FORTH VALLEY COLLEGE OF FURTHER AND HIGHER EDUCATION

REPORT AND FINANCIAL STATEMENTS

FOR THE SIXTEEN MONTHS ENDED

31 July 2015

Scottish Charity No. SCO21191

The financial statements were approved and authorised for issue on 10 December 2015.

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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 16 month period ended 31 July 2015.

Legal Status

Forth Valley College came into being on 1 August 2005 as a result of the merger of Clackmannan and Falkirk Colleges. The Office for National Statistics (ONS) reclassified all incorporated FE Colleges as central government entities, to be referred to as Arm's Length Public Bodies from 1 April 2014. The College is a registered charity (Scottish Charity number SCO21191) for the purposes of the Law Reform (Miscellaneous Provisions) (Scotland) Act 2005.

The Financial Statements cover all activities of the College.

Mission Statement

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

College Vision

The College Vision is:

Shaping the Future
Delivering a World Class Service
Driving Our Momentum

Strategic Themes

Forth Valley College of Further and Higher Education has 6 key strategic themes for the 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

2014-15 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 in our estates ensuring we offer the best possible learning environment for our students. This year saw the demolition of our Middlefield building which was stage one of our wider ambitions for a new Falkirk campus. The College is now progressing with a strategy to build a new Falkirk headquarters campus. Support to deliver this project through the Not for Profit Distribution (NPD) procurement model was included in the Scottish Government budget announcement in October 2014.

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".

In 2014-15 we further developed our new Curriculum Review process to ensure that our future curriculum developments continue to meet the needs of the employers of Forth Valley and beyond and to take full account of national priorities, such as the Scottish Government's Youth Employment Strategy (December 2014).

We were able to report a further increase in the percentage of our students succeeding in their college courses, at all levels and across both full-time and part-time. We achieved a 91% response rate in our follow up survey of 2013-2014 completing students and were delighted that 94% of those responding were in a positive destination (employment or further study).

In 2014-15 the College also launched its highly engaging Creative Learning initiative, with over 30 members of staff participating in a Creative Learning Action Community, through which they were supported to work collaboratively with colleagues, across departmental boundaries, to design and facilitate innovative and value-added learning experiences for their students.

We continued to operate our successful "Listening to Learners" focus group process, through which over 2,500 students contributed their views and helped to shape learning within their programmes of study. Satisfaction levels remain very high across all of the factors included on the focus group agendas.

Instilling an energy and passion for our people, celebrating success and innovation – This year the College was successful in achieving the highly prestigious Beacon Award for Innovation in Learning – the only Scottish College to be recognised within this UK wide initiative. This accolade put the College in an excellent position to develop further its ambition of recognising and celebrating success.

Staff development processes have also been revamped and have proved to be successful in their innovative approach in engaging staff and creating a platform of ownership and pride in the delivery of learning and teaching as well as in increasing the knowledge base, skills and industrial experience of employees. The recent development of an Ambassador role within the College will also give more opportunities for staff to represent the College at a wide range of national and international events.

The plans to relaunch the Cultural Survey will give the College an opportunity to assess the impact of the first survey and identify improvements for the future.

Leading as a business that is a champion for governance, financial control and balanced risk taking – Further to the reclassification of Colleges in Scotland as arm's length public bodies by the Office of National Statistics (ONS), the sixteen months to 31 July 2015 is the first reporting period under the new status.

Part of the reclassification process included Colleges changing to a year end date that is in alignment with other government departments. Subsequently, this decision was reversed and the financial reporting period end reverted to 31 July. This has resulted in producing financial statements for 8 months to 31 March 2014 and then 16 months to 31 July 2015.

The impact of being an arm's length public body is that the College is no longer able to generate and hold surpluses. We have revised our internal practices to ensure we are in compliance with the Scottish Public Finance Manual and other relevant guidance.

In line with the transition arrangements for the implementation of Post 16 Education (Scotland) Act 2013 and the College Sector Board Appointments: 2014 Ministerial Guidance, a new regional Board of Management was

OPERATING AND FINANCIAL REVIEW (continued)

1 NATURE, OBJECTIVES AND STRATEGIES (continued)

recruited and appointed in March 2015. The appointments of the non-executive members was approved by Scottish Ministers. A formal induction process was completed for all new members.

Enhancing our position as the business and community partner of choice – Strong employer and stakeholder relationships continue to develop across the College across a wide range of sectors reflecting the curriculum we deliver. Our aim is to create a positive impact on both the local and national economy by meeting the skills requirements of our employers and thus impacting on their productivity and competitiveness. The developments with Scottish Power and its contractors, to rebuild the existing power lines across Central Scotland, continue and we have created a bespoke external training facility for both Scottish Power apprentices and the contractors' reskilling programme. This relationship and the commitment of Scottish Power to their MA delivery resulted in them being awarded MA Employer of the Year in the Large Employer category. We have also maintained our position as a leading Modern Apprenticeship provider in the sector building on the engineering provision and now delivering a first in Scotland for a MA in Digital Journalism with support from the National Union of Journalists.

Partnerships are key to the College and our relationship with Skills Development Scotland in relation to the development of the Skills Investment Plans in both Life Sciences and Chemical Sciences has created new opportunities for the College in terms of increased numbers of MAs in life sciences and conversion courses in the chemicals sector to address key skills needs within this sector.

An international strategy has been developed this year and the College has recruited an International Manager to deliver on our ambitions and plans in the international arena. We are developing collaborations with key HE/FE and local authority partners particularly the University of Stirling and both Falkirk and Stirling Councils. We have travelled to both China and Turkey to start to develop links in the oil and gas sectors both with our partners and independently. Our strong position with OGAS (The Oil and Gas Academy of Scotland) is also supporting our international plans as well as generating the delivery of training requirements for Shell UK.

All the relationships and activities with our key employers and stakeholders have generated a tangible benefit to the College supporting and making a contribution towards its financial sustainability.

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 have continually improved our online application process, supported by the functionality for applicants to create a bespoke prospectus on our website, to provide a clear and supportive system to new and returning students. We have embedded our online student funding application which significantly improved the application process and helped to ensure faster decision making and communication to students. We also developed a schools portal in partnership with Falkirk Council, which allows local schools to see real-time information on school pupil applications to the College, which we hope will enable enhanced dialogue between all partners to enable students to successfully transition on to their correct course.

Through the development of a College Data dashboard we are making real-time information available to appropriate staff throughout our organisation, and we have continued to develop our HR systems to allow staff access to a self-service "My Staff Record" area. For students we have developed "My Info" to provide real-time access to initially timetable and attendance information, with the ability to access this portal from any mobile device.

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 2014-15 and 2013-14.

	Period Ended 31 July *2015*	Period ended 31 March *2014*
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.	***-6.6%***	*1.0%*
Non SFC Income as % of total income*:* total of non-SFC income expressed as a percentage of total income.	***27.4%***	*28.4%*
Current assets : current liabilities: ratio of total current assets to the total of creditors: amounts falling due within one year.	***1:1***	*1:1*
Gearing: the ratio of creditors: amounts falling due after one year to the sum of total endowments and total reserves.	***5.4:1***	*1.7:1*
Days cash: cash and short-term investments divided by total expenditure less depreciation and expressed in days.	***14 days***	*12 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%***	*4%*
Working days lost through sickness absence: Working days lost per staff FTE through sickness absence divided by the total FTEs employed at the institution at the period end (expressed as percentage).	***3%***	*4%*
WSUMs per staff FTE: actual WSUMs delivered in the year per FES return divided by total of FTEs involved in delivery of WSUMs.	***457***	*463*

The following figures prior year comparitive are the actuals as at 31 July 2014 whereas the figures reported in the prior year financial statements in the 8 months to 31 March 2014 were estimated figures

		Year to 31 July 2015	Year to 31 July 2014
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	***71%***	*70%*
	FE Full time	***91%***	*89%*
	HE Full time	***79%***	*72%*
	HE Part time	***89%***	*89%*
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	***77%***	*78%*
	FE Part time	***97%***	*97%*
	HE Full time	***86%***	*86%*
	HE Part time	***95%***	*96%*
Early student retention: measures the number of enrolments for which the student has reached the 25% date for funding purposes, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	***95%***	*94%*
	FE Part time	***99%***	*99%*
	HE Full time	***97%***	*97%*
	HE Part time	***98%***	*99%*

OPERATING AND FINANCIAL REVIEW (continued)

2 ESTATES STRATEGY

The Forth Valley College agreed Estates strategy has always comprised a vision for three new campuses. The first in Alloa, the second in Stirling and a third in Falkirk. A significant investment has already taken place in phases 1 and 2 of this strategy with Alloa and Stirling successfully completing on programme and within budget in 2011 and 2012 respectively.

The College developed an Outline Business Case for a new campus in Falkirk in December 2014 which was communicated to the Scottish Funding Council and Scottish Futures Trust, and received acknowledgement to proceed to the next phase, to develop a full business case (FBC).

The new campus plans include servicing the current Falkirk Campus curriculum provision and in addition, partnering with the Falkirk Community Trust on their business case to provide a new 500 seat Arts Venue facility as part of the new campus.

The New Falkirk Campus will be located on the 10.87 acre Middlefield Campus site (building now demolished) and an additional section of land (4.8 acres) to the East of this, which the College has secured from Callendar Estates. The new facility will be approximately 21,680 sqm including the Arts Centre facility and will incorporate low carbon initiatives, such as Photovoltaic's and Combined Heat and Power, along with other sustainable functions required to meet the Building Research Establishment Environmental Assessment Method (BREEAM) standard.

The FBC is due to be completed in December 2015, thereafter this will be submitted to the Scottish Funding Council and the Scottish Futures Trust for approval.

Once approved, the College will issue an invitation to tender and enter a period of competitive dialogue. The College will select a preferred bidder with the construction planned to commence summer 2017 and complete in the summer 2019.

3 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 sixteen months to 31 July 2015 is the first financial reporting period in which the College has operated as an arm's length public body. This reclassification, effective from 1 April 2014, means the College is regulated by the Financial Reporting Memorandum (FReM) and also by the Scottish Public Finance Manual (SPFM) as well as the FE/HE Statement of Recommended Practice 2007.

OPERATING AND FINANCIAL REVIEW (continued)

3 FINANCIAL POSITION (continued)

Financial Results (continued)

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.

A consequence of the reclassification is the treatment of non-cash costs. Adherence to central government rules leaves the College unable to access accumulated cash reserves without the appropriate budget cover having been authorised from the Scottish Government. Any under-utilisation of allocated budget cover results in cash effectively being frozen. In order to minimise frozen cash in the College sector during the financial period being reported, the SFC granted Colleges additional budget cover up to the level of net depreciation at 31 March 2015 (Scottish Government's financial year end). The net depreciation for the College was £622k and we had SFC authorisation to donate this value to the Forth Valley College Foundation. This figure, as well as further cash surpluses accumulated at 31 March 2015, resulted in the College donating £1.1m into the Forth Valley College Foundation. This prevented that cash becoming inaccessible to the College.

Further non cash costs totalling £1.973m were incurred due to the FRS 17 adjustments relating to the Local Government Pension Scheme (LGPS) which provides benefits on retirement to non-teaching staff. Of these total non cash costs, £1.162m related to the provision for Early Retirements and the £811k to LGPS.

As per FReM guidelines a revaluation exercise of land and buildings was undertaken at 31 July 2015. This resulted in an upward adjustment to the revaluation reserve in the Balance Sheet of £899m and a write off in the Income and Expenditure Account of £615k due to the downwards revaluation of land held at Branshill, Alloa. There was no existing revaluation to offset this loss against.

SFC issued a letter to Colleges to provide assurance that the resulting deficit of £2.9m which arise from these non-cash transactions should not be interpreted as a challenge to the College's financial sustainability and to treat this as a "technical" deficit. This is detailed in Note 35 to the Financial Statements.

The SFC continue to be the main source of College income, with 73% (2014 - 72%) of funds attributable to them. Grant In Aid funding remained stable compared to prior year and this year the College received European Social Fund Priority 5 Funding of £527k (2014 - £0k).

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)

3 FINANCIAL POSITION (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. Cash levels are kept to a minimum per central government regulations. The College requests a cash drawdown from SFC monthly to maintain a working capital balance with excess cash being donated to an Arms' Length Foundation at the end of each fiscal year (31 March), if central government budgeting rules have been met.

Liquidity

The College has an unsecured £4.5m loan facility with Barclays Bank, with an outstanding balance of £4.4m. The loan facility was to assist in the overall funding of the estates development programme. The level of funding provided 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. Disputes and complaints are handled as quickly as possible. Every effort is made to take advantage of additional discount where this is offered for prompt payment. The College did not make any late interest payments during the year.

Standard creditor terms are set on our finance system to be 30 days and can be amended to adhere to supplier terms if authorised by Finance Team Management. Invoices are paid on a weekly basis by the due date and only if they are authorised for payment on the finance system. The average number of days taken to pay suppliers in the financial period being reported was 29 days (2014 - 29 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.

4 CURRENT AND FUTURE DEVELOPMENTS

Student numbers

In the academic year 2014-15 the College met its weighted SUMs target enabling full draw down from the SFC of Activity Based Funding. In the academic year the College enrolled 3,348 full time students and 11,520 part time students.

Student Achievements

At College level, 2014-15 retention and successful completion statistics for both FE and HE, FT and PT are either sustained or have increased on the previous year, except for the HE part time provision retention that fell by 1%.

OPERATING AND FINANCIAL REVIEW (continued)

4 CURRENT AND FUTURE DEVELOPMENTS (continued)

Student Achievements (continued)

In terms of early withdrawal, these rates have remained the same, with the exception of FT FE, which has improved by a further 1% to 5%. Early withdrawal for PT HE, on the other hand, has worsened by 1% to 2%, a return to its 2012-2013 level. Early withdrawal rates for other modes and levels remained the same as for 2013-14 and all compare favourably with the sector further withdrawal rates for that year. It is also worth noting that 16% of FT FE students and 10% of HE FT students who withdrew before the end of their programme did so to enter employment.

As regards successful completion, the FT FE figure rose a further 1% to 71%; the PT FE rate rose 2% to 91% and the PT HE rate remained the same as the previous year, at 89%. There was, however, a significant increase in the successful completion rate for FT HE students, from 72% in 2013-14 to 79% in 2014-15. This is 2.3% above the highest performing college in 2013/14.

The above statistics demonstrate that the College has achieved its 2014-15 Outcome Agreement targets for these PIs and we continue to strive for and achieve year on year improvements in student achievement.

Curriculum Developments

We continue to rigorously review our overall curriculum portfolio, in the light of local and national skills priorities and sustain an excellent reputation with our employers, delivering industry-relevant courses within our campuses and bespoke training on employers' premises. We value these close links and utilise employer input to maintain the vocational relevance of the training we offer, and to secure the future employability of our learners.

A particular focus for curriculum development during 2014-2015 was the emerging Developing the Young Workforce agenda. The Commission for Developing Scotland's Young Workforce, led by Sir Ian Wood, published its report, "Education Working for All!" in June 2014. The report contains 39 recommendations for local authorities, schools, colleges and other agencies aimed at reducing youth unemployment. In December 2014 the recommendations were included in the Scottish Government's refreshed Youth Employment Strategy, which set out seven year plans for schools, colleges, apprenticeships, employers and equality.

One target within the Strategy is to increase the percentage of school leavers achieving vocational qualifications at SCQF level 5 or above. In pursuit of this aim, the College introduced five HNC courses for S5 pupils starting in August 2014.

In 2014-2015 the College also further developed its integrated degree partnership with the University of Stirling, bringing on stream two further degree programmes, in Computing Science and Digital Media.

Future Developments

We made successful bids in 2014-15 to Skills Development Scotland for development grants for three Foundation Apprenticeship Pathfinder programmes and one Advanced Apprenticeship pilot. Two of the Foundation Apprenticeships, in Social Services and Healthcare; and Early Education and Childcare, have been developed and will run for the first time in 2015-16. The third Foundation Apprenticeship and the Advanced Apprenticeship are both in Engineering and will continue to be developed for first offer in 2016-2017.

As we continue to develop and strengthen our employer relationships we have initiated the development of key systems to ensure data is recorded and maintained, and can provide KPIs for our key areas of delivery. For example our employer engagement system will support how we are engaging with employers and maintain key information and data about the employers and stakeholders we are working with. This will also be supported by

OPERATING AND FINANCIAL REVIEW (continued)

4 CURRENT AND FUTURE DEVELOPMENTS (continued)

Future Developments (continued)

an employer portal to provide employers with essential data on their employees in relation to attendance, progress and behaviours when attending College.

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.

Forth Valley College is continuing to progress with the development of the new headquarters campus in Falkirk. An Outline Business Case for the development was approved by the Board of Management on 11 December 2014 and submitted to the Scottish Funding Council who recommended that the College proceed towards Full Business Case (FBC).

Throughout 2015, the College has been progressing with the development of the FBC. Key technical advisors along with architects have been appointed following relevant procurement exercises to assist the College in the preparation of the FBC. Extensive internal consultation has occurred along with public events and meetings with key external stakeholders. In particular, the College has been working closely with Falkirk Council and Falkirk Community Trust to identify areas of potential complementary provision in the new campus. The College has also agreed to purchase land, conditional on final FBC approval, next to the existing intended site for the new campus to incorporate the size of the proposed building and surroundings.

Throughout the process, governance arrangements have been in place with a specialist Falkirk Campus Project Board established to oversee progress. The Falkirk Campus Project Board is comprised of Board of Management Members and College staff along with representation from Scottish Futures Trust and the College's Project Managers.

Next steps for the project relate to the completion of the FBC which will be presented to the Board for consideration and approval in early 2016.

In order to increase consistency with International Financial Reporting Standards, the UK Generally Accepted Accounting Practice is being replaced with FRS 100, 101 and 102. This applies to accounting periods beginning on or after 1 January 2015. The College will be required to comply with FRS 102 as well as the revised FE HE SORP 2015 in 2015/16. As a result of these changes these financial statements will be restated in order to comply with FRS 102 as well as the opening Balance Sheet at 1 April 2014 within the 2015/16 financial statements.

5 RESOURCES

The College has net assets of £34.9m (2014 - £41.4m). The College employed 519 people, on average, in 2014-15 excluding modern apprentices, (expressed as full time equivalents).

6 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.

OPERATING AND FINANCIAL REVIEW (continued)

6 PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The College has robust risk management processes in place to ensure relevant risks are captured, assessed and (where possible) mitigated against. The College maintains a register of strategic risks which is reported on at each meeting of the Audit Committee as well as being reported to the Board of Management.

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

- Government accounting rules restrict College's ability to use available resource at the Board's discretion; this is linked to the next highest risk which is a consequence of the change in College status
- That the College is in breach of the covenants relating to the £4.5m loan facility with Barclays Bank
- There will be inadequate facilities for learners due to lack of capital investment
- National Bargaining will impact on the salary structure and terms and conditions of both support and teaching staff

7 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 and the Public Sector Equality Duty (Specific Duties for Scotland: Implications for Colleges and HEIs guidance) are implemented throughout College for all groups sharing the protected characteristics listed above.

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.

REMUNERATION REPORT

for the 16 months ended 31 July 2015

This report outlines the remuneration policy of Forth Valley College for the Board of Management and the Senior Management Team (SMT), and provides details of members remuneration for the sixteen months ended 31 July 2015.

Board of Management

Forth Valley College Board Members, with the exception of the Chief Executive/Principal are appointed for a fixed period, normally, four years. With the exception of the Chief Executive/Principal and elected staff representatives, these members do not have contracts of service with Forth Valley College.

The Chairman was appointed in March 2014 by Scottish Ministers. The level of remuneration for the Chairman is set by Scottish Government who informs Forth Valley College on an annual basis of any increase to be awarded.

Senior Management Team

The SMT is responsible for the day to day management of Forth Valley College's activities and operations. The Chief Executive/Principal, Ken Thomson, is a member of both the Board and the SMT.

The Chief Executive/Principal and other SMT members are on standard Forth Valley College contracts of employment. Their contracts provide for a notice period of 3 months. For 2014/15 there was no bonus scheme in operation in Forth Valley College.

If an SMT member's employment with Forth Valley College is terminated on the grounds of redundancy or in the interests of the efficiency of the organisation, severance payments will apply based on age and on length of service and are subject to approval by the Scottish Funding Council. This basis is identical to that applied for all other employees.

Remuneration Committee

The Remuneration Committee determines, and recommends to the Board of Management, the framework or broad policy for the remuneration of the members of the SMT, including the Chief Executive/Principal, and other such members of the management team as it is designated by Forth Valley College to consider. This policy is set within the context of the applicable Government guidelines. With input from the Chairman and Chief Executive/Principal it determines the total individual remuneration package of members of the SMT.

Senior Management Team Remuneration

As part of the Forth Valley College's performance management system, each SMT member agrees with the Chief Executive/Principal their personal performance objectives.

Forth Valley College aims to ensure that the remuneration packages offered to SMT:

- enable Forth Valley College to attract, retain and motivate high calibre leaders;
- remunerate individuals fairly for individual responsibility and contribution and;
- take account of salary policy within the rest of Forth Valley College and the relationship that should exist between the remuneration of the Senior Management Team and that of other employees.

REMUNERATION REPORT (continued)

for the 16 months ended 31 July 2015 (continued)

Senior Management Team Remuneration (continued)

Basic salaries are reviewed annually from 1 August. Salary levels are established after taking into account external market levels and internal comparisons as well as individual responsibilities and performance. All senior posts are evaluated as part of our job evaluation process to ensure they reflect the responsibility and accountability of the role and are graded appropriately. The Colleges Job Evaluation system and processes are externally audited on an annual basis. Salary payments are made monthly.

SMT members are all members of either the Scottish Teachers' Superannuation Scheme (STSS) or the Local Government Pension Scheme (LGPS). As ordinary members, they contribute a rate of pensionable salary dependant on salary. In the financial period being reported the rates were between 9.0% and 12.4% and Forth Valley College contributed 14.9% of the employees' pensionable salary to the SPPA and 19.4% to the LGPS. These schemes are defined benefit schemes that provide benefits at a normal retirement age of 65 for LGPS and state pension age for STSS. The pension benefits consist of an annual pension, based on a final pensionable salary calculation up to 31 March 2015 and a career average pensionable salary with effect from 1 April 2015. For members who joined before 1 April 2007 for STSS and 1 April 2009 for LGPS a tax free lump sum will be paid automatically.

Remuneration of the Principal/Chief Executive and other Senior Management Team who served during the sixteen months to 31 July 2015, including salary, pension benefits and other allowances was:

	Sixteen Months to 31 July 2015			Eight months to 31 March 2014		
		Pension			Pension	
	Salary	**Benefit**	**Total**	Salary	Benefit	Total
	£000	**£000**	**£000**	£000	£000	£000
Ken Thomson	147	155	302	66	42	108
Andy Lawson	125	83	208	57	36	93
Tom Gorman	116	29	145	58	14	72
Alison Stewart	104	31	135	48	29	77
David Allison	99	76	175	45	24	69
Colette Walker (i)	80	13	93	0	0	0
Fiona Brown (ii)	82	57	139	0	0	0

(i) Colette Walker was employed on a consultancy basis until 01 July 2014 when she was appointed as a permanent member of the Senior Management Team
(ii) Fiona Brown was appointed to the Senior Management Team on 01 August 2014

Annual Equivalent figures

	Twelve Months to 31 July 2015			Twelve months to 31 July 2014		
		Pension			Pension	
	Salary	**Benefit**	**Total**	Salary	Benefit	Total
	£000	**£000**	**£000**	£000	£000	£000
Ken Thomson	110	116	226	101	63	171
Andy Lawson	93	62	155	91	54	145
Tom Gorman	87	22	109	86	21	107
Alison Stewart	78	23	101	76	44	120
David Allison	74	57	131	73	36	109
Colette Walker	74	10	84	0	0	6
Fiona Brown	63	43	106	0	0	0

The annual equivalent salary figures are based on the actual salaries earned in each year. The pension benefit figure has been calculated by pro-rating the 16 month and 8 month figures in the table above to a 12 month equivalent.

REMUNERATION REPORT (continued)

for the 16 months ended 31 July 2015 (continued)

Pension benefits are provided to the Senior Management Team on the same basis as all other staff. The accrued retirement benefits of the Senior Mangement Team for the sixteen months to 31 July 2015 are:

			Cash Equivalent Transfer Value		
	Accrued Pension at pension age as at 31 July 2015 and related lump sum £000	Real increase in Pension and related lump sum at pension age £000	At 31 July 2015 £000	At 31 March 2014 £000	Increase net of members contributions £000
Ken Thomson	40-45 plus lump sum of 120-125	5.0 - 7.5 plus lump sum of 20 - 22.5	815	649	153
Andy Lawson	25-30 plus lump sum of 85-90	2.5 - 5 plus lump sum of 10 - 12.5	659	535	113
Tom Gorman	15-20 plus lump sum of 20-25	0 - 2.5 plus lump sum of 0 - 2.5	275	233	34
Colette Walker	0-5 plus lump sum of 0-5	0 - 2.5 plus lump sum of 0 - 2.5	17	0	11
Fiona Brown	15-20 plus lump sum of 45-50	0 - 2.5 plus lump sum of 7.5 - 10	349	280	60
Alison Stewart	5-10 plus lump sum of 0-5	0 - 2.5 plus lump sum of 0 - 2.5	105	73	25
David Allison	20-25 plus lump sum of 45-50	2.5 - 5 plus lump sum of 2.5 - 5	327	261	59

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

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

(i) the figures for pension lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.

(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.

REMUNERATION REPORT (continued)

for the 16 months ended 31 July 2015 (continued)

Real Increases in CETV

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

For the period April 2014 to March 2015 the Chairman was entitled to claim remuneration of £200 for every 7.5 hours up to a maximum total fee of £20,800. For the period April 2015 to March 2016 the maximum total fee is £15,600. The Chair will receive no fee for any time devoted to performing their functions which exceeds 104 days in the period April 2014 to March 2015 and 78 days in the following period. The Chair is not entitled to a pension in respect of their office.

In the period April 2014 to March 2015 the Chairman has waived his fee and for the period April 2015 to July 2015 the Financial Statements include an accrual of £5,200.

Median Pay Multiples

The relationship between the remuneration of the highest paid member of the Senior Management Team and the median remuneration of the employees of Forth Valley College is as follows:

	Period Ended 31 July 2015	Period ended 31 March 2014
	£	£
Annualised remuneration of the highest paid member of the Senior Management Team	109,923	96,960
Median Remuneration of Forth Valley College Employees	28,874	29,159
Remuneration Ratio	1 : 3.81	1 : 3.33

The median remuneration of Forth Valley College's employees is based upon the annualised full-time equivalent salary of the employees at 31 July 2015. (2014: at 31 March 2014)

Including severance payments, no employee (2014: no employees) received remuneration in excess of the highest paid member of the Senior Management Team.

Compensation for loss of office

Three employees left under voluntary exit terms during the year. They received a total payment of £49k.

Ken Thomson
Accountable Officer
10 December 2015

Statement of Corporate Governance and Internal Control

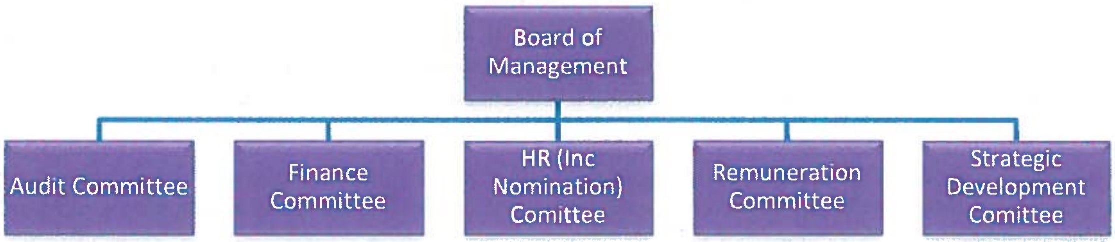
Introduction

The College is committed to exhibiting best practice in all areas of corporate governance. This summary describes the manner in which the College has applied the principles in the Code of Good Governance for Scotland's Colleges.

This governance statement is designed to supplement the information provided in the financial statements. It sets out the governance structures, risk management and internal control processes that have been operating in Forth Valley College in the 16 month period to 31 July 2015 and reports the Board's assessment of the effectiveness of these arrangements.

Governance Structure

The College has a robust and effective Board and Committee structure in place.



Additionally, in recognition of the significant developments as the Falkirk Campus Project Board progresses towards the realisation of the new Falkirk Headquarters Campus, an additional committee has been established. While the Falkirk Campus Project Board is separate from the main Board of Management structure, three non-executive Board Members serve on this Board to ensure adequate representation from the main Board of Management.

Board of Management Committees

Audit Committee

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

Finance Committee

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

HR Committee (Inc. Nomination Committee)

The committee met on four 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.

Statement of Corporate Governance and Internal Control (continued)

Remuneration Committee

The committee met once during this period. Its role is to provide good governance advice and assistance to the Board of Management on the remuneration of senior College staff, considering sectoral guidance and maintaining comparability with relevant external bodies.

Strategic Development Committee

The committee met on five 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.

Board of Management Members

In line with the requirements of the College Sector Board Appointments: 2014 Ministerial Guidance, the College undertook an open, fair and merit-based recruitment exercise in 2014/15 to fill the 12 non-executive positions on the Board. A skills matrix was developed to support the recruitment process and to ensure that the appointments would provide the correct mixture of skills to enable the Board to fully undertake their duties.

Owing to the number of existing non-executive members who has expressed an interest in continuing to serve on the Board, a specialist recruitment panel was established to oversee the interview and appointment process. This panel consisted of the Chair, Board members who were not seeking to be re-appointed and an independent external member.

Following the recruitment process, the recommendations of the panel were communicated to Scottish Ministers who approved the recommendations. This also resulted in the College achieving, for the non-executive positions available, a 50-50 gender balance.

The first meeting of the new Board of Management occurred on 26 March 2015 and the membership now consists of 18 members as follows –

- Chair
- 12 Independent Non-executive members
- 2 Student Members
- 2 Staff Members
- Principal

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

Members of the Board have a collective responsibility for the proper conduct of the College's affairs. Members have full and timely access to all relevant information to enable them to perform their roles effectively. Members' roles and responsibilities are described in the Code of Good Governance for Scotland's Colleges and the Guide for Board Members in the College Sector. A register of members' interests is available on the College's website at http://www.forthvalley.ac.uk

Board Effectiveness

The Board of Management has adopted the Code of Good Governance for Scotland's Colleges. The code outlines the activity to be undertaken by a Board. The Board of Management has an effective mix of skills in place,

Statement of Corporate Governance and Internal Control (continued)

supplemented by a comprehensive induction process which is further enhanced by Board training activities such as the provision of equalities training.

There are self-evaluation processes, led by the Chair and an evaluation process for the activity of the Chair led by the Vice-Chair. These offer a mechanism for members to feedback on their perceptions of the Board, their contribution and any future training needs.

Attendance

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 covers 16 months, there were a total of 5 meetings of the Board of Management.

	Status	Date of Appointment	Date of Retiral (If Applicable)	Board of Management (Five Meetings)	Audit Committee (Four Meetings)	Finance Committee (Four Meetings)	HR (Inc. Nomination) Committee (Four Meetings)	Remuneration Committee (1 Meeting)	Strategic Development Committee (Five Meetings)
Mr H Hall, Chair	Regional Chair	3/3/14	N/A	4				1	
Mrs A Mearns, Vice Chair	Senior Non-Exec	02/03/15	N/A	4				1	4
Dr K Thomson	Principal	01/08/13	N/A	5					
Mr R Addie	Staff	01/04/10	11/12/14	2					2
Mr C Alexander	Non-Exec	02/03/15	N/A	4	4				
Dr W Blair	Non-Exec	01/08/06	26/06/14	1			1	1	
Mr A Buchan	Student	26/03/15	N/A	2					1
Mr R Burns	Staff	26/03/15	N/A	2					
Mrs F Campbell	Non-Exec	02/03/15	N/A	3			3		5
Mr A Carver	Non-Exec	02/03/15	N/A	5		2			3
Ms L Dougall	Non-Exec	26/03/15	N/A	2					
Mr D Gentles	Student	20/09/12	26/06/14	1					1
Mr B Gil	Non-Exec	01/08/07	11/12/14	2	2				
Ms B Hamilton	Non-Exec	02/03/15	N/A	5	2		4		
Mrs C Jack	Non-Exec	02/03/15	N/A	4		4			5
Mr L McCabe	Non-Exec	02/03/15	N/A	3		4			
Mrs E McGeorge	Staff	01/09/09	25/03/15	2			3		
Mr K Richardson	Non-Exec	02/03/15	N/A	5		3			1
Mr N Scott	Non-Exec	02/03/15	N/A	5	3		3		
Ms L Simpson	Student	11/09/14	N/A	4					3
Mr T Smith	Student	11/09/14	11/12/14	0					
Ms A Stephen	Staff	26/03/15	N/A	1					1
Mrs S Struthers	Non-Exec	01/09/08	25/09/14	1		1			
Mr S Tolson	Non-Exec	26/03/15	N/A	1					
Ms A Winchester	Non-Exec	26/03/15	N/A	2					1

Statement of Corporate Governance and Internal Control (continued)

Assessment of corporate governance

In the opinion of the Board of Management, we can confirm that corporate governance has been exercised throughout the period in accordance with the principles of the Code of Good Governance for Scotland's Colleges, the Scottish Public Finance Manual (SPFM) and the Financial Memorandum.

Risk Management and Internal Control

The Board of Management has overall responsibility for ensuring the effective identification, mitigation and monitoring of strategic risks within the College. The Audit Committee has delegated authority from the Board of Management to approve the Risk Management Policy and to review regular reports from the College Senior Management Team regarding risk.

The College operates a Strategic Risk register which identifies the most significant risks to the College. This register is taken to every meeting of the Audit Committee for comment and challenge. It is also provided annually to the Board of Management and Finance Committees.

The Principal is responsible for the maintenance of the College strategic risk register and for ensuring appropriate risk mitigation actions are implemented to address significant risks to College operations and strategic objectives.

Senior Management Team members are responsible for establishing controls to mitigate identified risks wherever possible. This information is included on the Strategic Risk Register in summary form.

Risk Management is embedded in the operations of the College. The identification and mitigation of risk is a component in all decision making and is a standing item at all Senior Management Team, Board Committee and Board of Management meetings.

The College also operates a risk management system whereby areas of significant risk to the College have their own specific risk register. It is under this approach that an estates risk register was established to support the Falkirk Headquarters campus project.

Delegation of responsibility for managing the key risks in the risk registers is essential if risk management is to be effective. The risk registers, therefore identifies "owners" for each risk.

Internal Audit

The College has an internal audit service, the work of which concentrates on areas of key activities determined by an analysis of the areas of greatest risk, input from Senior Management Team and areas of significant change to operational systems/practices and in accordance with the annual internal audit plan approved by the Audit Committee. The internal 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 period the auditors have expressed an opinion that no significant issues were noted with governance and the College's system of internal control and risk management.

Internal Control

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

Statement of Corporate Governance and Internal Control (continued)

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

In particular it includes:

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

Assessment of the effectiveness of internal controls

The Board of Management is of the view that there is an on-going process for identifying, evaluating and managing the College's significant risks. This process is reviewed by the Board of Management through the Audit Committee. A formal Business Continuity Plan is maintained within the College.

For the period to 31 July 2015, the Internal Auditors reported completion of all reviews in the Audit Plan. Internal Audit was of the opinion that based on internal audit work undertaken, that risk management processes were well developed and no significant issues were noted with the system of internal control and governance.

The external auditors have given an unqualified audit opinion on the accounts for the period to 31 July 2015 and on the regularity of transactions reflected in the accounts. No further significant issues have been identified as part of their audit process.

On the basis of the assurances provided from the sources of assurance outlined above, I can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the SPFM, have operated for the period ended 31 July 2015 and up to the date of approval of the annual report and financial statements.

Going Concern

The financial statements have been prepared on a going concern basis as the Board of Management believes 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 10 December 2015 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 on-going College reserves was approved by Scottish Government Ministers. Forth Valley College Foundation was incorporated in December 2013 and has been awarded charitable status from the Office of the Scottish Charity Regulator (OSCR).

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 10 December 2015 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

We have audited the financial statements of Forth Valley College for the period ended 31 July 2015 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, we 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. Our 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 us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are 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 college'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, we read all the financial and non-financial information in the report and financial statements 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 us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our 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 college's affairs as at 31 July 2015 and of its deficit 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 (as amended).

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 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.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Ministers; and
- 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 we are required to report by exception

We are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Catherine Wyllie

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

10 December 2015

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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 sixteen month period ended 31 July 2015

INCOME	Note	**Period Ended 31 July 2015**	Period ended 31 March 2014
		£000	£000
SFC grants	2	**31,522**	17,071
Tuition fees and education contracts	3	**9,926**	5,311
Other grant income	4	**97**	32
Other operating income	5	**1,849**	1,340
Investment income	6	**26**	86
Total Income		**43,420**	23,840
EXPENDITURE			
Staff costs	7	**28,925**	14,643
Pension provision charge	9	**1,702**	594
Other operating expenses	10	**10,185**	5,038
Depreciation	14	**3,542**	1,755
Interest payable	11	**224**	170
Donation to FVC Foundation	12	**1,100**	4,400
Total Expenditure		**45,678**	26,600
Deficit on continuing operations after depreciation of assets at valuation and before tax and exceptional items		**(2,258)**	(2,760)
Exceptional Items			
Release of SFC Provision		**0**	3,000
Loss on Revaluation of Land		**(615)**	0
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and exceptional items and before tax		**(2,873)**	240
(Deficit)/Surplus on continuing operations after Gain on disposal of fixed assets and depreciation of assets at valuation and tax and exceptional items.		(2,873)	240

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

Statement of Historical Cost Surpluses and Deficits for the sixteen months ended 31 July 2015

	Note	**Period Ended 31 July 2015**	Period ended 31 March 2014
		£000	£000
(Deficit)/Surplus on continuing operations before taxation		**(2,873)**	240
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	20	**752**	412
Historical cost (deficit)/surplus for the period before and after taxation		**(2,121)**	652

Statement of Total Recognised Gains and Losses for the period ended 31 July 2015

	Note	**Period Ended 31 July 2015**	Period ended 31 March 2014
		£000	£000
(Deficit)/Surplus on continuing operations before taxation		**(2,873)**	240
Actuarial loss in respect of the pension scheme	20	**(2,504)**	(2,774)
		(5,377)	(2,534)
Reconciliation			
Opening Reserves		**6,889**	9,423
Adjustment to Revaluation Reserve		**899**	0
Total recognised loss for the year	20	**(5,377)**	(2,534)
Closing Reserves		**2,411**	6,889

Balance Sheet as at 31 July 2015

	Note	As at 31 July 2015	As at 31 March 2014
		£000	£000
Fixed Assets			
Tangible assets	14	**61,094**	63,713
Current assets			
Stocks		**27**	33
Debtors	15	**1,409**	3,192
Cash at bank and in hand		**1,609**	786
Total current assets		**3,045**	4,011
Less: Creditors - amounts falling due within one year	16	**2,835**	4,128
Net current assets/(liabilities)		**210**	(117)
Total assets less current liabilities		**61,304**	63,596
Less: Creditors falling due after more than one year	17	**4,216**	4,432
Less: Provision for liabilities	18	**8,698**	7,536
Net Assets excluding pension liability		**48,390**	51,628
Net pension liability	27	**(13,517)**	(10,202)
NET ASSETS INCLUDING PENSION LIABILITY		**34,873**	41,426
Deferred capital grants	19	**32,462**	34,537
Income and expenditure account excluding pension reserve	20	**(4,787)**	(3,477)
Pension reserve	20	**(13,517)**	(10,202)
Income and expenditure account including pension reserve	20	**(18,304)**	(13,679)
Revaluation reserve	20	**20,715**	20,568
Total reserves		**2,411**	6,889
TOTAL		**34,873**	41,426

The financial statements on pages 28 to 50 were approved by the Board of Management on 10th December 2015 and were signed on its behalf on that date by:

Hugh Hall
Chairman

Dr Ken Thomson
Principal

Cashflow Statement for the period ended 31 July 2015

	Note	**Period Ended 31 July 2015**	Period ended 31 March 2014
		£000	£000
Cash inflow/(outflow) from operating activities	21	**1,053**	(5,463)
Returns on investments and servicing of finance	22	**(230)**	(43)
Capital expenditure and financial investment	23	**0**	0
Increase/(decrease) in cash in the period		**823**	(5,506)

Reconciliation of net cash flow to movement in net funds			
Increase/(Decrease) in cash in the period		**823**	(5,506)
Change in net funds resulting from cash flows		**0**	0
Movement in net funds in period		**823**	(5,506)
Net funds at 31 March 2014	25	**786**	6,292
Net funds at 31 July 2015	25	**1,609**	786

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 grants, contracts and other services rendered is included in proportion to the extent of completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Recurrent grants from the Scottish Funding Council (SFC) are recognised in the period in which they are receivable.

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

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.

Notes to the Financial Statements (continued)

1 Statement of Principal Accounting Policies (continued)

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 yearend 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, prior to 1/4/15 and a career average scheme from 1/4/15. 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.

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.

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.

Notes to the Financial Statements (continued)

	Note	Period Ended 31 July 2015	Period ended 31 March 2014
		£000	£000
2 SFC grants			
FE recurrent grant (including fee waiver)		**25,202**	14,332
Childcare funds		**696**	187
Release of deferred capital grants	19	**2,712**	1,316
SFC rmaintenance grant		**1,396**	1,104
Other SFC grants		**1,516**	132
Total		**31,522**	17,071
3 Tuition fees and education contracts			
FE fees - UK & EU		**145**	94
FE fees - non EU		**0**	9
HE fees		**1,877**	1,039
SDS Income		**1,298**	662
Education contracts		**1,635**	596
Other contracts		**4,971**	2,911
		9,926	5,311
4 Other grant income			
Other grants		**97**	32
5 Other operating income			
Residences and catering		**1,064**	582
Other income-generating activities		**118**	54
Other income		**667**	704
Total		**1,849**	1,340
6 Investment income			
Other interest receivable		**26**	86

Notes to the Financial Statements (continued)

	Period Ended 31 July 2015	Period ended 31 March 2014
	£000	£000
7 Staff costs		
Wages and salaries	22,961	12,053
Social security costs	1,752	919
Other pension costs (including FRS 17 adjustments of £843,000 (2014 £209,000))	4,212	1,671
Total	28,925	14,643
Academic/ Teaching Departments	17,905	9,408
Academic/ Teaching Services	3,742	1,884
Administration and Central Services	4,282	1,997
Premises	779	413
Other expenditure	417	177
Catering and Residences	354	162
Modern Apprentice Trainees	1,446	602
Sub-total	28,925	14,643
Exceptional restructuring costs	0	0
Total	28,925	14,643

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

	No.	No.
Senior management	7	6
Teaching departments	266	254
Teaching services, Admin and central services	221	214
Premises	12	11
Catering and Residences	13	12
Modern Apprentice Trainees	111	87
Total	630	584
Analysed as:		
Staff on permanent contracts	596	544
Staff on temporary contracts	34	40
	630	584

The number of staff, including senior post-holders and the Principal, who received emoluments including benefits in kind where appropriate and excluding pension contributions, annualised from the 16 or 8 month periods in the following ranges were:

	2015 Senior post-holder No.	2015 Other members of staff No.	2014 Senior post-holder No.	2014 Other members of staff No.
£50,001 to £60,000 per annum	0	6	1	6
£60,001 to £70,000 per annum	1	1	1	2
£70,001 to £80,000 per annum	3	0	1	0
£80,001 to £90,000 per annum	1	0	2	0
£90,001 to £100,000 per annum	1	0	1	0
£100,001 to £110,000 per annum	1	0	0	0

Notes to the Financial Statements (continued)

	Period Ended 31 July 2015	Period ended 31 March 2014
8 Senior post-holders' emoluments		
	No.	No.
The number of senior post-holders, including the Principal was:	**7**	6

	Period Ended 31 July 2015	Period ended 31 March 2014
Senior post-holders' emoluments are made up as follows:		
	£000	£000
Salaries	**753**	332
Pension contributions	**128**	48
Total emoluments	**881**	380

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

Salary	**147**	66
Benefits in kind	**0**	0
	147	66
Pension contributions	**22**	10

The Principal and two other senior post-holders were members of the Scottish Public Pensions Agency and the other four 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 Chair of the Board of Management was entitled to claim remuneration of £20,000 in the financial period. The Chairman has waived his fee for April 2014 to March 2015, however an accrual of £5k (gross pay) has been made for his fee from April 2015 to July 2015. Other members of the Board of Management, other than the Principal and staff members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

	Period Ended 31 July 2015	Period ended 31 March 2014
	£000	£000
9 Pension Provision Charge		
Increase due to revaluation of pension liability	**1,282**	379
Interest	**420**	215
	1,702	594

Notes to the Financial Statements (continued)

		Period Ended 31 July 2015	Period ended 31 March 2014
		£000	£000
10 Other operating expenses			
Teaching departments		**2,952**	1,835
Administration and central services		**1,923**	746
Premises costs		**1,959**	926
Planned maintenance		**1,180**	540
Other employee related costs		**539**	261
Agency staff costs		**58**	49
Other income generating activities		**451**	231
Residences and catering		**427**	263
Childcare		**696**	187
Total		**10,185**	5,038
Other operating costs include:			
Auditors' remuneration	- external audit of these financial statements	**26**	26
	- internal audit services	**28**	33
	- external auditors other services	**4**	4
	- internal auditors other services	**13**	21
Hire machinery - operating leases		**143**	6S
Hire of premises - operating leases		**88**	41
		302	190
11 Interest payable			
Interest on Loans repayable wholly or partly in more than five years		**256**	129
Pension finance costs (note 27)		**(32)**	41
Total		**224**	170
12 Forth Valley College Foundation			
Donation to Forth Valley College Foundation		**1,100**	4,400

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 2015 by DM Hall, Chartered Surveyors, in the capacity of independent valuer. The basis of valuation adopted was depreciated replacement cost for except the land only sites in Alloa and Middlefield Road, Falkirk which were valued at open market value. The valuations were made in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

	Land and Buildings	Plant and Equipment	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2014	65,362	4,340	69,702
Revaluation	(5,279)	0	(5,279)
Additions	18	620	638
Write off assets no longer in use	0	(282)	(282)
At 31 July 2015	**60,101**	**4,678**	**64,779**
Depreciation			
At 1 April 2014	3,032	2,957	5,989
Provided during period	2,532	1,010	3,542
Write back to Revaluation Reserve	(5,564)	0	(5,564)
Write off assets no longer in use	0	(282)	(282)
At 31 July 2015	**0**	**3,685**	**3,685**
NBV at 31 March 2014	62,330	1,383	63,713
NBV at 31 July 2015	**60,101**	**993**	**61,094**

Land and buildings with a net book value of £54.3m 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 July 2015	As at 31 March 2014
	£000	£000
15 Debtors: Amounts falling due within one year		
Trade debtors - net of provision for doubtful debts	**468**	600
Prepayments and accrued income	**941**	2,592
	1,409	3,192
16 Creditors: Amounts falling due within one year		
Trade creditors	**157**	186
Other taxation and social security	**451**	34
Accruals and deferred income	**1,679**	3,554
Loan Repayment	**146**	68
Other creditors	**402**	286
	2,835	4,128

Notes to the Financial Statements (continued)

	As at 31 July 2015	As at 31 March 2014
	£000	£000
17 Bank Loan		
Repayable within one year	146	68
Repayable between one and two years	151	142
Repayable between two and five years	502	467
Repayable over five years	3,563	3,823
	4,362	4,500

The term loan is a 29 year loan from Barclays, taken out 30 September 2010. The first drawdown against the facility was in 2011/12. The College has an interest rates swap at 31 July 2015 of £4.4m at a fixed rate of 4.3% which terminates on 30 July 2029. In the 16 month period to 31 July 2015, the College repaid £138,570 of the loan principal.

	Pension Provision	Asset Repayment Provision	Period Ended 31 July 2015	Period ended 31 March 2014
18 Provisions for liabilities and charges	£000	£000	£000	£000
At 1 April 2014	7,536	0	7,536	10,200
Expenditure in the period	(540)	0	(540)	(258)
Released in year	-	0	0	(3,000)
Revaluation adjustment	1,282	0	1,282	379
Interest charged	420	0	420	215
At 31 July 2015	8,698	0	8,698	7,536

The pension provision is in respect of future pension liabilities arising from early retirals. The value of the provision is based on a valuation at 31 July 2015 performed by Hymans Robertson, an independent firm of actuaries.

19 Deferred Capital Grants	SFC	Other	Total
	£000	£000	£000
At 1 April 2014			
Land and Buildings	33,132	24	33,156
Equipment	1,381	0	1,381
	34,513	24	34,537
Cash Receivable /Transferred			
Land and Buildings: Cash Received	18	0	18
Equipment	620	0	620
	638	0	638
Released to Income and Expenditure Account			
Land and Buildings	(1,705)	(1)	(1,706)
Equipment	(1,007)	0	(1,007)
	(2,712)	(1)	(2,713)
At 31 July 2015			
Land and Buildings	31,445	23	31,468
Equipment	994	0	994
	32,439	23	32,462

Notes to the Financial Statements (continued)

20 Reserves

	Period Ended 31 July 2015 Total	Period ended 31 March 2014 Total
	£000	£000
Revaluation Reserve		
At 1 April 2014	**20,568**	20,980
Revaluation adjustment	**899**	0
Transfer to Income & expenditure account in respect of:		
Depreciation on revalued assets	**(752)**	(412)
At 31 July 2015	**20,715**	20,568
General Reserve		
At 1 April 2014	**(13,679)**	(11,557)
(Deficit) for the period	**(2,873)**	240
Transfer from revaluation reserve	**752**	412
Actuarial (loss) in pension scheme	**(2,504)**	(2,774)
At 31 July 2015	**(18,304)**	(13,679)
Represented by:		
Income & expenditure account		
At 1 April 2014	**(3,477)**	(4,379)
(Deficit) for the period	**(2,873)**	240
Transfer from pension reserve	**811**	250
Transfer from revaluation reserve	**752**	412
At 31 July 2015	**(4,787)**	(3,477)
Pension Reserve		
At 1 April 2014	**(10,202)**	(7,178)
Current service cost	**(2,446)**	(844)
Employer contributions	**1,603**	643
Past service gains	**0**	(8)
Return on net assets / liability	**32**	(41)
Transfer from income & expenditure	**(811)**	(250)
Actuarial (losses)	**(2,504)**	(2,774)
At 31 July 2015	**(13,517)**	(10,202)
Summary		
Income & expenditure account	**(4,787)**	(3,477)
Pensions reserve	**(13,517)**	(10,202)
At 31 July 2015	**(18,304)**	(13,679)

Notes to the Financial Statements (continued)

	Note	Period Ended 31 July 2015	Period ended 31 March 2014
21 Reconciliation of operating surplus to net cash flow from operating activities	**Note**	**£000**	£000
Operating (deficit)/surplus after depreciation of assets, exceptional items and tax		**(2,873)**	240
Pension costs (less contributions payable)	27	**843**	209
Depreciation	14	**3,542**	1,755
Revaluation adjustment for Land and Buildings	14	**615**	0
Deferred capital grants released to income	19	**(2,713)**	(1,316)
Decrease/(Increase) in stocks		**6**	(5)
Decrease/(Increase) in debtors	15	**1,783**	(2,080)
(Decrease) in creditors	16,17	**(1,510)**	(1,686)
Increase/(Decrease) in provisions	18	**1,162**	(2,664)
Interest receivable - bank interest	6, 22	**(26)**	(86)
Interest paid - loan interest	11,22	**256**	129
Net return on pension liability	27	**(32)**	41
Net cash inflow/(outflow) from operating activities		**1,053**	(5,463)
22 Returns on investments and servicing of finance			
Interest received		**26**	86
Interest paid		**(256)**	(129)
		(230)	(43)
23 Capital expenditure and financial investment			
Purchase of tangible fixed assets	14	**(638)**	(1,642)
Sales of tangible fixed assets		**0**	0
Deferred capital grants received	19	**638**	1,642
Net cash outflow from capital expenditure		**0**	0
24 Financing			
Capital element of finance lease rental payments		**0**	0
New loans		**0**	0
Net cash inflow from financing		**0**	0

25 Analysis of changes in net funds

	At 31 March 2014	Cash Flows	Other Changes	At 31 July 2015
	£000	£000	£000	**£000**
Cash	786	823	0	**1,609**
Finance lease/hire purchase contracts	0	0	0	**0**
TOTAL	786	823	0	**1,609**

Notes to the Financial Statements (continued)

	Period Ended 31 July 2015	Period ended 31 March 2014
26 Lease commitments	**£000**	£000
The annual commitments under non-cancellable operating leases for equipment are as follows:		
Expiry - within one year	**0**	0
- within one to five years	**116**	124
- after five years	**0**	0
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	**64**	61

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	**1,766**	819
Contribution to LGPS	**1,603**	643
Pension costs as a result of implementing FRS 17	**843**	209
Total pension cost (Note 7)	**4,212**	1,671
Contribution rates		
STSS		14.9%
LGPS		19.4%

The Scottish Teachers' Superannuation Scheme

(a) Forth Valley College participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specificed in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2012. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019.

(b) Forth Valley College has no liability for other employers obligations to the multi-employer scheme.

(c) As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

(d) (i) The scheme is an unfunded multi-employer defined benefit scheme.

(ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where Forth Valley College is unable to identify its share of the underlying assets and liabilities of the scheme.

(iii) The employer contribution rate from 1 April 2015 was 14.9% of pensionable pay. This increased to 17.2% from 1 September 2015. While the employee rate applied is a variable it will provide an actuarial yield of 9.6% of pensionable pay.

(iv) At the last valuation a shortfall of £1.3 billion was identified in he notional fund which will be repaid by a supplementary rate of 4.5% of employers pension contributions for fifteen years from 1 April 2015. This contribution is included in the 17.2% employers contribution rate.

(v) The total employer contributions received for the Scottish Teachers' scheme in the year to 31 March 2014 were £346.3million. Forth Valley College's level of participation in the scheme is 0.3% based on the proportion of the employer contributions paid in 2013-14.

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 July 2015 was £2,094k of which employer's contributions totalled £1,603k and employees contributions totalled £491k. 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 2015 updated to 31 July 2015 by a qualified independent actuary.

Principal Actuarial assumptions

Rate of return on investments in excess of rate of increase in salaries is (0.4%).

Rate of return on investments in excess of rate of increase in pensions	1.0%

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

	Male years	Female years
Current pensioners	22.1	23.8
Future pensioners	24.3	26.3

	As at 31 July 2015	As at 31 March 2014
Pension increase rate	**2.6%**	2.8%
Rate of increase in salaries	**4.0%**	5.1%
Expected return on assets	**3.6%**	6.1%
Discount rate for liabilities	**3.6%**	4.3%

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

	Long-term rate of return expected at 31 July 2015	**Value at 31 July 2015**	Long-term rate of return expected at 31 March 2014	Value at 31 March 2014
		£'000		£'000
Equities	**3.6%**	**17,847**	6.6%	20,033
Bonds	**3.6%**	**6,800**	3.9%	2,312
Property	**3.6%**	**2,267**	4.8%	2,569
Cash	**3.6%**	**1,417**	3.7%	771
Total market value of assets		**28,331**		25,685
Present value of scheme liabilities				
- Funded		**(41,258)**		(35,360)
- Unfunded		**(590)**		(527)
Deficit in the scheme		**(13,517)**		(10,202)

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 :

	Period Ended 31 July 2015	Period ended 31 March 2014
	£000	£000
Analysis of the amount charged to income and expenditure account		
Current service costs	**2,446**	844
Past service costs	**0**	8
	2,446	852
Less: Contributions paid	**(1,603)**	(643)
Total operating charge	**843**	209
Analysis of net return on pension scheme		
Expected return on pension scheme assets	**(2,170)**	(941)
Interest on pension liabilities	**2,138**	982
Net interest expense on net pension liability	**(32)**	41
Net revenue account expenditure	**811**	250
Amount recognised in the statement of recognised gains and losses (STRGL)		
Actual return less expected return on pension assets	**762**	(927)
Experience gains and losses arising on the scheme liabilities	**(392)**	0
Experience gains and losses arising on the scheme assets	**(1,772)**	379
Change in financial assumptions underlying the scheme liabilities	**(1,102)**	(2,226)
Actuarial (loss) recognised in STRGL	**(2,504)**	(2,774)
Movement in deficit during the period		
Deficit in scheme at 1 April 2014	**(10,202)**	(7,178)
Movement in period :		
Current service charge	**(2,446)**	(844)
Contributions	**1,566**	625
Contributions in respect of Unfunded Benefits	**37**	18
Past service costs	**0**	(8)
Net (interest expense)	**32**	(41)
Actuarial (losses)	**(2,504)**	(2,774)
Deficit in scheme at 31 July 2015 **(Note 20)**	**(13,517)**	(10,202)

Asset and Liability Reconciliation

Reconciliation of Liabilities		
Liabilities at start of period	**35,887**	31,963
Service cost	**2,446**	844
Interest cost	**2,138**	982
Employee contributions	**491**	197
Actuarial loss	**1,494**	2,226
Benefits paid	**(608)**	(333)
Past Service costs	**0**	8
Liabilities at end of period	**41,848**	35,887

Notes to the Financial Statements (continued)

27 Pensions and similar obligations (continued)

	Period Ended 31 July 2015 £000	Period ended 31 March 2014 £000
Reconciliation of Assets		
Assets at start of period	**25,685**	24,785
Expected return on assets	**2,170**	941
Actuarial (loss)	**(1,010)**	(548)
Employee contributions	**491**	197
Employer contributions	**1,603**	643
Benefits paid	**(608)**	(333)
Assets at end of period	**28,331**	25,685

History of experience gains and losses

	Period ended 31/07/15 £000	Period ended 31/03/14 £000	Year ended 31/07/13 £000	Year ended 31/07/12 £000	Year ended 31/07/11 £000
Experience gains/(losses) on scheme assets	(1,010)	(548)	3,091	(516)	962
Value of Assets	**28,331**	25,685	24,785	20,079	19,366
Percentage of scheme assets	**(3.6%)**	(2.1%)	12.5%	(2.6%)	5.0%
Experience gains and (losses) on scheme liabilities	(392)	(9)	0	2,174	(27)
Present value of liabilities	**41,848**	35,887	31,963	29,212	25,916
Percentage of scheme liabilities	**(0.0%)**	(0.0%)	0.0%	7.4%	(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	Contract type	College Sales £000	College Purchases £000
Mr H Hall	University of Strathclyde	Educational	72	0
Miss L Dougall	University of Strathclyde	Educational	see above	see above
Miss F Campbell	Edinburgh Napier University	Educational	29	0
Ms C Jack	Scottish Power	Educational	240	9
Mr L McCabe	University of Stirling	Educational	973	0
Mr L McCabe	APUC	Educational	-	60
Mr C Alexander	BP Oil Exploration Ltd	Educational	844	0
Mrs S Struthers	Colleges Scotland	Educational	9	31
Mr B Gill	Stirling Council	Educational	119	159

Notes to the Financial Statements (continued)

28 Related Party Transactions (continued)

At 31 July 2015, the following balances existed which were greater than £5,000, for the organisations noted above:

Organisation	Due to the College	Due from the College
	£000	£000
University of Stirling	71	0
BP Oil Exploration	16	0
Stirling Council	15	50
	102	50

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
Miss L Dougall	University of Strathclyde	Faculty 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	Head of Delivery (Central & Fife)
Mr A Carver	Fujifilm Diosynth Biotechnology	Senior Commecial Development Manager
Miss F Campbell	Edinburgh Napier University	Head of Academic Professional Development
Mr C Alexander	BP Oil Exploration Ltd	Reliability and Maintenance Manager

29 FE Bursary and other Student Support Funds

	FE Bursary	FE Hardship	EMA's	Period Ended 31 July 2015	Year ended 31 March 2014
	£000	£000	£000	£000	£000
Balance brought forward	78	2	0	80	620
Allocation received in period	4,176	365	278	4,819	2,207
	4,254	367	278	4,899	2,827
Expenditure	(3,957)	(434)	(258)	(4,649)	(2,156)
Repayable to Funding Council as Clawback	0	0	0	0	(591)
Virements	(67)	67	0	0	0
Balance Carried forward	230	0	20	250	80
Represented by:					
Repayable to Funding Council as Clawback	230	0	20	250	0
Retained by College for Students	0	0	0	0	80
	230	0	20	250	80

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

Notes to the Financial Statements (continued)

30 Childcare Funds	Period Ended 31 July 2015	Period ended 31 March 2014
	£000	£000
Balance brought forward	0	93
Allocation received in period	710	244
	710	337
Expenditure	(697)	(244)
Repayable to Funding Council as Clawback	0	(93)
Virements	0	0
Balance Carried forward	13	0
Represented by:		
Repayable to Funding Council as Clawback	13	0
Retained by College for Students	0	0
	13	0

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 July 2015	Period ended 31 March 2014
31 HE Discretionary	£000	£000
Balance brought forward	58	0
Allocation received in period	119	122
	177	122
Expenditure	(176)	(64)
Repayable to SAAS as Clawback	0	0
College Contribution to funds	0	0
Virements	0	0
Balance Carried forward	1	58
Represented by:		
Repayable to SAAS as Clawback	1	0
Retained by College for Students	0	58
	1	58

32 Capital Commitments		
	0	0

33 Contingent Liabilities

The college has no contingent liabilities at 31 July 2015

34 Post Balance Sheet Events

There are no post balance sheet events.

Notes to the Financial Statements (continued)

35 Deficit arising from non-cash transactions

One consequence of college reclassification as central government bodies is that, from 1 April 2014, while colleges continued to prepare accounts under the FE/HE Statement of Recommended Practice, they are now also required to comply with Central Government budgeting rules. This affects, amongst other things, the way in which non-cash depreciation charges are treated. For the financial year 2014-15 this meant that the College generated surplus cash of £622k from SFC funding and commercial income, which had been earmarked against depreciation. The Scottish Funding Council , issued guidance to the College on this matter on 30 January 2015 (SFC/AN/03/2015) which gave approval for the cash to be applied to student support, loan repayments and to deliver improved services to learners. This guidance was further expanded in March 2015 to allow the College to make a donation to Forth Valley College Foundation. Without the approval to spend this cash it would have been effectively frozen.

The impact of the above, together with the impact of pension valuations and a loss on revaluation of land in Alloa has resulted in a £2.8m reported deficit the College for 2014/15. The Scottish Funding Council has confirmed (in its letter to the College on 30 March 2015) that a deficit resulting from the College following SFC's guidance on the treatment of net depreciation should be treated as a 'technical' deficit and should not be interpreted, on its own, as a challenge to the College's on-going financial sustainability. The "technical" deficit also applies to the pension and land revaluation adjustments. This position has been agreed with Audit Scotland and the Scottish Government.

Appendix 1

Accounts Direction

Direction by Scottish Funding Council

2014-15 Accounts direction for Scotland's colleges and universities

1 It is the Scottish Funding Council's direction that colleges and universities comply with the 2007 *Statement of Recommended Practice: Accounting for Further and Higher Education* (SORP) in preparing their annual report and accounts[1].

2 Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2014-15 (FReM) where applicable.

3 Incorporated colleges are also reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2015.

4 The financial statements should be signed by the chief executive officer and by the chair, or one other member of the governing body.

5 Incorporated colleges should reproduce this Direction as an appendix to the financial statements.

Scottish Funding Council

10 August 2015

[1] A new SORP has recently been approved by the Financial Reporting Council which will be applicable to all UK further and higher education institutions from the 2015-16 reporting year