



FORTH VALLEY COLLEGE OF FURTHER AND HIGHER EDUCATION

REPORT AND FINANCIAL STATEMENTS

FOR THE EIGHT MONTHS ENDED

31 March 2014

The financial statements were approved and authorised for issue on 26 June 2014.

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OPERATING AND FINANCIAL REVIEW

1 NATURE, OBJECTIVES AND STRATEGIES

The Board of Management present their report and the audited financial statements for the 8 month period ended 31 March 2014.

Legal Status

Forth Valley College came into being on 1 August 2005 as a result of the merger of Clackmannan and Falkirk Colleges. The College is a registered charity (Scottish Charity number SCO21191) for the purposes of the Law Reform (Miscellaneous Provisions) (Scotland) Act 2005.

The Financial Statements cover all activities of the College.

Mission Statement

The College Mission Statement is: **Making Learning Work**

College Vision

The College Vision is: **Shaping the Future
Delivering a World Class Service
Driving Our Momentum**

Strategic Themes

Forth Valley College of Further and Higher Education has 6 key strategic themes for the 2014-2018 period. These are -

- Creating a superb environment for learning
- Cultivating a vibrant learning organisation where learners develop skills, achieve qualifications valued by industry and progress seamlessly
- Instilling an energy and passion for our people, celebrating success and innovation
- Leading as a business that is a champion for governance, financial control and balanced risk taking
- Enhancing our position as the business and community partner of choice
- Delivering a whole system approach. Simply effective, efficient and consistent.

Implementation of our Strategic Plan

2013/14 was a strong period for the College as we embarked upon our vision of 'Making Learning Work'.

Creating a superb environment for learning – We have continued to invest significantly in ensuring we offer the best possible learning environment for our students. The new £1.21m Oil and Gas Academy Scotland (OGAS) facilities within our Falkirk campus provide a state of the art teaching space which will enable us to build upon an already successful reputation in the downstream Oil and Gas training pipeline.

We have also progressed with redevelopment of areas within the Falkirk campus to enable the complete decant from the Middlefield building in preparation for the demolition of Middlefield as part of our wider ambitions for a new Falkirk campus.

Our new campuses in Alloa and Stirling continue to perform well, with high demand for the accommodation and positive feedback from students, staff, the local community and visitors on the quality of the facilities we offer.

OPERATING AND FINANCIAL REVIEW (continued)

1 NATURE, OBJECTIVES AND STRATEGIES (continued)

Cultivating a vibrant learning organisation where learners develop skills, achieve qualifications valued by industry and progress seamlessly – This theme is fundamental to ensuring we live up to our mission statement of “Making Learning Work”. With over 300 class representatives and College wide use of our Listening to Learners process, we continue to undertake substantial levels of engagement with students, employers and other College users to ensure the relevance of the curriculum we offer.

We continue to secure real benefit for our students from our close links to industry. Building on our expertise we have delivered new initiatives ranging from the new Modern Apprentice Facilities Management training centre in Alloa delivered in partnership with Forth Electrical Services (FES), to the innovative power line maintenance course developed by Forth Valley College, SP Energy Networks, Falkirk Council and Job Centre plus.

We have strengthened our links with key Scottish Universities across a number of disciplines, providing both new articulation routes as well as strengthening the Degree provision on offer within the College in conjunction with the University of Stirling.

Instilling an energy and passion for our people, celebrating success and innovation – This year was a particularly successful one for the College. Undoubtedly one of the highlights of the year was when Engineering lecturer Richard Reid won the “Most Innovative Teacher of the Year” award at the TES (UK) Further Education Awards. There were only six candidates nominated for this prestigious award and we were delighted that lecturer Monica McLeod from Applied Science and Computing was one of the other finalists. The College itself was also a finalist for the “FE Provider of the Year”.

One of the reasons for these and other successes throughout the year is the positive, supportive and innovative culture within the College. In 2013, the College launched its first staff Cultural survey to obtain a comprehensive overview of the opinions of staff and to identify areas of best practice which can be shared across the organisation and areas where improvements can be made.

Leading as a business that is a champion for governance, financial control and balanced risk taking – The 2013/14 period saw the beginning of the most significant changes to the FE landscape since incorporation in 1992. With a move to regionalisation and the reclassification of Colleges as arm’s length public bodies by the Office for National Statistics (ONS) and the change to the financial year end, there have been a number of challenges to meet to ensure the minimum of impact on frontline services whilst ensuring the College continues to meet all its legal and governance obligations.

Following on from the implementation of the ONS decision to reclassify colleges as arm’s length public bodies from 1 April 2014, the 2014/15 financial year will see the introduction of a number of changes to existing practice. We will no longer, as had previously been required by the SFC, be able to generate and hold surpluses and will revise our internal practices to ensure we are in compliance with the Scottish Public Finance Manual and other relevant guidance.

The support of the Board of Management has been fundamental in assisting the College management to scope out and implement these changes against often very challenging deadlines.

Forth Valley College Foundation, an independent arm’s length charitable foundation, was set up in December 2013, the purpose of which is to support the charitable activities of Forth Valley College namely the provision of education services. The College made a significant donation to the Foundation in March 2014.

Enhancing our position as the business and community partner of choice – The College has continued to develop very successful working relationships across a number of sectors from energy (oil and gas and power distribution), chemicals, life sciences, construction and hospitality. These relationships have driven the curriculum we deliver to ensure we are meeting the skills demands of our employers, and hence improving their competitiveness and retaining the positive economic impact they provide in the Forth Valley local economy and

OPERATING AND FINANCIAL REVIEW (continued)

1 NATURE, OBJECTIVES AND STRATEGIES (continued)

the national economy. For example we created with Forth Electrical Services (FES) a bespoke facilities management workshop to deliver the specific skills requirements of FES through utilising modern apprenticeship frameworks. Furthermore we have enhanced our position as one of the leading Modern Apprenticeship providers in the sector, significantly growing the number of apprenticeships we are delivering. We supported the development of the new Level 2 Modern Apprenticeship in power distribution framework for Scottish Power and now deliver this programme to all their Scottish based apprentices.

Working with our partner organisations we continue to develop relationships and seek opportunities for the college. We are a key partner of the recently formed Oil and Gas Academy for Scotland (OGAS) as well as the Energy Skills Partnership and have gained a number of opportunities in the oil and gas sector delivering transition training programmes for OPITO and developing specific qualifications for the sector.

The positive and supportive relationships we enjoy with many employers and partners has seen an increase in commercial activity over the 8 months delivering a range of benefits to the College from refreshing the industrial experience of our staff's skills base to making a tangible contribution to the continued financial security of the College.

Delivering a whole system approach. Simply effective, efficient and consistent – We have continued to maximise the benefit from the significant investment in the College's ICT infrastructure over recent years. The amount of material available via our Moodle VLE has increased, providing increased flexibility and allowing learners to take control of their own learning. This has been supported by increased use of the Eduroam service which enables students to bring in their own laptops and smartphones which can access College resources via the College wireless network.

We improved our online application process, supported by the functionality for applicants to create a bespoke prospectus on our website, to provide a clear and supportive system to new and returning students. We successfully implemented a new online student funding application which significantly improved the application process and helped to ensure faster decision making and communication to students.

OPERATING AND FINANCIAL REVIEW (continued)**Performance Indicators**

The College has adopted the core set of performance indicators which were developed by the Colleges' Finance Community of Practice. The table below details performance in 2013/14 and 2012/13.

	Period Ended 31 March 2014	Year Ended 31 July 2013
Operating surplus as % of total income: surplus on continuing activities after depreciation of assets at valuation, and exceptional items and before disposal of assets and tax expressed as percentage of total income.	1.0%	1.6%
Non SFC Income as % of total income: total of non-SFC income expressed as a percentage of total income.	28.4%	25.5%
Current assets : current liabilities: ratio of total current assets to the total of creditors: amounts falling due within one year.	1:1	1.3:1
Gearing: the ratio of creditors: amounts falling due after one year to the sum of total endowments and total reserves.	1.7:1	1.6:1
Days cash: cash and short-term investments divided by total expenditure less depreciation and expressed in days.	12 days	85 days
Staff turnover: FTE staff on a permanent contract of employment that leave for whatever reason during the year divided by the total FTE permanent staff at the college at the period end.	4%	6%
Working days lost through sickness absence: Working days lost per staff FTE through sickness absence divided by the total FTEs employed at the institution at the period end (expressed as	4%	3%

OPERATING AND FINANCIAL REVIEW (continued)**Performance Indicators (continued)**

Due to the Financial Year end not being coterminus with the Academic Year the following performance indicators for 2013/14 are the projected figures for the Academic Year 2013/14.

	Period Ended 31 March 2014	Year Ended 31 July 2013
WSUMs per staff FTE: actual WSUMs delivered in the year per FES return divided by total of FTEs involved in delivery of WSUMs.	463	463
Performance against WSUMs activity target: actual WSUMs delivered in the year divided by target WSUMs.	100%	100%
Student outcomes: total enrolments for students completing programme with a national qualification aim, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	69%
	FE Part time	89%
	HE Full time	71%
	HE Part time	88%
Student retention: measures number of enrolments for which the student has completed the programme, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	79%
	FE Part time	95%
	HE Full time	86%
	HE Part time	95%
Early student retention: measures the number of enrolments for which the student has reached the 25% date for funding purposes, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	92%
	FE Part time	98%
	HE Full time	96%
	HE Part time	98%

2 FINANCIAL POSITION**Financial Results**

The finances of Forth Valley College are regulated by the Financial Memorandum between the Board of Management and the Scottish Funding Council (SFC) under which the Principal is designated as Accounting Officer, responsible to the Chief Executive of the Council for the stewardship of the College's finances and assets. The financial statements have been prepared to comply with the Accounts Direction issued by SFC and with the associated revised Statement of Recommended Practice: Accounting for Further and Higher Education which was issued in July 2007.

The College's financial objectives are:

- maintain a position of financial security in the context of significant internal and external demand upon resource;
- optimise land and other assets in the interest of the College;
- manage the impact of estates upon financial security;
- continue to seek increased allocations from SFC to meet demographic demand;
- grow commercial activity rates and overall contribution to the College;
- implement efficiencies and improvements identified through our business transformation activity
- embedded sustainability throughout College practices.

OPERATING AND FINANCIAL REVIEW (continued)

2 FINANCIAL POSITION (continued)

Financial Results (continued)

2013/14 has been a challenging year from a financial perspective. The Office for National Statistics (ONS) reclassification of FE Colleges as arm's length public bodies from 1 April 2014 has had a significant impact on the financial results.

From 1 April 2014, the College is regulated not only by the Financial Memorandum with the SFC but also by the Scottish Public Finance Manual (SPFM). Under these rules the College is unable to access accumulated cash reserves without the appropriate budget cover from the Scottish Government. A further consequence of the ONS reclassification is the requirement to move to a financial year end of 31 March, which does not align with the Academic Year of 1 August to 31 July on which the College's Regional Outcome Agreement delivery is based and funded upon.

In order to protect existing cash surpluses, Forth Valley College Foundation ("the Foundation"), an independent arm's-length charitable foundation was set up to support the charitable activities of Forth Valley College, with the approval of the Scottish Government. In March 2014, the Board of Management of Forth Valley College approved the transfer of £4.4m to the Foundation.

The SFC continues to remain the primary source of College income. With the change of the financial year end the recognition of recurrent grant has been based upon the level of delivery completed as well as the percentage of associated staff costs up to 31 March 2014. As a result the level of grant for the Academic Year 2013-14 recognised in the financial period to 31 March 2014 is 73%.

Staff costs includes a holiday pay accrual of £1.1m, reflecting the impact the change of the financial year end has on the level of accrued holidays (31 July 2013: £nil).

SFC approval was sought to remove a condition of grant relating to the funding for the new Stirling Campus which required the College to return the sale proceeds of the land at Branshill, Alloa to the SFC when sold. This condition of grant was rescinded by SFC in February 2014 and the £3m provision for this was subsequently released to income.

Capital expenditure includes investment in the refurbishment of areas within the Falkirk Campus to support the exit of support staff from the Middlefield building as the first step towards our ambitious plans for the development of a new Falkirk campus.

The Pension Reserve relates to the Falkirk Council Local Government Pension Scheme (LGPS) which provides benefits on retirement to non-teaching staff. The value of this reserve increased by £3m due mainly to the recognition of actuarial losses.

Treasury Management

The College has a treasury management policy in place to ensure that treasury management is effective in the successful identification, monitoring and control of financial risk. In balancing risk against return, the College will adopt a risk-averse approach rather than maximising returns.

The College has a borrowing facility in place with Barclays Bank for which all relevant consents required under the Financial Memorandum with the SFC have been obtained. The College has also arranged to hedge its exposure to interest rate movements in its loan facility. The hedge covers 100% of the College's borrowings.

OPERATING AND FINANCIAL REVIEW (continued)**2 FINANCIAL POSITION (continued)****Financial Results (continued)****Cash Flows**

Cash flow plans were presented to the SFC as part of the final approval process for both the Alloa and Stirling developments. These detail the impact over the next twenty five years of the estates development programme on the operating cash position of the College.

Liquidity

The College has an unsecured £4.5m loan facility with Barclays Bank. The loan facility is to assist in the overall funding of the estates development programme. The level of funding required is within borrowing limits approved by SFC and deemed serviceable under their project funding model.

Creditor Payment Policy

The College has a policy of paying suppliers within agreed terms unless the invoice is contested, and aims to comply with the DTI's Better Payment Practice code. Disputes and complaints are handled as quickly as possible. Every effort is made to take advantage of additional discount where this is offered for prompt payment. The College did not make any late interest payments during the year.

On a weekly basis the college pays invoices which are dated within the previous thirty days and are authorised for payment on the finance system. The average number of days taken to pay suppliers was 29 days (2013 - 31 days).

Taxation Status

The College has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue & Customs as a charity for the purposes of section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

3 CURRENT AND FUTURE DEVELOPMENTS**Student numbers**

In the academic year 2013/14 the college is predicting that it will meet its weighted SUMs target enabling full draw down from the SFC of Activity Based Funding. In the academic year the College expects to have enrolled 3,457 full time students and 10,349 part time students.

OPERATING AND FINANCIAL REVIEW (continued)**3 CURRENT AND FUTURE DEVELOPMENTS (continued)****Student Achievements**

We anticipate that overall student achievements at Forth Valley College will continue to be excellent with all achievement rates matching last session's excellent performance and matching or better than the targets set out in our Regional Outcome Agreement for Session 2013/14. Throughout the session College staff have carefully monitored attendance patterns, and through early interventions have maintained very high levels of retention on courses, with provisional Early Retention ratios on a par with Session 2012/13. Our part time ratios are the same as last session, and there is a small 1% variation in our full time ratios, with our FE ratio being slightly up on last session, and our HE ratio being slightly down. As such we are confident in meeting both the Retention targets and Student outcome targets set out within our Regional Outcome Agreement, and of matching our performance on both retention and achievement for the previous session.

Curriculum Developments

In August 2013 the College commenced implementation of its refreshed Learning Strategy 2013-2016: Empowering Learners, building on the success of previous strategies; further embedding the development of employability and other essential skills across all of its curriculum; promoting creative approaches to learning and teaching; and promoting even greater engagement of learners in shaping and influencing their own learning. We continue to rigorously review our overall curriculum portfolio, in the light of local and national skills priorities and sustain an excellent reputation with our employers, delivering industry-relevant courses within our campuses and bespoke training on employers' premises. We value these close links and utilise employer input to maintain the vocational relevance of the training we offer, and to secure the future employability of our learners.

A key focus during the last year has been the further strengthening of our school-college partnerships and the development of new provision for Senior Phase school pupils, in line with the recommendations of the interim report of the Commission for Developing Scotland's Young Workforce. A particular highlight was the highly successful introduction of the School College Opportunities to Succeed (SCOTS) course, delivered jointly by the college and Falkirk Council High Schools, to engage 120 young people who would not have considered college as a post-school destination and encourage them to progress with vocational learning.

Future Developments

The 2014/15 financial year will see the full implementation of the Post-16 Education (Scotland) Act 2013. This will result in a number of changes to the Governance arrangements of the College, with an increase in the membership and composition of the Board of Management. This will be a transitional time, with one of the key elements being the appointment of a full complement of Board members (with the exception of the Chair and student members) in time to meet the Scottish Governments deadline of March 2015. Sector guidance for Board activities and governance arrangements is still being prepared and the College is constructively engaging with the consultation process prior to the guidance coming into effect.

We will continue to strengthen our links with Heriot Watt, Strathclyde and Stirling Universities via SFC's Higher Education Institution (HEI) Investment Programmes. This funding will deliver a number of undergraduate places in areas such as Engineering, Heritage and Conservation Management and Applied Biological Sciences.

We have published an ambitious four year Strategic Plan for 2014-18, aligned to our Outcome Agreement with SFC. These documents outline the key strategies and goals for the coming years and will ensure greater transparency through the effective monitoring of progress.

OPERATING AND FINANCIAL REVIEW (continued)

3 CURRENT AND FUTURE DEVELOPMENTS (continued)

Future Developments (continued)

A key ambition within these plans is the creation of a new campus in Falkirk to match the quality of provision available at our Alloa and Stirling campuses. A key first step is the decommissioning and demolition of the Middlefield building.

4 RESOURCES

The college has net assets of £41.4m. The college employed 497 people, on average, in 2013/14 excluding modern apprentices, (expressed as full time equivalents).

5 PRINCIPAL RISKS AND UNCERTAINTIES

The College recognises the need to take informed and calculated risks to allow for the growth of the College. The College has comprehensive risk management systems in place to ensure that risks are fully analysed and receive the appropriate level of approval before activity commences. All risks identified within the College are monitored on an on-going basis and specialist registers are created for large individual projects such as estates developments.

The College has updated the strategic risk register to reflect the recent changes across the sector. The register provides details of individual risks, their potential consequences and the mitigating actions put in place to manage these risks.

The key risks that may affect the College at this time include:

- There will be inadequate facilities for learners due to lack of capital investment
- Continuing financial uncertainty impacting upon the ability to forward plan within the College;
- Changes to the sector arising from Governmental policy/Office of National Statistics reclassification of Colleges.

The College risk register is presented to each meeting of the Board of Management Audit Committee.

6 STAKEHOLDER RELATIONSHIPS

In line with other Colleges, Forth Valley College has many stakeholders including: the Scottish Government; the Scottish Funding Council; Local Authorities; Community Planning Partnerships; Learners; Skills Development Scotland; Sector Skills Councils; employers; businesses and staff. The senior roles in the organisation are designed to enhance and promote these key strategic relationships.

Equalities Policy

Forth Valley College is committed to the provision of equal opportunities in all aspects of college life.

Our Equalities policies ensure that staff, learners and visitors are treated equally regardless of the protected characteristics of gender, gender reassignment, race, disability, sexual orientation, religion or belief, age, pregnancy and maternity, marriage and civil partnership. We value diversity and aim to advance equality of opportunity, foster good relations and eliminate discrimination, harassment and victimisation in order to meet both the General Equality Duty and Public Sector Equality Duty.

Our Equality Outcome Plan outlines how we will develop and implement policies and procedures to ensure that equalities issues are integrated in all strategic, departmental and service area plans. Our Equalities Policy outlines how we ensure that the provisions of the Equality Act 2010 are implemented throughout College for all groups sharing the protected characteristics listed above.

OPERATING AND FINANCIAL REVIEW (continued)**Health & Safety**

The health, safety and welfare of all staff, students and visitors is of paramount importance at Forth Valley College. Health and Safety performance is monitored and reviewed by the College Health and Safety Operational Team and full time Health and Safety Co-ordinator. With guidance from this team, Head of Facilities Management and Health and Safety, Department Heads, health and safety representatives and employees across the College ensure that legislative requirements are met and sustained. There is an active Health and Safety Committee which monitors strategic health and safety matters, and reports health and safety related issues regularly to the Senior Management Team. At Board level, the HR Committee closely monitors and reviews the College Health and Safety Strategy on a regular basis.

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all areas of corporate governance. This summary describes the manner in which the College has applied the principles in the UK Corporate Governance Code (formerly the Combined Code) issued by the Financial Reporting Council in 2010 (<http://www.frc.org.uk/corporate/ukcgcode.cfm>) and Turnbull guidance. Its purpose is to help the readers of the financial statements understand how the principles in the code have been applied.

In the opinion of the Board of Management, the College complies with the provisions of the UK Corporate Governance Code, in so far as they apply to the further education sector, and it has complied for the period ended 31 March 2014. It further believes that it has followed and complied with the guidance contained in the Turnbull Guidance and the Guide for College Board Members 2012.

The Board of Management is aware of the need for effective internal control and acknowledges its responsibility for such a control system to be in place. The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal control is based on a framework of regular management information, financial regulations and administrative procedures including the segregation of duties.

In particular it includes:

- comprehensive budgeting systems with an annual budget approved by the Board of Management
- regular reviews by the Finance Committee of quarterly and annual financial reports which indicate financial performance against the forecasts; and
- setting targets to measure financial and non-financial performance.

The College has an internal audit service, the work of which concentrates on areas of key activities determined by an analysis of the areas of greatest risk, input from Senior Management Team and areas of significant change to operational systems/practices and in accordance with the annual internal audit plan approved by the Audit Committee. The internal auditors report to the Principal and to the Audit Committee on a regular basis and have direct access to the Chair of the Audit Committee. The internal auditors have issued an annual report which gives an opinion of the adequacy, reliability and effectiveness of the College's internal control systems. On the basis of the work undertaken during the year the auditors have expressed an opinion that the governance and internal control framework in place within the college is adequate and effective.

The Board of Management is of the view that there is an on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 March 2014 and up to the date of approval of the Financial Statements. This process is reviewed by the Board of Management through the Audit Committee and accords with the internal control guidance as applicable to the further education sector. A formal Business Continuity Plan is maintained within the College.

The Board of Management comprises lay, staff and student members appointed under the terms of the Further and Higher Education (Scotland) Act 1992 and the Post-16 Education (Scotland) Act 2013. All except the Principal and two staff representatives are non-executive and are independent of the College in terms of the requirements of the UK Corporate Governance Code. A list of members of the Board who served during the financial period is shown on page 16.

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

Statement of Corporate Governance and Internal Control (continued)

The Board of Management normally meets formally four times per year and has a number of committees which are formally constituted with terms of reference. As this financial period only covers 8 months, there have only been 3 meetings.

MEMBERS

The Members who served on the Board of Management during the period were as follows and the board met on three occasions:

Board Member		Status of appointment	Date of Appointment	Date of Retiral	Number of board meetings attended
Mr H Hall	Chair	Regional Chair	01/09/09		Attended 3 meetings
Mrs A Mearns	Vice Chair	Independent member	24/06/09		Attended 3 meetings
Dr W Blair		Independent member	01/08/06		Attended 3 meetings
David Gentles		Student Member	20/09/12		Attended 3 meetings
Mr B Gil		Independent member	01/08/07		Attended 1 meeting
Mrs S Struthers		Independent member	01/09/08		Attended 3 meetings
Mrs E McGeorge		Support Staff member	01/09/09		Attended 3 meetings
Mr R Addie		Lecturing staff member	01/04/10		Attended 2 meetings
Mr A Carver		Independent member	30/03/11		Attended 2 meetings
Mr C Alexander		Independent member	20/06/13		Attended 2 meetings
Mr K Richardson		Independent member	20/06/13		Attended 1 meeting
Ms B Hamilton		Independent member	30/03/11		Attended 2 meetings
Dr K Thomson		Principal	01/08/13		Attended 3 meetings
Mrs C Jack		Independent member	12/12/13		Attended 1 meeting
Mrs F Campbell		Independent member	12/12/13		Attended 2 meetings
M N Scott		Independent member	12/12/13		Attended 1 meeting
M L McCabe		Independent member	12/12/13		Attended 1 meeting

Statement of Corporate Governance and Internal Control (continued)

The board determines that a board member is independent if they:

- have not been an employee of the College within the last five years;
- have not within the last three years, a material business relationship with the College either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the College;
- have not received or receives additional remuneration from the College apart from expenses or participates in the College's pension schemes;
- have no close family ties with any of the College's advisers, or senior employees; and
- does not hold cross-board membership or have significant links with other board members through involvement in other companies or bodies.

Audit Committee

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

Mr B Gil	Chair	Attended 3 meetings
Mrs B Hamilton	Member	Attended 3 meetings
Mr C Alexander	Member (joined 06/02/14)	Attended 0 meetings
Mr N Scott	Member (joined 06/02/14)	Attended 1 meeting
Mrs S Struthers	In Attendance	Attended 2 meetings

Finance Committee

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

Mrs S Struthers	Chair	Attended 3 meetings
Mr A Carver	Member	Attended 3 meetings
Mrs C Jack	Member (joined 18/03/14)	Attended 0 meetings
Mr Ken Richardson	Member (joined 18/03/14)	Attended 0 meetings
Mr Liam McCabe	Member (joined 18/03/14)	Attended 1 meeting
Mr R Gil	In Attendance	Attended 1 meeting

HR Committee (Including Nomination Committee)

The committee met on three occasions and advises on HR strategy (including industrial relations matters), oversees the Board's health & safety responsibilities, monitors the Board's equal opportunities aspirations, and oversees the Board nominations process.

Dr W Blair	Chair	Attended 3 meetings
Mrs B Hamilton	Member	Attended 2 meetings
Mrs E McGeorge	Member	Attended 3 meetings
Mrs F Campbell	Member (joined 18/03/14)	Attended 1 meeting
Mr N Scott	Member (joined 18/03/14)	Attended 1 meeting
Mr A Carver	Co-opted for (Nomination meeting)	Attended 1 meeting
Mr Hugh Hall	Co-opted for (Nomination meeting)	Attended 1 meeting

Statement of Corporate Governance and Internal Control (continued)

Strategic Development Committee

The committee met on three occasions. Its role is to contribute to good governance by providing assistance to the Board of Management on the strategic direction of the College, to act as the primary linkage between the Board of Management and the Student Union Executive, and to consider matters relating to the interests of learners in the College.

Mrs A Mearns	Chair	Attended 3 meetings
Dr W Blair	Member	Attended 3 meetings
Mr R Addie	Member	Attended 2 meetings
Mr A Carver	Member	Attended 2 meetings
Mr D Gentles	Member	Attended 3 meetings
Mrs C Jack	Member (joined 13/03/14)	Attended 1 meeting
Mr C Alexander	Member (joined 13/03/14)	Attended 0 meetings
Mrs F Campbell	Member (joined 13/03/14)	Attended 1 meeting
Mr K Richardson	Member (joined 13/03/14)	Attended 1 meeting

Remuneration Committee

This committee did not meet during the period

Board Evaluation

Each year, the Board of Management undertakes an evaluation of its performance and of its committees. This is done by self-appraisal by individual Board members and the result of the evaluation is used to drive improvements in governance processes within the College. Training is given to Board members in areas identified through the evaluation.

Senior Management Team

The Senior Management Team comprising the College Principal, Associate Principals, and Directors meets fortnightly and deals mainly with operational matters. The group also receives regular reports setting out operational and strategic considerations and considers possible risks brought to their attention through this early warning mechanism.

Going Concern

The financial statements have been prepared on a going concern basis as the Board believe that the College has adequate resources to allow it to continue for the foreseeable future.

Approved by order of the members of the Board on 26 June 2014 and signed on its behalf by:



Hugh Hall
Chairman



Dr Ken Thomson
Principal

Statement of the Board of Management's Responsibilities

The Board of Management are required to present audited financial statements for each financial period.

In accordance with the Further and Higher Education (Scotland) Act 1992 and 2005, the Board of Management is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial period.

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Management, the Board of Management, through its designated office holder, is required to prepare financial statements for each financial period which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that period. These financial statements comply with the Accounts Direction issued by the Scottish Funding Council.

In preparing the financial statements, the Board of Management has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Institution will continue in operation. The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:

- ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and prevent and detect fraud;
- secure the economical, efficient and effective management of the College's resources and expenditure;
- ensure sound corporate governance and proper conduct of the College's operations.

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance Committee;

Statement of the Board of Management's Responsibilities (continued)

- a professional internal audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Management and whose head provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

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

In October 2010, the UK Office for National Statistics (ONS) decided to reclassify incorporated further education colleges throughout the UK so that they would be treated as part of central government for financial budgeting and reporting purposes. The UK ONS's reclassification decision is the consequence of the current level of Ministerial control and does not relate to the plans for improved governance that feature in the Post-16 Education (Scotland) Act 2013.

The implications of this are material and impact upon the ability of the College to generate and retain income, to generate and retain surpluses (reserves), to protect and use existing reserves, and to access capital funding and commercial borrowing. The use of Arm's Length Foundations on a sector wide basis to shelter existing College reserves was approved by Scottish Government Ministers. Forth Valley College Foundation was incorporated in December 2013 and has been awarded charitable status from the Office of the Scottish Charity Regulator (OSCR).

The first stage of implementation took effect on 1 April 2014 when incorporated colleges moved to a 1 April to 31 March financial year and the need manage expenditure within the wider Scottish Government financial budgeting and reporting arrangements.

Disclosure of information to auditors

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

Approved by order of the members of the Board on 26 June 2014 and signed on its behalf by:



Hugh Hall

Chair

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

I have audited the financial statements of Forth Valley College for the period ended 31 March 2014 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 Income and Expenditure Account, Statement of Historical Cost Surpluses and Deficits, Statement of Total Recognised Gains and Losses, Balance Sheet, and Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective Responsibilities of the Board of Management and Auditor

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the 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 body's affairs as at 31 March 2014 and of its surplus for the period 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.

Independent auditor's report to the members of the Board of Management of Forth Valley College, the Auditor General for Scotland and the Scottish Parliament (continued)**Opinion on regularity**

In my 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.

Opinion on other prescribed matters

In my opinion the information given in the Operating and Financial Review for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

I have nothing to report in respect of these matters.



Catherine Wyllie
Statutory Auditor
For and on behalf of Henderson Loggie
Statutory Auditors
Chartered Accountants
34 Melville Street
Edinburgh
EH3 7HA

26 June 2014

Henderson Loggie is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006.

Income and Expenditure Account for the eight month period ended 31 March 2014

INCOME	Note	Period Ended 31 March 2014	Year Ended 31 July 2013
		£000	£000
SFC grants	2	17,071	22,387
Tuition fees and education contracts	3	5,311	6,090
Other grant income	4	32	37
Other operating income	5	1,340	1,439
Investment income	6	86	91
Total Income		23,840	30,044
EXPENDITURE			
Staff costs	7	14,643	19,053
Exceptional restructuring costs	7	0	73
Pension provision charge	9	594	286
Other operating expenses	10	5,038	7,057
Depreciation	14	1,755	2,651
Interest payable	11	170	429
Donation to FVC Foundation	12	4,400	0
Total Expenditure		26,600	29,549
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and before tax and exceptional items		(2,760)	495
Exceptional Items			
Release of SFC Provision	18	3,000	0
Surplus on continuing operations after depreciation of assets at valuation and exceptional items and before tax		240	495
Surplus on continuing operations after Gain on disposal of fixed assets and depreciation of assets at valuation and tax and exceptional items.		240	495

The income and expenditure account is in respect of continuing activities.

Statement of Historical Cost Surpluses and Deficits for the eight month period ended 31 March 2014

	Note	Period Ended 31 March 2014	Year Ended 31 July 2013
		£000	£000
Surplus on continuing operations before taxation		240	495
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	20	412	618
Historical cost surplus for the year before and after taxation		<u>652</u>	<u>1,113</u>

Statement of Total Recognised Gains and Losses for the eight month period ended 31 March 2014

	Note	Period Ended 31 March 2014	Year Ended 31 July 2013
		£000	£000
Surplus on continuing operations before taxation		240	495
Actuarial (loss)/gain in respect of pension scheme	20	<u>(2,774)</u>	<u>2,381</u>
Total (loss)/gain recognised since last annual report		<u>(2,534)</u>	<u>2,876</u>
Reconciliation			
Opening reserves		9,423	6,697
Adjustment to Revaluation Reserve		0	(150)
Total recognised (loss)/gain for the year		<u>(2,534)</u>	<u>2,876</u>
Closing reserves		<u>6,889</u>	<u>9,423</u>

Balance Sheet as at 31 March 2014

	Note	As at 31 March 2014 £000	As at 31 July 2013 £000
Fixed Assets			
Tangible assets	14	63,713	63,826
Current assets			
Stocks		33	28
Debtors	15	3,192	1,112
Cash at bank and in hand		786	6,292
Total current assets		<u>4,011</u>	<u>7,432</u>
Less: Creditors - amounts falling due within one year	16	4,128	5,746
Net current (liabilities)/assets		<u>(117)</u>	<u>1,686</u>
Total assets less current liabilities		63,596	65,512
Less: Creditors falling due after more than one year	17	4,432	4,500
Less: Provision for liabilities	18	7,536	10,200
Net Assets excluding pension liability		<u>51,628</u>	<u>50,812</u>
Net pension liability	27	(10,202)	(7,178)
NET ASSETS INCLUDING PENSION LIABILITY		<u>41,426</u>	<u>43,634</u>
Deferred capital grants	19	<u>34,537</u>	<u>34,211</u>
Income and expenditure account excluding pension reserve	20	(3,477)	(4,379)
Pension reserve	20	(10,202)	(7,178)
Income and expenditure account including pension reserve	20	(13,679)	(11,557)
Revaluation reserve	20	20,568	20,980
Total reserves		<u>6,889</u>	<u>9,423</u>
TOTAL		<u>41,426</u>	<u>43,634</u>

The financial statements on pages 23 to 44 were approved by the Board of Management on 26 June 2014 and were signed on its behalf on that date by:

Hugh Hall

Dr Ken Thomson

Cashflow Statement for the period ended 31 March 2014

	Note	Period Ended 31 March 2014 £000	Year Ended 31 July 2013 £000
Cash (outflow)/inflow from operating activities	21	(5,463)	2,840
Returns on investments and servicing of finance	22	(43)	(103)
Capital expenditure and financial investment	23	0	178
(Decrease)/Increase in cash in the year		<u>(5,506)</u>	<u>2,915</u>
 Reconciliation of net cash flow to movement in net funds			
(Decrease)/Increase in cash in the period		(5,506)	2,915
Change in net funds resulting from cash flows		<u>0</u>	<u>0</u>
Movement in net funds in period		(5,506)	2,915
Net funds at 31 July 2013	25	6,292	3,377
Net funds at 31 March 2014	25	<u>786</u>	<u>6,292</u>

Notes to the Financial Statements

1 Statement of Principal Accounting Policies

Basis of preparation

The financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and 2005, and the Accounts Direction issued there under by the Scottish Further and Higher Education Funding Council which requires compliance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2007).

Basis of accounting

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

Recognition of income

Income from recurrent grants from the Scottish Funding Council (SFC), income from other grants, contracts and other services rendered is included on a basis to appropriately match income to expenditure. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Tangible fixed assets

Land and buildings

The majority of the College's buildings being specialised buildings, open market value is not an appropriate basis of valuation. Land and buildings are therefore valued on the basis of depreciated replacement cost with the exception of the land at Branshill, Alloa and the Middlefield site which are valued on the basis of Open Market value. Land is not depreciated and buildings are depreciated over their estimated life as identified by the valuer.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and released to income and expenditure account over the estimated life of the building on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are capitalised as part of the cost of those assets.

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. They are not depreciated until they are brought into use.

Notes to the Financial Statements (continued)

1 Statement of Principal Accounting Policies (continued)

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- market value of the fixed asset has subsequently improved ;
- asset capacity increases;
- substantial improvement in the quality of output or reduction in operating costs;
- significant extension of the asset's life beyond that conferred by repairs and maintenance.

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to on-going future economic benefit.

These assets are then depreciated over their expected useful economic life.

Equipment

Equipment costing less than £10,000 per individual item or grouped items is written off to the income and expenditure account in the year of acquisition. All other equipment and vehicles are capitalised and depreciated in accordance with the depreciation policy.

Where items of equipment are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and released to the income and expenditure account over the estimated life of the asset on a basis consistent with the depreciation policy.

Depreciation

Depreciation is provided to write off the cost or valuation of tangible fixed assets on a straight-line basis over the expected useful lives of the assets. New build campuses at Alloa and Stirling are depreciated using a component accounting approach.

i) Buildings	20 - 50 years
ii) Plant & Equipment	5 years
iii) Building improvements	10 years
iv) IT Equipment	4 years
v) Motor vehicles	7 years
vi) Equipment acquired for other projects	project life
vii) Specialist Equipment acquired for Oil and Gas teaching	10 years

Notes to the Financial Statements (continued)**1 Statement of Principal Accounting Policies (continued)*****Leased assets***

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Rental costs in respect of operating leases are charged to the income and expenditure account on a straight line basis.

Revaluation reserve

Surpluses arising on the revaluation of the College's properties are transferred to the revaluation reserve. Additional depreciation charged on the revalued amount of these assets is transferred from the revaluation reserve to the income and expenditure account together with any surplus or deficit on disposal.

Impairment of assets

Any reduction in the recoverable amount of fixed assets arising from impairment reviews are recognised in the Income and Expenditure account or Statement of Total Recognised Gains and Losses as appropriate.

Maintenance of premises

The costs of maintenance are charged to the income and expenditure account in the period in which they are incurred.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

Taxation

The College has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue & Customs as a charity for the purposes of section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

Provisions

The College provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using an appropriate discount rate.

Notes to the Financial Statements (continued)**1 Statement of Principal Accounting Policies (continued)****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.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure.

Retirement benefits**Local Government Pension Scheme (LGPS)**

The Local Government Pension Scheme 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 Projected Unit Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme, after making allowances for future withdrawals. The amount charged to the income and expenditure account represents the service cost expected to arise from employee service in the current year.

Pension Provision

Provisions are recognised when the College has a present or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. The College has made provision for the enhanced pensions, payable to former employees who have taken early retirement, for which it is liable. This provision is calculated based on the actuarial tables which take account of the enhancement payable, the age, sex and marital status of the former employee. The annual cost of the enhancement is funded from the provision. The provision is made in accordance with FRS12 and any movements are adjusted through the Income & Expenditure Account.

Scottish Teachers' Superannuation Scheme (STSS)

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, as required by FRS17 'Retirement Benefits', 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.

Notes to the Financial Statements (continued)

		Period Ended 31 March 2014	Year Ended 31 July 2013
	Note	£000	£000
2 SFC grants			
FE recurrent grant (including fee waiver)		14,332	19,167
Childcare funds		187	488
Release of deferred capital grants	19	1,316	1,963
SFC Capital Grant released directly to income		1,104	322
Other SFC grants		132	447
Total		17,071	22,387
3 Tuition fees and education contracts			
FE fees - UK & EU		94	80
FE fees - non EU		9	39
HE fees		1,039	1,571
SDS Income		662	1,145
Education contracts		596	287
Other contracts		2,911	2,968
		5,311	6,090
4 Other grant income			
Release of deferred capital grants	19	0	1
Other grants		32	36
Total		32	37
5 Other operating income			
Residences and catering		582	713
Other income-generating activities		54	83
Other income		704	643
Total		1,340	1,439
6 Investment income			
Other interest receivable		86	91

Notes to the Financial Statements (continued)

	Period Ended 31 March 2014	Year Ended 31 July 2013
	£000	£000
7 Staff costs		
Wages and salaries	12,053	15,732
Social security costs	919	1,212
Other pension costs (including FRS 17 adjustments of £209,000 (2013 £191,000))	1,671	2,182
Total	14,643	19,126
Academic/ Teaching Departments	9,408	11,989
Academic/ Teaching Services	1,884	2,545
Administration and Central Services	1,997	2,692
Premises	413	524
Other expenditure	177	262
Catering and Residences	162	273
Modern Apprentice Trainees	602	768
Sub-total	14,643	19,053
Exceptional restructuring costs	0	73
Total	14,643	19,126

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

	No.	No.
Senior management	6	7
Teaching departments	254	243
Teaching services, Admin and central services	214	212
Premises	11	11
Catering and Residences	12	11
Modern Apprentice Trainees	87	73
Total	584	557
Analysed as:		
Staff on permanent contracts	544	525
Staff on temporary contracts	40	32
	584	557

The number of staff, including senior post-holders and the Principal, who received emoluments including benefits in kind where appropriate and excluding pension contributions in the following ranges were:

	2014	2014	2013	2013
	Senior post- holder	Other members of staff	Senior post- holder	Other members of staff
	No.	No.	No.	No.
£50,001 to £60,000 per annum	1	6	0	8
£60,001 to £70,000 per annum	1	2	3	0
£70,001 to £80,000 per annum	1	0	0	0
£80,001 to £90,000 per annum	2	0	3	0
£90,001 to £100,000 per annum	1	0	0	0
£140,001 to £150,000 per annum	0	0	1	0

Notes to the Financial Statements (continued)

	Period Ended 31 March 2014	Year Ended 31 July 2013
8 Senior post-holders' emoluments		
	No.	No.
The number of senior post-holders, including the Principal was:	6	7
	Period Ended 31 March 2014	Year Ended 31 July 2013
Senior post-holders' emoluments are made up as follows:		
	£000	£000
Salaries	332	598
Pension contributions	48	96
Total emoluments	<u>380</u>	<u>694</u>

The above emoluments include amounts payable to the Principal, who is also the highest paid senior post-holder, of:

Salary	66	145
Benefits in kind	0	0
	<u>66</u>	<u>145</u>
Pension contributions	<u>10</u>	<u>20</u>

The Principal and two other senior post-holders were members of the Scottish Public Pensions Agency and the other three senior post-holders were members of the Local Government Pension Scheme. All pension contributions were paid at the same rate as for other members of staff.

The members of the Board of Management, other than the Principal and staff members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

A severance payment payable to a senior post holder of £10k has been approved by the Remuneration Committee.

	Period Ended 31 March 2014	Year Ended 31 July 2013
	£000	£000
9 Pension Provision Charge		
Increase due to revaluation of pension liability	379	(5)
Interest	215	291
	<u>594</u>	<u>286</u>

Notes to the Financial Statements (continued)

	Period Ended	Year Ended
	31 March	31 July
	2014	2013
	£000	£000
10 Other operating expenses		
Teaching departments	1,835	2,117
Administration and central services	746	1,418
Premises costs	926	1,510
Planned maintenance	540	400
Other employee related costs	261	348
Agency staff costs	49	107
Other income generating activities	231	330
Residences and catering	263	339
Childcare	187	488
Total	<u>5,038</u>	<u>7,057</u>
Other operating costs include:		
Auditors' remuneration		
- external audit of these financial statements	26	23
- internal audit services	33	13
- external auditors other services	4	11
- internal auditors other services	21	13
Hire machinery - operating leases	65	126
Hire of premises - operating leases	41	61
	<u>190</u>	<u>247</u>
11 Interest payable		
Interest on Loans repayable wholly or partly in more than five years	129	194
Pension finance costs (note 27)	41	235
Total	<u>170</u>	<u>429</u>
12 Forth Valley College Foundation		
Donation to Forth Valley College Foundation	<u>4,400</u>	<u>0</u>

13 Taxation

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

Notes to the Financial Statements (continued)**14 Tangible Fixed Assets**

Land and buildings were revalued at 31 July 2012 by DM Hall, Chartered Surveyors, in the capacity of independent valuer. The basis of valuation adopted was depreciated replacement cost for all except the land in Alloa which was valued at open market value. The Middlefield land and buildings were revalued at 31 March 2014 at open market value. The valuations were made in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

	Land and Buildings £000	Plant and Equipment £000	Total £000
Cost or valuation			
At 1 August 2013	64,029	4,031	68,060
Additions	1,333	309	1,642
At 31 March 2014	<u>65,362</u>	<u>4,340</u>	<u>69,702</u>
Depreciation			
At 1 August 2013	1,798	2,436	4,234
Provided during period	1,234	521	1,755
At 31 March 2014	<u>3,032</u>	<u>2,957</u>	<u>5,989</u>
NBV at 31 July 2013	<u>62,231</u>	<u>1,595</u>	<u>63,826</u>
NBV at 31 March 2014	<u>62,330</u>	<u>1,383</u>	<u>63,713</u>

Land and buildings with a net book value of £53.2m have been funded from either local authority sources or from SFC capital grants. These assets may not be disposed of without the prior approval of the SFC and the College may have to return all or part of the sale proceeds to the SFC.

	As at 31 March 2014 £000	As at 31 July 2013 £000
15 Debtors: Amounts falling due within one year		
Trade debtors - net of provision for doubtful debts	600	509
Prepayments and accrued income	2,592	603
	<u>3,192</u>	<u>1,112</u>
16 Creditors: Amounts falling due within one year		
Trade creditors	186	469
Other taxation and social security	34	985
Accruals and deferred income	3,612	3,483
Loan Repayment	68	0
Other creditors	228	809
	<u>4,128</u>	<u>5,746</u>

Notes to the Financial Statements (continued)

	As at 31 March 2014	As at 31 July 2013
	£000	£000
17 Bank Loan		
Repayable within one year	68	0
Repayable between one and two years	142	104
Repayable between two and five years	467	451
Repayable over five years	<u>3,823</u>	<u>3,945</u>
	<u>4,500</u>	<u>4,500</u>

The term loan is a 29 year loan from Barclays, taken out 30 September 2010. The first drawdown against the facility was in 2011/12. The college has an interest rate swap for £4.5m at 31 March 2014 at a fixed interest rate of 4.3% which terminates on 30 July 2029.

	Pension Provision	Asset Repayment Provision	Period Ended 31 March 2014	Year Ended 31 July 2013
	£000	£000	£000	£000
18 Provisions for liabilities and charges				
At 1 August 2013	7,200	3,000	10,200	10,293
Expenditure in the period	(258)	0	(258)	(379)
Released in year	0	(3,000)	(3,000)	0
Revaluation adjustment	379	0	379	(5)
Interest charged	215	0	215	291
At 31 March 2014	<u>7,536</u>	<u>0</u>	<u>7,536</u>	<u>10,200</u>

The pension provision is in respect of future pension liabilities arising from early retirements. The value of the provision is based on a valuation at 31 March 2014 performed by Hymans Robertson, an independent firm of actuaries.

The asset repayment provision has been released in the period to 31 March 2014 following confirmation from the Scottish Funding Council that they have rescinded the specific condition of £3m to return to the Council any proceeds up to this amount upon the sale of land at Branshill Road, Alloa.

	SFC £000	Other £000	Total £000
19 Deferred Capital Grants			
At 1 August 2013			
Land and Buildings	32,495	24	32,519
Equipment	<u>1,692</u>	<u>0</u>	<u>1,692</u>
	34,187	24	34,211
Cash Receivable /Transferred			
Land and Buildings: Cash Received	1,433	0	1,433
Equipment	<u>209</u>	<u>0</u>	<u>209</u>
	1,642	0	1,642
Released to Income and Expenditure Account			
Land and Buildings	796	0	796
Equipment	<u>520</u>	<u>0</u>	<u>520</u>
	1,316	0	1,316
At 31 March 2014			
Land and Buildings	33,132	24	33,156
Equipment	<u>1,381</u>	<u>0</u>	<u>1,381</u>
	<u>34,513</u>	<u>24</u>	<u>34,537</u>

Notes to the Financial Statements (continued)**20 Reserves**

	Period Ended 31 March 2014 Total £000	Year Ended 31 July 2013 Total £000
Revaluation Reserve		
At 1 August 2013	20,980	21,748
Revaluation adjustment	0	(150)
Transfer to Income & expenditure account in respect of:		
Depreciation on revalued assets	(412)	(618)
At 31 March 2014	20,568	20,980
General Reserve		
At 1 August 2013	(11,557)	(15,051)
Surplus for the period	240	495
Transfer from revaluation reserve	412	618
Actuarial (loss)/gain in pension scheme	(2,774)	2,381
At 31 March 2014	(13,679)	(11,557)
Represented by:		
Income & expenditure account		
At 1 August 2013	(4,379)	(5,918)
Surplus for the period	240	495
Transfer from pension reserve	250	426
Transfer from revaluation reserve	412	618
At 31 March 2014	(3,477)	(4,379)
Pension Reserve		
At 1 August 2013	(7,178)	(9,133)
Current service cost	(844)	(1,041)
Employer contributions	643	865
Past service gains	(8)	(15)
Return on net assets / liability	(41)	(235)
Transfer from income & expenditure	(250)	(426)
Actuarial (losses)/gains	(2,774)	2,381
At 31 March 2014	(10,202)	(7,178)
Summary		
Income & expenditure account	(3,477)	(4,379)
Pensions reserve	(10,202)	(7,178)
At 31 March 2014	(13,679)	(11,557)

Notes to the Financial Statements (continued)

		Period Ended 31 March 2014	Year Ended 31 July 2013	
21 Reconciliation of operating surplus to net cash flow from operating activities	Note	£000	£000	
Operating surplus after depreciation of assets, exceptional items and tax		240	495	
Pension costs (less contributions payable)	27	209	191	
Depreciation	14	1,755	2,651	
Deferred capital grants released to income	19	(1,316)	(2,285)	
Increase in stocks		(5)	(8)	
(Increase)/Decrease in debtors	15	(2,080)	82	
Increase/(Decrease) in creditors	16	(1,686)	1,469	
Decrease in provisions	18	(2,664)	(93)	
Interest receivable - bank interest	6, 22	(86)	(91)	
Interest paid - loan interest	11, 22	129	194	
Net return on pension liability	27	41	235	
Net cash (outflow)/inflow from operating activities		<u>(5,463)</u>	<u>2,840</u>	
22 Returns on investments and servicing of finance				
Interest received		86	91	
Interest paid		(129)	(194)	
		<u>(43)</u>	<u>(103)</u>	
23 Capital expenditure and financial investment				
Purchase of tangible fixed assets	14	(1,642)	(691)	
Sales of tangible fixed assets		0	0	
Deferred capital grants received	19	1,642	869	
Net cash outflow from capital expenditure		<u>0</u>	<u>178</u>	
24 Financing				
Capital element of finance lease rental payments		0	0	
New loans		0	0	
Net cash inflow from financing		<u>0</u>	<u>0</u>	
25 Analysis of changes in net funds				
	At 31 July 2013	Cash Flows	Other Changes	At 31 March 2014
	£000	£000	£000	£000
Cash	6,292	(5,506)	0	786
Finance lease/hire purchase contracts	0	0	0	0
TOTAL	<u>6,292</u>	<u>(5,506)</u>	<u>0</u>	<u>786</u>

Notes to the Financial Statements (continued)

	Period Ended 31 March 2014	Year Ended 31 July 2013
	£000	£000

26 Lease commitments

The annual commitments under non-cancellable operating leases for equipment are as follows:

Expiry - within one year	0	0
- within one to five years	124	145
- after five years	<u>0</u>	<u>0</u>

The annual commitments under non-cancellable operating leases for property are as follows:

Expiry - within one year	0	0
- within two to five years	0	0
- after five years	<u>61</u>	<u>61</u>

27 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) and the Local Government Pension Scheme (LGPS).

The total pension costs for the institution was :

Contribution to STSS	819	1,126
Contribution to LGPS	643	865
Pension costs as a result of implementing FRS 17	<u>209</u>	<u>191</u>
Total pension cost (Note 7)	<u>1,671</u>	<u>2,182</u>

Contribution rates

STSS	14.9%
LGPS	19.4%

The Scottish Teachers' Superannuation Scheme

The STSS 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 March 2005.

The assumptions which have the most significant effect on the 31 March 2005 valuation and other relevant data for that valuation are as follows:

Rate of return on investments in excess of rate of increase in salaries	2.0%
Rate of return on investments in excess of rate of increase in prices	3.5%
Notional value of the assets under SCAPE as at 31 March 2005 (excluding contributions)	£13,000m
Asset value under SCAPE (including contributions)	£18,521m
Notional Liability	£19,310m

The college is unable to identify its share of the underlying assets and liabilities in the STSS. Consequently, in line with the requirements of FRS 17 - Retirement Benefits, the College accounts for contributions to this scheme as if it were a defined contribution scheme.

Notes to the Financial Statements (continued)**27 Pensions and similar obligations (continued)****The Local Government Pension Scheme**

The Falkirk Council Pension Fund is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the period ended 31 March 2014 was £850k of which employer's contributions totalled £653k and employees contributions totalled £197k. The agreed contribution rates are 19.4% for employers and between 5.5% and 12% for employees.

The following information is based upon a full actuarial valuation of the fund at 31 March 2011 updated to 31 March 2014 by a qualified independent actuary.

Principal Actuarial assumptions

Rate of return on investments in excess of rate of increase in salaries is 5.1% up until 31 March 2015 thereafter it will be 1.0%

Rate of return on investments in excess of rate of increase in pensions 3.3%

Life expectancy is based on the SAPS mortality tables with some adjustments. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male years	Female years
Current pensioners	23.0	25.8
Future pensioners	24.9	27.7
	As at 31 March 2014	As at 31 July 2013
Pension increase rate	2.8%	2.8%
Rate of increase in salaries	5.1%	5.1%
Expected return on assets	6.1%	5.7%
Discount rate for liabilities	4.3%	4.6%

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

	Long-term rate of return expected at 31 March 2014	Value at 31 March 2014	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013
		£'000		£'000
Equities	6.6%	20,033	6.4%	17,350
Bonds	3.9%	2,312	3.7%	4,213
Property	4.8%	2,569	4.6%	2,231
Cash	3.7%	771	3.4%	991
Total market value of assets		25,685		24,785
Present value of scheme liabilities				
- Funded		(35,360)		(31,459)
- Unfunded		(527)		(504)
Deficit in the scheme		(10,202)		(7,178)

Notes to the Financial Statements (continued)**27 Pensions and similar obligations (continued)**

The transactions in respect of the LGPS which are now included in the accounts as required by FRS 17 are as follows:

	Period Ended 31 March 2014	Year ended 31 July 2013
	£000	£000
Analysis of the amount charged to income and expenditure account		
Current service costs	844	1,041
Past service costs	<u>8</u>	<u>15</u>
	852	1,056
Less: Contributions paid	<u>(643)</u>	<u>(865)</u>
Total operating charge	<u>209</u>	<u>191</u>
Analysis of net return on pension scheme		
Expected return on pension scheme assets	(941)	(979)
Interest on pension liabilities	<u>982</u>	<u>1,214</u>
Net interest expense on net pension liability	<u>41</u>	<u>235</u>
Net revenue account expenditure	<u>250</u>	<u>426</u>
Amount recognised in the statement of recognised gains and losses (STRGL)		
Actual return less expected return on pension assets	(927)	3,095
Experience gains and losses arising on the scheme liabilities	0	0
Experience gains and losses arising on the scheme assets	379	(5)
Change in financial assumptions underlying the scheme liabilities	<u>(2,226)</u>	<u>(709)</u>
Actuarial (loss) / gain recognised in STRGL	<u>(2,774)</u>	<u>2,381</u>
Movement in deficit during the period		
Deficit in scheme at 1 August 2013	(7,178)	(9,133)
Movement in period :		
Current service charge	(844)	(1,041)
Contributions	625	838
Contributions in respect of Unfunded Benefits	18	27
Past service costs	(8)	(15)
Net (interest expense)	(41)	(235)
Actuarial (losses) / gains	<u>(2,774)</u>	<u>2,381</u>
Deficit in scheme at 31 March 2014	<u>(10,202)</u>	<u>(7,178)</u>
	(Note 20)	
Asset and Liability Reconciliation		
Reconciliation of Liabilities		
Liabilities at start of period	31,963	29,212
Service cost	844	1,041
Interest cost	982	1,214
Employee contributions	197	269
Actuarial loss	2,226	709
Benefits paid	(333)	(497)
Past Service costs	8	15
Curtailments and settlements	<u>0</u>	<u>0</u>
Liabilities at end of period	<u>35,887</u>	<u>31,963</u>

Notes to the Financial Statements (continued)

	Period Ended 31 March 2014 £000	Year ended 31 July 2013 £000
27 Pensions and similar obligations (continued)		
Reconciliation of Assets		
Assets at start of period	24,785	20,079
Expected return on assets	941	979
Actuarial (loss)/gain	(548)	3,090
Employee contributions	197	269
Employer contributions	643	865
Benefits paid	(333)	(497)
Assets at end of period	25,685	24,785

History of experience gains and losses

	Period ended 31/03/14 £000	Year ended 31/07/13 £000	Year ended 31/07/12 £000	Year ended 31/07/11 £000	Year ended 31/07/10 £000
Experience gains/(losses) on scheme assets	(548)	3,091	(516)	962	1,417
Value of Assets	25,685	24,785	20,079	19,366	16,312
Percentage of scheme assets	(2.1%)	12.5%	(2.6%)	5.0%	8.7%
Experience gains and (losses) on scheme liabilities	(9)	0	2,174	(27)	13
Present value of liabilities	35,887	31,963	29,212	25,916	23,482
Percentage of scheme liabilities	(0.0%)	0.0%	7.4%	(0.1%)	0.1%

28 Related Party Transactions

Due to the nature of the College's operations and the composition of its Board of Management being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Management may have an interest. All transactions involving organisations in which a member of the Board of Management may have a material interest are conducted at arm's length and in accordance with normal project and procurement procedures.

During the period under review, transactions with bodies in which a member of the Board of Management has an interest and which, in aggregate, exceeded £5,000 are noted below:

Member	Organisation	Type of Contract	Sales by the College	Purchases by the College
			£000	£000
Mr H Hall	University of Strathclyde	Educational	44	0
Mr R Gil	Stirling Council	Educational/Rates/Utilities	91	136
Ms C Jack	Scottish Power	Educational	321	48
Mr L McCabe	University of Stirling	Educational	231	3
Mr T Moore	BP Oil Exploration Ltd	Educational	197	0
Mr C Alexander	BP Oil Exploration Ltd	Educational	see above	see above
Mrs S Struthers	Colleges Scotland	Educational	18	24
Mr A Carver	Ineos	Educational	486	0

Notes to the Financial Statements (continued)**28 Related Party Transactions (continued)**

At 31 March 2014, the following balances existed:

Organisation	Due to the College	Due from the College
	£000	£000
BP Oil Exploration	72	0
Colleges Scotland	5	0
Ineos	97	0
Scottish Power	78	0
Stirling Council	26	50
University of Stirling	73	0
University of Strathclyde	44	0
	<u>394</u>	<u>50</u>

The College had transactions during the year, or worked in partnership with, the following bodies in which members of the Board of Management hold, or held, official positions.

Member	Organisation	Position
Mr H Hall	University of Strathclyde	Chief Operating Officer
Mr T Moore	BP Oil Exploration Ltd	Asset Manager
Mr C Alexander	BP Oil Exploration Ltd	Reliability and Maintenance Manager
Mr B Gil	Stirling Council	Corporate Project Manager
Mr L McCabe	University of Stirling	Director of Finance
Ms C Jack	Scottish Power Energy Networks	Contract Manager

29 FE Bursary and other Student Support Funds

	FE			Period Ended	Year ended
	Bursary	Hardship	EMA's	31 March	31 July
	£000	£000	£000	2014	2013
Balance brought forward	591	2	27	620	221
Allocation received in period	<u>1,922</u>	<u>102</u>	<u>183</u>	<u>2,207</u>	<u>3,698</u>
	<u>2,513</u>	<u>104</u>	<u>210</u>	<u>2,827</u>	<u>3,919</u>
Expenditure	(1,844)	(102)	(210)	(2,156)	(3,202)
Repayable to Funding Council as Clawback	(591)	0	0	(591)	(98)
College Contribution to funds	0	0	0	0	0
Virements	0	0	0	0	1
Balance Carried forward	<u>78</u>	<u>2</u>	<u>0</u>	<u>80</u>	<u>620</u>
Represented by:					
Repayable to Funding Council as Clawback	0	0	0	0	593
Retained by College for Students	<u>78</u>	<u>2</u>	<u>0</u>	<u>80</u>	<u>27</u>
	<u>78</u>	<u>2</u>	<u>0</u>	<u>80</u>	<u>620</u>

FE Bursary and Student Support Fund grants are available solely for students, the College acting only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

Notes to the Financial Statements (continued)

	Period Ended 31 March 2014	Year ended 31 July 2013
	£000	£000
30 Childcare Funds		
Balance brought forward	93	0
Allocation received in period	<u>244</u>	<u>585</u>
	337	585
Expenditure	(244)	(492)
Repayable to Funding Council as Clawback	(93)	0
Virements	<u>0</u>	<u>0</u>
Balance Carried forward	<u>0</u>	<u>93</u>
Represented by:		
Repayable to Funding Council as Clawback	0	93
Retained by College for Students	<u>0</u>	<u>0</u>
	<u>0</u>	<u>93</u>

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

	Period Ended 31 March 2014	Year ended 31 July 2013
	£000	£000
31 HE Discretionary		
Balance brought forward	0	0
Allocation received in period	<u>122</u>	<u>226</u>
	122	226
Expenditure	(64)	(225)
Repayable to SAAS as Clawback	0	0
College Contribution to funds	0	0
Virements	<u>0</u>	<u>(1)</u>
Balance Carried forward	<u>58</u>	<u>0</u>
Represented by:		
Repayable to SAAS as Clawback	0	0
Retained by College for Students	<u>58</u>	<u>0</u>
	<u>58</u>	<u>0</u>

32 Capital Commitments	<u>0</u>	<u>697</u>
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33 Contingent Liabilities

The college has no contingent liabilities at 31 March 2014

34 Post Balance Sheet Events

The Office for National Statistics (ONS) reclassified all incorporated FE Colleges as central government entities, to be referred to as Arm's Length Public Bodies from 1 April 2014. The College will be regulated by the Financial Memorandum with the SFC and also by the Scottish Public Finance Manual (SPFM). This will not affect the charitable status of the college.