9,779)	4,558	<b>(5,221)</b>
Transfers between revaluation and income and expenditure reserve	1,008	(1,008)	<b>0</b>
<b>Total comprehensive income for the year</b>	<b>(12,090)</b>	<b>3,550</b>	<b>(8,540)</b>
<b>Balance at 31 July 2019</b>	<b>(12,516)</b>	<b>37,108</b>	<b>24,592</b>
<b>College</b>	<b>Income and expenditure account</b>	<b>Revaluation reserve</b>	<b>Total</b>
	<b>Unrestricted</b>		
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 August 2017</b>	<b>(17,756)</b>	<b>25,972</b>	<b>8,216</b>
Surplus/(deficit) from the income and expenditure statement	(3,568)	0	<b>(3,568)</b>
Other comprehensive income	19,855	8,627	<b>28,482</b>
Transfers between revaluation and income and expenditure reserve	1,073	(1,073)	<b>0</b>
	<b>17,360</b>	<b>7,554</b>	<b>24,914</b>
<b>Balance at 1 August 2018</b>	<b>(396)</b>	<b>33,526</b>	<b>33,130</b>
Surplus/(deficit) from the income and expenditure statement	(3,328)	0	<b>(3,328)</b>
Other comprehensive income	(9,779)	4,558	<b>-5,221</b>
Transfer of subsidiary reserve	(21)	32	<b>11</b>
Transfers between revaluation and income and expenditure reserve	1,008	(1,008)	<b>0</b>
<b>Total comprehensive income for the year</b>	<b>(12,120)</b>	<b>3,582</b>	<b>(8,538)</b>
<b>Balance at 31 July 2019</b>	<b>(12,516)</b>	<b>37,108</b>	<b>24,592</b>

**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 2018-19 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. The activities of the subsidiary were transferred to the College and ceased trading with effect from 1st January 2019. 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 2019.

Joint ventures are accounted for using the equity method. The investment in the joint venture as at 31 July 2019 is between Fife College and Busy Bees Nursery forming Lauder Learning Ltd. The principal activity of the joint venture company continued to be that of leasing property. The College received rental income in line with the financial projections.

**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.

Significant judgements and estimates In the application of the Group's accounting policies, the Board of Governors is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Board of Governors rely on external professionals for certain assumptions;

- Independent Actuarial services for pension assumptions
- Independent Chartered Surveyors for Non-Current Asset valuations

**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 2019. 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 2019		Year Ended 31 July 2018	
		Consolidated £'000	College £'000	Consolidated £'000	College £'000
<b>2 SFC Grants</b>					
FE recurrent grant		34,588	34,588	31,340	31,340
Childcare funds	24	1,129	1,129	1,436	1,436
Release of deferred capital grants		927	927	927	927
Other SFC grants		3,676	3,676	2,709	2,664
Funding for Merger		6	6	26	26
		<b>40,326</b>	<b>40,326</b>	<b>36,438</b>	<b>36,393</b>
<b>3 Tuition fees and education contracts</b>					
FE fees - UK		146	146	137	137
HE fees		3,185	3,185	3,363	3,363
SDS Contracts		649	649	675	675
Education contracts		6,587	6,587	6,510	6,510
		<b>10,567</b>	<b>10,567</b>	<b>10,685</b>	<b>10,685</b>
<b>4 Other income</b>					
European funds		1	1	(18)	(18)
Release of deferred capital grants		403	403	423	423
Other grants		209	209	193	193
Other income-generating activities		1,141	855	1,527	748
Other income		812	876	731	796
		2,566	2,344	2,856	2,142
Revenue Grant from Arms Length Foundation		475	475	443	443
		<b>3,041</b>	<b>2,819</b>	<b>3,299</b>	<b>2,585</b>
<b>5 Investment income</b>					
Other interest receivable		14	14	4	4
<b>Total net of pension scheme</b>		14	14	4	4
Net return on pension scheme		10	10	0	0
		<b>24</b>	<b>24</b>	<b>4</b>	<b>4</b>
<b>6 Donations and endowments</b>					
Unrestricted donations		124	124	60	60
		<b>124</b>	<b>124</b>	<b>60</b>	<b>60</b>



	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
<b>7 Staff costs</b>				
Staff Costs :				
Salaries	28,863	28,685	27,886	27,493
Social security costs	2,664	2,651	2,617	2,585
Other pension costs	4,887	4,875	4,324	4,301
FRS 102 adjustment	2,084	2,084	2,130	2,130
Fundamental restructuring costs	1,171	1,171	938	931
<b>Total</b>	<b>39,669</b>	<b>39,466</b>	<b>37,895</b>	<b>37,440</b>
Academic/Teaching Departments	17,814	17,814	17,728	17,728
Academic/Teaching Services	10,727	10,727	9,786	9,786
Other Support Services	1,919	1,919	2,295	2,295
Administration and Central Services	2,975	2,975	2,085	2,085
Premises	1,344	1,344	1,393	1,393
Full Cost Activities	1,492	1,289	1,429	982
Other expenditure	143	143	111	111
Pension Charge less contributions paid	2,084	2,084	2,130	2,130
<b>Sub-total</b>	<b>38,498</b>	<b>38,295</b>	<b>36,957</b>	<b>36,510</b>
Fundamental restructuring costs	1,171	1,171	938	930
	<b>39,669</b>	<b>39,466</b>	<b>37,895</b>	<b>37,440</b>
Employment costs for staff on permanent contracts	35,174	34,989	33,031	32,620
Employment costs for staff on temporary contracts	1,240	1,222	1,796	1,759
Pension charge less contribution paid	2,084	2,084	2,130	2,130
Fundamental restructuring costs	1,171	1,171	938	931
	<b>39,669</b>	<b>39,466</b>	<b>37,895</b>	<b>37,440</b>

Academic/Teaching Services costs have increased by £941k in 18/19 due to the re-categorisation of staff previously in Other Support Services as well as the increase in the unfunded pension liability.

Administration and Central Services costs have increased by £890k in 18/19 due to the job evaluation costs being accounted for.

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

	2019	2018
Academic/Teaching Departments	454	472
Academic/Teaching Services	210	200
Other Support Services	43	60
Administration and Central Services	43	44
Premises	38	39
Full Cost Activities	40	47
Other staff	3	2
	<b>831</b>	<b>864</b>

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 2019 between staff whose emoluments include a voluntary severance (VS) payment and those that do not include a VS payments.

	2019 VS included	2019 No VS	2019 Total No	2018 Total No
£60,001 to £70,000 per annum	0	6	6	10
£70,001 to £80,000 per annum	2	2	4	3
£80,001 to £90,000 per annum	2	1	3	2
£90,001 to £100,000 per annum	0	1	1	2
£100,001 to £110,000 per annum	0	0	0	0
£110,001 to £120,000 per annum	0	0	0	1
£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	1
	<b>4</b>	<b>11</b>	<b>15</b>	<b>19</b>

8 Senior post-holders' emoluments

The Principal and Chief Executive's emoluments can be found in page 25 of the Remuneration Report.

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
<b>9 Interest and other finance costs</b>				
On bank loans, overdrafts and other loans:				
Repayable within five years, not by instalments	9	7	11	8
Repayable within five years, by instalments	24	24	35	35
Repayable wholly or partly in more than five years	192	192	200	200
	<b>225</b>	<b>223</b>	<b>246</b>	<b>243</b>
On finance leases	54	54	60	60
<b>Total net of pension charge</b>	<b>279</b>	<b>277</b>	<b>306</b>	<b>303</b>
Net charge on pension scheme	280	280	739	739
	<b>559</b>	<b>557</b>	<b>1,045</b>	<b>1,042</b>

10 Other operating expenses by activity

Academic/Teaching Departments	1,998	2,202	1,919	2,111
Academic/Teaching Services	602	604	221	218
Other Support Services	61	62	116	116
Administration and central services	3,304	3,313	2,568	2,586
Student Funds Overspend	0	0	48	47
General Education	1,327	1,328	1,243	1,244
Premises costs	4,945	4,938	3,407	3,400
Planned maintenance	157	157	173	174
Interest on early retirement provision	0	0	15	15
Other Expenses	1,405	1,366	1,644	1,563
Other income generating activities	342	154	596	174
Residences and catering	(60)	(51)	(75)	(45)
	<b>14,081</b>	<b>14,073</b>	<b>11,875</b>	<b>11,603</b>

Other operating expenses include:

Auditors' remuneration				
- external audit of these financial statements	34	34	34	30
- internal audit services	38	38	46	46
- other internal audit services	9	9	6	6

12 Fixed Assets

	Land and Buildings £'000	Equipment £'000	Total Assets £'000	Total £'000
<b>Cost or valuation</b>				
At 1 August 2018	77,498	2,873	80,371	80,371
Additions	5,285	0	5,285	5,285
Revaluation	1,658	0	1,658	1,658
Disposals	(40)	(254)	(294)	(294)
At 31 July 2019	<b>84,401</b>	<b>2,619</b>	<b>87,020</b>	<b>87,020</b>
<b>Depreciation</b>				
At 1 August 2018	3,632	2,497	6,129	6,129
Charge for the year	2,922	113	3,035	3,035
Written back on depreciation:				
Revaluation	(2,640)	0	(2,640)	(2,640)
Disposals	(40)	(254)	(294)	(294)
At 31 July 2019	<b>3,874</b>	<b>2,356</b>	<b>6,230</b>	<b>6,230</b>
<b>Net book value</b>				
At 1 August 2018	<b>73,866</b>	<b>376</b>	<b>74,242</b>	<b>74,242</b>
At 31 July 2019	<b>80,527</b>	<b>263</b>	<b>80,790</b>	<b>80,790</b>

Fixed Assets (College only)

	Land and Buildings £'000	Equipment £'000	Total Assets £'000	Total £'000
<b>Cost or valuation</b>				
At 1 August 2018	77,458	2,619	80,077	80,077
Additions	5,285	0	5,285	5,285
Revaluation	1,658	0	1,658	1,658
At 31 July 2019	<b>84,401</b>	<b>2,619</b>	<b>87,020</b>	<b>87,020</b>
<b>Depreciation</b>				
At 1 August 2018	3,592	2,243	5,835	5,835
Charge for the year	2,922	113	3,035	3,035
Written back on depreciation:				
Revaluation	(2,640)	0	(2,640)	(2,640)
At 31 July 2019	<b>3,874</b>	<b>2,356</b>	<b>6,230</b>	<b>6,230</b>
<b>Net book value</b>				
At 1 August 2018	<b>73,866</b>	<b>376</b>	<b>74,242</b>	<b>74,242</b>
At 31 July 2019	<b>80,527</b>	<b>263</b>	<b>80,790</b>	<b>80,790</b>

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 2019. Directly attributable acquisition costs have been included and expected selling costs deducted.

Freehold land at Dunfermline, Glenrothes and Kirkcaldy campuses which was inherited on incorporation at a nominal value of £1, was revalued on 31 July 2019 and restated in the accounts at £3.7m (£2.975 million 2018)

Other tangible fixed assets inherited from the local authority at incorporation were revalued on 31 July 2019 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 £5.335m 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 2023.

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
<b>13 Investments</b>				
Investments in Joint Venture companies	404	404	404	404
Investments in subsidiary companies	0	0	0	2
Artworks	32	32	32	0
<b>Total</b>	<b>436</b>	<b>436</b>	<b>436</b>	<b>406</b>
<b>14 Stocks</b>				
Consumables	90	90	112	112
Other	0	0	15	0
	<b>90</b>	<b>90</b>	<b>127</b>	<b>112</b>
<b>15 Trade and other receivables</b>				
Trade debtors - net of provision for doubtful debts	973	973	1,091	1,022
Amounts owed by SFC	158	158	261	261
Amounts owed by subsidiaries	0	0	0	(2)
Prepayments and accrued income	1,388	1,388	1,487	1,483
	<b>2,519</b>	<b>2,519</b>	<b>2,839</b>	<b>2,764</b>
<b>16 Cash and cash equivalents</b>				
Cash at bank	4,938	4,938	2,277	2,208
Cash in hand	17	17	17	15
	<b>4,955</b>	<b>4,955</b>	<b>2,294</b>	<b>2,223</b>
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:				
Bursary Funds	212	212	208	208
HE Discretionary	90	90	91	91
Childcare	0	0	175	175
	<b>302</b>	<b>302</b>	<b>474</b>	<b>474</b>
<b>17 Creditors - amounts falling due within one year</b>				
Bank loans and overdrafts	503	503	494	494
Obligations under finance leases	137	137	121	121
Trade creditors	1,911	1,911	1,208	1,173
VAT	10	10	44	4
Pension	654	654	586	583
Amounts owed to SFC	4,650	4,650	266	266
Other taxation and social security	839	839	708	701
Other creditors	100	100	53	53
Accruals and deferred income	5,340	5,340	3,081	2,977
Bursaries and Access funds for future disbursement	212	212	383	383
	<b>14,356</b>	<b>14,356</b>	<b>6,944</b>	<b>6,755</b>

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
<b>18 Creditors: amounts falling due after more than one year</b>				
Bank loans	4,389	4,389	4,891	4,891
Obligations under finance leases	1,327	1,327	1,359	1,359
Government Grants	23,149	23,149	24,478	24,478
	<b>28,865</b>	<b>28,865</b>	<b>30,728</b>	<b>30,728</b>
<b>19 Pension Provision</b>				
<b>As at 1 August 2018</b>	5,880	5,880	22,866	22,866
Current service cost	4,640	4,640	4,350	4,350
Employer contributions	(2,556)	(2,556)	(2,220)	(2,220)
Interest Charged	280	280	739	739
Transfer to/(from) income & expenditure	2,364	2,364	2,869	2,869
Actuarial (gains)/losses	9,414	9,414	(19,855)	(19,855)
<b>As at 31 July 2019</b>	<b>17,658</b>	<b>17,658</b>	<b>5,880</b>	<b>5,880</b>
<b>20 Early Retirement Provision</b>				
<b>At 1 August 2018</b>	3,254	3,254	3,654	3,654
Expenditure in the period	(223)	(223)	(217)	(217)
Revaluation adjustment	297	297	(198)	(198)
Interest charged	(10)	(10)	15	15
<b>At 31 July 2019</b>	<b>3,319</b>	<b>3,319</b>	<b>3,254</b>	<b>3,254</b>
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 2019.				
<b>21 Income &amp; Expenditure Reserve Unrestricted</b>				
<b>At 1 August 2018</b>	(426)	(396)	(17,793)	(17,756)
Surplus/Deficit for the year	(3,319)	(3,328)	(3,561)	(3,568)
Transfer of subsidiary retained reserve	0	(21)	0	0
Revaluation of Asset	(365)	(365)	0	0
Transfer from revaluation reserve	1,008	1,008	1,073	1,073
Actuarial gain/(loss) in pension scheme	(9,414)	(9,414)	19,855	19,855
<b>At 31 July 2019</b>	<b>(12,516)</b>	<b>(12,516)</b>	<b>(426)</b>	<b>(396)</b>
<b>22 Revaluation Reserve</b>				
<b>At 1 August 2018</b>	33,558	33,526	26,004	25,972
Disposal	0	0	(16)	(16)
Revaluation	1,918	1,918	5,820	5,820
Transfer of Artworks from subsidiary	0	32	0	0
Write back of depreciation on revaluation	2,640	2,640	2,823	2,823
Transfer to Income & Expenditure account in respect of: Depreciation on revalued assets	(1,008)	(1,008)	(1,073)	(1,073)
<b>At 31 July 2019</b>	<b>37,108</b>	<b>37,108</b>	<b>33,558</b>	<b>33,526</b>

23 Lease obligations

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

	Land and Buildings £'000	31 July 2019 Total £'000	31 July 2018 Total £'000
<b>Payable during the year</b>	137	137	121
<b>Future minimum lease payments due:</b>			
Not later than 1 year	137	137	121
Payable within 2 - 5 years	596	596	485
Payable within 6 - 10 years	731	731	606
Payable within 11 - 15 years	0	0	268
<b>Total lease payments due</b>	<b>1,464</b>	<b>1,464</b>	<b>1,480</b>

24 FE Bursary and other Student Support Funds

	FE Bursary £000	FE Hardship £000	EMA's £000	Other £000	Period ended 31 July 2019 Total £000	Period ended 31 July 2018 Total £000
Balance brought forward	208	0	0	91	299	1,419
Allocation received in year	6,836	418	519	263	8,036	8,027
	<b>7,044</b>	<b>418</b>	<b>519</b>	<b>354</b>	<b>8,335</b>	<b>9,446</b>
Expenditure	(6,655)	(420)	(519)	(172)	(7,766)	(7,260)
Repayable to Funding Council as Clawback	(114)	0	0	(92)	(206)	(1,397)
College Contribution to funds	0	0	0	0	0	62
Virements	(63)	2	0	0	(61)	(552)
<b>Balance Carried forward</b>	<b>212</b>	<b>0</b>	<b>0</b>	<b>90</b>	<b>302</b>	<b>299</b>

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	302	299
Retained by College for Students		
	<b>302</b>	<b>299</b>

FE Childcare Funds

Balance brought forward	175	129
Allocation received in year	1,068	1,104
	<b>1,243</b>	<b>1,233</b>
Expenditure	(1,129)	(1,481)
Repayable to Funding Council as Clawback	(175)	(129)
Virements	61	552
<b>Balance Carried forward</b>	<b>0</b>	<b>175</b>

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). CEL's employees belonged to the Aviva Union Pension Scheme whose contributions ceased as at 31 December 2018.

The total pension costs for the institution was :

	<b>12 months to 31 July 2019</b>	<b>12 months to 31 July 2018</b>
	<b>£000</b>	<b>£000</b>
Contribution to STSS	2,320	2,461
Contribution to LGPS	2,259	2,037
Aviva	10	23
<b>Total pension cost (Note 7)</b>	<b>4,589</b>	<b>4,521</b>
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 2019

The following notes are derived from the Actuarial report supplied by Hymans Robertson's LLP dated August 2019 to comply with the reporting requirements of FRS102, as amended

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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.

The actuary has calculated a Guaranteed Minimum Pensions indexation impact figure of £96,000 for the employer and an approximate impact of the McCloud judgement of £309,000. These impacts are included within the Past Service Cost figure.

**Reconciliation of Defined Benefit Obligation**

Period ended	<b>31 July 2019</b>	<b>31 July 2018</b>
	<b>£000</b>	<b>£000</b>
Opening Position	89,725	96,607
Current Service Cost	4,229	3,929
Interest Cost on Defined Benefit Obligation	2,556	2,646
Plan Participants Contributions	696	626
Total Remeasurements Recognised in Other Comprehensive Income	11,878	(12,442)
Past Service Costs	476	21
Unfunded Benefits Paid	(215)	(207)
Benefits Paid	(1,500)	(1,455)
<b>Closing Position</b>	<b>107,845</b>	<b>89,725</b>

**Balance Sheet**

Period ended	<b>31 July 2019</b>	<b>31 July 2018</b>
	<b>£000</b>	<b>£000</b>
Fair Value of Plan Assets	86,868	80,591
Present Value of Funded Liabilities	(104,425)	(86,471)
<b>Net (Liability) held in Balance Sheet</b>	<b>(17,557)</b>	<b>(5,880)</b>

The present value of Unfunded Obligations is £3,319K (was £3,254k in 2017-18) 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 2019 £000	31 July 2018 £000
Opening Position	80,591	70,087
Interest Income on Plan Assets	2,276	1,907
Return on Assets Excluding Amounts Included in Net Interest	2,464	7,413
Plan Participants Contributions	696	626
Employer Contributions	2,341	2,013
Contributions in Respect of Unfunded Benefits	215	207
Unfunded Benefits Paid	(215)	(207)
Benefits Paid	(1,500)	(1,455)
Closing Position	<b>86,868</b>	<b>80,591</b>

**Fair Value of Employer Assets**

Period Ended	31 July 2019 £000	31 July 2018 £000
Equities	63,414	58,831
Bonds	11,293	10,477
Property	6,949	6,447
Cash	5,212	4,835
Total	<b>86,868</b>	<b>80,591</b>

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

	31 July 2019 £000	31 July 2018 £000
Net Return/(Cost) on Pension Asset/Liability	(280)	(739)
Interest Income on Plan Assets	2,276	1,907
Interest Cost on Defined Benefit Obligation	(2,556)	(2,646)
Net Interest	<b>(280)</b>	<b>(739)</b>

**Analysis of amounts charged to staff costs (Note 7)**

	31 July 2019 £000	31 July 2018 £000
Pension Charge less contributions paid	2,084	2,130
Current service costs	4,164	4,329
Past service costs	476	21
Total operating charge	4,640	4,350
Less Contributions Paid	(2,556)	(2,220)
Pension costs less contributions payable	<b>2,084</b>	<b>2,130</b>

**Actuarial Assumptions**

The Actuaries recommended assumptions are summarised below:

Period Ended	31 July 2019 % p.a.	31 July 2018 % p.a.
Salary Increase Rate	2.9%	2.9%
Pension Increase Rate (CPI)	2.4%	2.4%
Discount Rate	2.1%	2.8%

The expected return on assets is based on the discount rate.

**Mortality Rates**

The average life expectancy after retiring is assumed to be as follows:

	Males	Females
Current Pensioners	20.5	23.0
Future Pensioners	21.6	24.6

**Amounts for the current and previous accounting periods**

Year to 31 July	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Fair Value of Employer Assets	86,868	80,591	70,087	61,056	52,610
Present Value of Defined Benefit Obligation	(107,845)	(89,725)	(96,607)	(85,652)	(71,066)
(Deficit)	(20,977)	(9,134)	(26,520)	(24,596)	(18,456)



**26 Summary Pension Note**

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

	Year Ended 31 July 2019 £000	Year Ended 31 July 2018 £000
<b>Charged to staff costs:</b>		
Current Service Cost	(4,229)	(3,929)
Past Service Cost	(476)	(21)
<b>Total charged to staff costs</b>	<b>(4,705)</b>	<b>(3,950)</b>
<b>Credit/charge for net return on pension scheme:</b>		
Interest Income on Plan Assets	2,276	1,907
Interest Cost on Defined Benefit Obligation	(2,556)	(2,646)
<b>Net interest charges</b>	<b>(280)</b>	<b>(739)</b>
<b>Credit/charge to other comprehensive income:</b>		
Return on Assets Excluding Amounts Included in Net Interest	2,464	7,413
Other Experience	(190)	5,215
Gains and Losses Arising on Changes in Financial Assumptions	(11,688)	7,227
<b>Actuarial Gain/(Loss)</b>	<b>(9,414)</b>	<b>19,855</b>
<b>Total charge to the SOI</b>	<b>(14,399)</b>	<b>15,166</b>
<b>Analysis of the movement in deficit during the year:</b>		
Deficit in Scheme at Start of the Year	(9,134)	(26,520)
Service Cost	(4,705)	(3,950)
Employer Contributions	2,556	2,220
Net Interest Costs	(280)	(739)
Actuarial Gain/(Loss)	(9,414)	19,855
<b>Deficit in scheme at end of year</b>	<b>(20,977)</b>	<b>(9,134)</b>

**27 Related Party Transaction****RELATED PARTY TRANSACTIONS**

<b>COMPANY</b>	<b>Sales</b>	<b>Purchases</b>	<b>Name</b>	<b>Position in Company</b>
Colleges Scotland	£339	£56,000	Stephen Magee	Board Member
Fife Chamber of Commerce	£194	£5,400	Ross Taylor	Premier Partner
College Development Network	£2,163	£16,843	Hugh Hall	Board Member
<b>Totals</b>	<b>£2,696</b>	<b>£78,243</b>		

**28 Non-Cash Allocation**

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

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	College £'000	Consolidated £'000	College £'000
Surplus/(Deficit) Before Other Gains and Losses (FE/HE SORP Basis)	(3,319)	(3,328)	(3,541)	(3,548)
Add Back: Non-Cash Allocation for Depreciation (Net of Deferred Capital Grant)	1,705	1,705	1,808	1,819
<b>Operating Surplus/(Deficit) on Central Government Accounting Basis</b>	<b>(1,614)</b>	<b>(1,623)</b>	<b>(1,733)</b>	<b>(1,729)</b>

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 £3,319,000 for the year ended 31 July 2019. After taking account of the Government non-cash budget, the college shows an "adjusted" deficit of £1,614,000 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 31 July 2019.

<b>Operating Surplus/(Deficit) on Central Government Accounting Basis</b>	(1,614)	(1,623)	(1,733)	(1,729)
Non-cash pension adjustments	2,652	2,652	2,686	2,686
Revenue Funding Allocated to Loan Repayments and other capital items	(830)	(830)	(821)	(821)
<b>Adjusted Operating Surplus/(Deficit)</b>	<b>208</b>	<b>199</b>	<b>132</b>	<b>136</b>

**29 Post Balance Sheet Events****New Dunfermline Campus**

It was announced by the Deputy First Minister on 4 September 2019 that the Scottish Government was committed to funding £90m towards a new campus in Dunfermline for Fife College. This will be subject to the approval of a satisfactory business case.

## **2018-19 Accounts direction for Scotland's colleges and Glasgow Colleges' Regional Board**

1. It is the Scottish Funding Council's direction that institutions<sup>1</sup> comply with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts<sup>2</sup>.
2. A new SORP ("the 2019 SORP") was issued in October 2018 and this must be adopted for accounting periods beginning on or after 1 January 2019 and thereafter. Early adoption is permitted as described in Section 27 ('Transition to the 2019 SORP') of the 2019 SORP.
3. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RBS) (for assigned colleges).
4. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2018-19 (FReM) where applicable.
5. Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2019.
6. The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
7. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council  
5 July 2019

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<sup>1</sup> The term "institutions" includes colleges and Glasgow Colleges' Regional Board.

<sup>2</sup> Glasgow Colleges' Regional Board's accounts are prepared on a consolidated basis, incorporating the results of City of Glasgow College, Glasgow Clyde College and Glasgow Kelvin College. New College Lanarkshire's accounts are also prepared on a consolidated basis, incorporating the results of South Lanarkshire College.