Fife College

Annual Accounts 2015-16

Annual Accounts
2015-16

Scottish Charity Number: SCO21203

Pittsburgh Road, Dunfermline, Fife, Scotland, KY11 8DY
t: 0344 248 0115 e: info@fife.ac.uk
f: 0344 248 0116 w: www.fife.ac.uk

Principal and Chief Executive: Hugh Logan

Contents

Performance Report

The Accountable Officer authorised these financial statements for issue on:

Performance Report

Performance Overview

Principal and Chief Executive's Statement on Performance

The Board of Governors of Fife College present the financial statements of the College and its wholly owned subsidiary, Carnegie Enterprise Limited (CEL) for the year to 31 July 2016.

During 2015-16 almost 20,000 students were enrolled at the College of which 6,483 were fulltime.

Fife College was allocated an activity target of 132,765 credits by the Scottish Funding Council (SFC) for the period August 2015 to July 2016.

The College exceeded the credit target for 2015-16 by 0.4% (480 credits) as well as undertaking a further £9million of commercial training. £1.3 million of this training was delivered through the College's wholly owned subsidiary, Carnegie Enterprise Limited.

In line with the Estates Strategy agreed in 2014, 2015-16 saw continued planned rationalisation of the College's estate in Fife. This included ceasing to operate from Cupar and the Nairn Campus in Kirkcaldy from June 2016 and also the construction of the new build at Levenmouth which opened to students in August 2016.

Although it is now three years after the merger to become Fife College, work was still on-going during the year to ensure the staffing structure continues to be fit for purpose.

Legal Status

The College is incorporated under the Further and Higher Education (Scotland) Act 1992 as amended by the Post-16 Education (Scotland) Act 2013, and is registered with the Office of the Scottish Charities Regulator and is exempt from corporation tax and capital gains tax. The College receives no similar exemption in respect of Value Added Tax.

Objectives and Strategies

During 2015-16, as detailed in the Regional Outcome Agreement, the College focussed on delivering 9 priority outcomes;

- Maintain a sustainable college for Fife which through effective and efficient management, partnership and good governance, contributes to meeting the Scottish Government guarantee under Opportunities for All.
- Deliver a high quality relevant curriculum that meets the needs of the region and provides progression opportunities to more advanced study and exit points to employment.
- Provide learning opportunities which contribute towards the creation of high retention, attainment and achievement.
- Provide engaging learning opportunities for individuals within our most deprived communities to improve their life chances.
- Provide supportive and appropriate learning opportunities for those with additional learning needs and disabilities.
- Deliver an integrated learning and employability experience that effectively compliments the "senior phase" school curriculum and prepares the way for progression.
- Maintain an equal opportunity to study for the communities of Fife.
- Grow our intellectual property, commercial profit and student opportunity through collaborative partnership with the business sector and other organisations.
- Grow our contract with SDS in support of employability and Modern Apprenticeship activity.

Performance Report (Continued)

Key Risks and Issues Affecting Fife College

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

The principal risks and issues facing the College are;

- Financial sustainability, uncertainty around future funding and the treatment of net depreciation make financial planning difficult. Also uncertainty around funding of the outcome of national pay bargaining.
- The College's ability to plan the implementation of the estates strategy.
- Lack of capital funding leading to limited reinvestment in assets.
- Cost pressures lead to resource shortages regarding curriculum delivery, impacting on student outcomes.
- Uncertainty around the future of the current NPD model.

Going Concern

The accounts have been prepared on a going concern basis, which provides that the organisation will continue in operational existence for the foreseeable future.

Performance Summary and Overview

- Fife College delivered (and exceeded) its SFC activity target of 132,765 credits.
- Fife College recorded an operating surplus of £392k and a historic cost deficit of £495k. This included;
  - a loss on asset valuation of £887k
  - exceptional restructuring costs of £1.45 million
  - nationally negotiated salary increase of £400k
  - Estates project costs of £172k
  - The impact of the net interest and the net expected return on the pension liability was a gain of £2.3 million.
- The College delivered over 700 Modern Apprenticeships under the SDS MA contract.
- The 2,600m2 new campus at Levenmouth adjacent to the new Levenmouth High School was constructed on time and on budget. The project was funded by a capital grant from SFC, a donation from the ALF and the proceeds of 2 property sales. The campus was opened to students in August 2016. This offers the Levenmouth area an exciting new community facility with a wider curriculum offering than was previously available in Cupar.
- Having had the Outline Business Case (OBC) approved by SFC, the College proceeded with the Full Business Case (FBC) (due to be completed on October 2016) for the new build in Dunfermline, due to open to students in August 2020. The project has been allocated £70 million by Scottish Futures Trust (SFT) and will follow their NPD model. As part of the FBC the College has to secure (but not necessarily purchase) a site. Following an options appraisal, the College has selected a site at Halbeath in Dunfermline and has taken out an option to purchase it.
- The College's estate footprint in Fife continued to be rationalised in line with the estates strategy. On merger in August 2013, the estate covered 17 properties with a total floor area of 71,360m2. At August 2016, the estate covered 7 properties with a total floor area of 59,728m2. This represents a reduction of just over 12,000m2 or 17%. Savings in rent and other property costs have to be accrued to ensure the financial viability of the new build.
- As a direct result of the estate rationalisation detailed above, a programme of works had to take place during summer 2016 to ensure that the curriculum could be accommodated within the remaining estate. This was achieved within a tight timescale and the new teaching areas were ready for the student intake at the beginning of the 2016-17 session.
- During 2015-16, the REMS student information system underwent substantial development during the year to improve the service to students and provide better information to college staff and other stakeholders. In tandem, the Student Information Management Department staff resource and structure was reviewed to ensure it would be fit for purpose going forward.

Performance Report (Continued)

Financial Review Summary

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (SORP) 2015: 'Accounting in Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2015-16 Government Financial Reporting Model (FReM) issued by the Scottish Government and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

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

	***2014-15**	***2014-15 Restated**	**2015-16**
Operating Surplus/Deficit as % of Total Income	1.1%	3.3%	0.8%
Non SFC Income as % of Total Income	26.3%	27.9%	30.1%
Current Assets : Current Liabilities	0.95	0.95	0.90
Staff Costs as a % of total turnover	61.4%	60.0%	63.5%
Ratio of days cash to total expenditure	22.6	22.6	25.7
Staff Turnover	7.0%	7.0%	21.8%
Gearing	34.7%	137.7%	323.3%
Student Activity (WSUM)	182,048	182,048	133,245
Performance Against WSUMs Activity Target	99.0%	99.0%	100.4%
WSUMs per Staff FTE	213	213	156
Early Withdrawal	4.6%	4.6%	4.7%
Further Withdrawal	4.5%	4.5%	8.6%

*2014-15 was a 16 month period.

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 and how the colleges spend the cash funds previously earmarked for depreciation. There is potential for this spend to move the college's Statement of Comprehensive Income into a deficit position.

The impact of the above has contributed £572k to the reported deficit for the 2015-16 accounting year. However, the Scottish Funding Council has confirmed (in its letter to the College on 30 March 2015) that a deficit resulting from the College following its 30 January 2015 guidance 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. Audit Scotland accepts that a deficit arising from the use of cash funding originally provided for non-cash depreciation does not indicate an underlying financial sustainability concern.

The impact on the operating position is detailed below.

Table of net depreciation spend

Revenue	**£'000**
Student support	0
Pay award	400
Estates Strategy Professional Fees	172
Total impact on operating position	**572**

Performance Report (Continued)

If the College continues to make deficits in this way and in addition does not add any assets, but simply depreciates existing assets, the balance sheet the net worth will continue to decline.
Under the accounts guidance for 2015-16, deferred grants are no longer to be shown under the reserves section of the balance sheet, but are to be moved to current or long term liabilities. This has the immediate effect of reducing the net worth of the College by £27million.

Treasury Management

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

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

At the end of 31st July 2016, there was a cash balance of £3,345k. Normal practice is to pool funds in an overnight deposit account and to use a longer term deposit when circumstances permit. The cash balance at 31 July 2016 is higher than would normally be anticipated at month end as the College had received all the SFC funding for the Levenmouth build, but still had payments to make to the contractor. The on-going cash balance at a month end should be around £2 million, being a half month cash requirement.

Fife College complies with the CBI Prompt Payment Code unless the invoice is contested or alternative terms have been arranged. In 2016, the level of creditors in terms of the proportion of year-end creditors to the aggregate invoiced amounts during the year was 33 days (2014-15: 15 days).

Performance Analysis

Fife College in conjunction with local stakeholders draws up an annual outcome agreement, which is signed off by SFC. This makes up the basis of the Colleges activity in terms of the volume and subject area of credit activity agreed with SFC. The College also develops annually a corporate plan including commercial delivery as well as SFC funded activity and incorporates an annual financial budget. Each operational department then creates an operational plan for the year.

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

Financial performance is also monitored quarterly at both the Finance Committee and the Board of Governors. In addition the Principal in his report to the Board of Governors reports on progress against operational and strategic objectives.

Sustainability Report 2015-16

Fife College complied with Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009.

Review of Resource outturn for year ended 31 March 2016

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

The resource budgets and final outturn for 2015-16 are outlined below:

Performance Report (Continued)

	RDEL £'k	CDEL £'k
Resource budget for year ended 31 March 2016	54,492	3,956
Expenditure against resource budget	53,274	4,316
Net underspend/(overspend) against budget	**1,219**	**(360)**

The RDEL is underspent due to the use of RDEL resource to finance capital loan commitments and unfunded pension liability payments of £639k (loan capital payments) and £216k (unfunded pensions liability). There is also an equal and opposite resource under spend on RDEL and overspend on CDEL of £360k, which is due to the reclassification of an options payment on land from RDEL to CDEL following audit advise. This under/overspend has been agreed with Scottish Funding Council. In addition, the college received a non-cash budget from the government to cover depreciation costs.

Signed Accountable Officer...AD Watson........ **Date**...21/12/2016...

Accountability Report 2015-16

Corporate Governance Report – Director's Report

The director's report sets out the membership of the Board of Governors and the Senior Management Team of Fife College its subsidiaries over the course of the financial year.

Please see the following table detailing the Fife College Board of Governors and relevant Register of Interest from 1st August to 31st July 2016:

Member's Name	Date Appointed	Term of Office	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
R Black	10.03.14 30.06.14	Until 31.07.17		Non-Executive Member	N/A	Royal Dutch Shell Scottish Children's Panel	Audit and Risk Chair's
V Ilendo	03.10.13 03.03.15	Until 31.07.18		Non-Executive Member	VI Consultancy	Fife Polish Education Trust Fife Migrants Form EKOS Limited	Audit and Risk Health and Safety and Human Resources
H Logan	01.08.13	Duration of contract of employment	31.10.16	Principal and Chief Executive	Fife College	Fife Partnership Board Fife Partnership Executive Group Fife Economy Partnership	Health and Safety and Human Resources Finance, Commercial and Estates Estates Project Board
S Magee	01.08.13 04.03.14	4 years		Non-Executive Member (Regional Chair)	University of St Andrews University of Abertay	SOI Ltd Stewart's Melville College / Mary Erskine Schools Colleges Scotland	Chair's Estates Project Board
B Poole	03.10.13 03.03.15	Until 31.07.18		Non-Executive Member	Fife Council	N/A	Audit and Risk Chair's
Derek Birkenfield	01.08.14	Until 31.07.17		Non-Executive Member	N/A	Carnegie Enterprise Ltd Adam Smith Foundation	Audit and Risk
Steve Olivier	03.03.15	Until 31.07.18		Non-Executive Member	Abertay University	N/A	Audit and Risk
Suze Edney	01.08.14 01.08.15	Until 31.07.16	30.06.16	Student Member	Fife College Students' Association	N/A	Finance, Commercial and Estates
Alasdair Clark	01.08.14 01.08.15	Until 31.07.16	30.06.16	Student Member	Fife College Students' Association	Scottish Green Party UNISON	Health and Safety and HR

Member's Name	Date Appointed	Term of Office	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
Edward Blades	01.08.14	Until 31.07.18		Teaching Staff Member	Fife College	EIS/FELA	Finance, Commercial and Estates
Wendy Edie	01.08.14	Until 31.07.17	05.02.16	Non-Executive Member	eCom Scotland	Carnegie Enterprise Ltd	Finance, Commercial and Estates
Harry Cunningham	01.08.14	Until 31.07.17	10.02.16	Non-Executive Member	Trades Union Congress	One Awards East Wemyss & McDuff Community Council	Health and Safety and HR
Shona Cochrane	01.08.14	Until 31.07.18		Non-Executive Member	Thinking to Success Ltd	Carnegie Enterprise Ltd	Finance, Commercial and Estates
Jim Trail OBE	03.03.15	Until 31.07.18		Non-Executive Member	N/A	Scottish Children's Panel GIA Business Properties	Finance, Commercial and Estates Estates Project Board
Beki Thomson	03.03.15	Until 31.07.18		Non-Executive Member	University of St Andrews	N/A	Audit and Risk
Robert Reynolds	03.03.15	Until 31.07.17	11.01.16	Non-teaching Staff Member	Fife College	UNISON	Health and Safety and Human Resources
Carol Ann Penrose Campbell	01.08.14	Until 31.07.18	01.02.16	Non-Executive Member	Fife Council	N/A	Audit and Risk Chair's
Heather Wray	01.02.16	31.07.19		Non-teaching Staff Member	Fife College	N/A	Health and Safety and Human Resources
Raymond McGinty	01.08.16	30.06.17		Student Member	Fife College Students' Association	N/A	Finance, Commercial and Estates
Tom McPherson	01.08.16	30.06.17		Student Member	Fife College Students' Association	N/A	Health and Safety and Human Resources
Stacey Lee Ferry	01.04.16	31.06.19	13.06.16	Non-Executive Member	Ductform Ventilation (UK) Ltd	N/A	Health and Safety and Human Resources
Ross Taylor	01.04.16	31.06.19		Non-Executive Member	Taylor Law Ltd	Law Society of Scotland Federation of Small Businesses Fife Chamber of Commerce Chartered Institute of Arbitrators Notary Public	Estates Project Board

Member's Name	Date Appointed	Term of Office	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
Antony Martin	01.10.16	31.07.20		Non-Executive Member	Fife Council	Opportunities Fife	Audit and Risk Health and Safety and Human Resources
Jennifer Walls	01.10.16	31.07.20		Non-Executive Member	Inzievar Medical Practice		Carnegie Enterprise Board Finance, Commercial ad Estates Committee
Zoe Thomson	01.10.16	31.07.20		Non-Executive Member	Fife Council		Health and Safety and Human Resources Committee

The College's wholly-owned trading subsidiary, Carnegie Enterprise Ltd Directors 1st August to 31st July 2016:

- Derek Birkenfield
- Shona Cochrane
- Wendy Edie (until 05.02.16)
- Hugh Logan (Director until 31.10.16)
- Steve Harrison (Director until 02.05.16)
- Deborah Miller (Director until 31.08.16)

Senior Management Team of Fife College 1st August to 31st July 2016:

- Hugh Logan, Principal and Chief Executive
- David Hosey, Vice Principal, Curriculum and Academic Planning (Leaving Date 30th November 2015)
- Dorothée Leslie, Vice Principal, Curriculum and Academic Planning (Start Date 5th May 2016)
- David Neilson, Vice Principal Finance and Planning
- Carol Scott, Vice Principal – Organisational Development and Change
- Debbie Miller, Vice Principal, Commercial Development

Non Audit Fees

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

Personal Data Security

The Principal is the Senior Information Risk Owner (SIRO). Day-to-day management of information risks is the responsibility of the Vice Principal Finance & Planning. There have been no breaches of personal data security during 2015-16 (2014-15 nil).

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

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

The Board of Governors is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education (2015) and the 2015-16 Government Financial Reporting Manual (FReM) issued by the Scottish Government and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council (SFC) and the College's Board of Governors, the Board of Governors, through its designated Principal, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors has ensured that:

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

The Board of Governors has taken reasonable steps to:

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

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

- clear definitions of the responsibilities of, and the authority delegated to, all managers within the College
- a comprehensive strategic and operational planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- regular reviews of key performance indicators and monthly reviews of financial results by the College's Senior Management Team supplemented by quarterly reviews to the College's Finance, Commercial, Planning and Estates Committee involving variance reporting and updates of forecast out-turn
- clearly defined requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Governors
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit and Risk Committee and the Finance, Commercial, Planning and Estates Committee
- an Internal Audit service whose annual programme is reviewed by the Audit and Risk Committee and approved by the Board of Governors, a partner of which provides the Board of Governors with an annual report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control

Corporate Governance Report – Statement of Board of Governor's Responsibilities (Continued)

- the implementation of action plans designed to reduce the likelihood and impact of operational and financial risks as recommended by the Combined Code

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

Corporate Governance Report – Governance Statement

Introduction

Fife College is committed to exhibiting good practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the 2014 Code of Good Governance for Scotland's Colleges. Its purpose is to help the reader of the financial statements to understand how the principles have been applied.

For the annual accounts of 2015-16, we are required to confirm that the College has complied with the Code of Good Governance for Scotland's Colleges. The latest version of the code was issued in 2014.

At the Audit and Risk Committee meeting on 10 September 2015, a table of the requirements of the Code of Good Governance for Scotland's Colleges was provided, along with a description as to how Fife College complied with each point.

The College complies fully with the principles of the Code of Good Governance except in relation to the following 2 requirements where it partially complies:

- The Board must ensure a clear process is in place to set and agree personal performance measures for the Principal. This process should seek the views of students and staff. The Chair, on behalf of the Board, should monitor, review and record the Principal's performance, at least annually, against agreed performance measures.

  The Principal's performance has been regularly monitored by the Chair using criteria agreed by the Chair's Committee. Currently, however, students and staff are not involved in this process. The College complies therefore with all other aspects of this requirement.

- There must be a formal procedure in place for setting the remuneration of the Principal by a designated committee of non-executive members. The board may wish to supplement this by taking evidence from a range of sources. In particular, staff and students should have a role in gathering and submitting evidence to the relevant committee.

  The Chair's Committee has responsibility for setting the remuneration of the Principal and senior staff. No arrangements have been put in place as yet for students and staff to have a role in gathering and submitting evidence. The college complies with all other aspects of this requirement.

Board of Governors

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

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

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

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

The Board of Governors meets six times per year and received minutes and reports from its Committees, including the Finance, Commercial and Estates Committee, Chairs Committee, Audit and

Risk Committee, Health and Safety and Human Resources Committee and Estates Project Board.

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

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

Senior Management Team

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

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

Finance, Commercial, Planning and Estates Committee

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

Chair's Committee

The purpose of the Chair's Committee is to ensure that the governance structure of Fife College is fit for purpose and meets legislative obligations; act as a Nomination Committee for recruitment and selection to the Board of Governors; act as a de-selection panel for Board members; review and approve the salaries of the Principal, Vice Principals and the Secretary to the Board; and consider central communications.

Audit and Risk Committee

The purpose of the Audit and Risk Committee is to assure the Board of Governors that Fife College has in place a system of governance, internal control and risk management which is being maintained and developed to meet legislation and regulations applying to the sector.

Internal and External Auditors attended relevant meetings of this Committee. The External Auditors also attended the Board of Governors when the Annual Accounts were being presented. Whilst senior members of College staff including the Principal attended meetings of the Audit and Risk Committee, they were not members of the Committee. Once a year, the Audit and Risk Committee met both the External Auditors and Internal Auditors for independent discussions.

The Audit and Risk Committee should include one member who has recent financial or audit experience. In June 2014, a qualified practising accountant was co-opted to be a member of this Committee.

Corporate Governance Report – Governance Statement (Continued)

Health and Safety and Human Resources Committee

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

Risk Management

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

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

Responsibility for Risk Management is assigned as follows:

The Board of Governors

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

The Accounting Officer (the Principal)

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

The Audit & Risk Committee

- Implements the policy and strategy set by the Accounting Officer and endorsed by the Board of Governors
- Reviews strategic risks and action plans, including those identified through the operational risk management process on a periodic basis and reports this to the Board of Governors

- Ensures that an appropriate overarching framework is in place and operational in order that objectives set out above are met.
- Determines the level of maturity the risk management process should achieve

The Senior Management Team

- Identify key risks to business plan objectives as an integral part of the business planning process
- Ensure that management plans are in place and reviewed to mitigate the key risks identified during the business planning risk assessment process
- Ensure regular receipt and review of risk reports on key business plan objectives within their area of responsibility

- Ensure that risk to business plan objectives is a regular item on the agenda for the Senior Management Team meetings

Risk Owners

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

Assurance Responsibilities of the Audit & Risk Committee

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

Strategic Risk Management Process

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

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

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

Throughout 2015/16 the key strategic risks were reported to and monitored by the Audit & Risk Committee.

In April 2015 the Board of Governors and the College internal auditors met to review Risk Management and from this a list of 21 risks where identified, these were then categorised by the 6 strategic categories: Estates, Curriculum Design and Development, Health and Safety, Staff, Finance and Commercial Income.

Following initial consideration of the 21 risks by the Senior Management Team (SMT), a proposed top 12 were identified to be taken forward for further refinement. These 12 were reported to the Board of Governors meeting in June 2015.

At the Audit and Risk Committee in September 2015 the risk register was further refined by SMT in terms of allocating each risk to an SMT member and the inclusion of additional information in terms of further action and additional assurance.

Internal Audit

Internal audit is a key independent source of assurance.

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

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

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

Internal audit carried out nine reviews in 2015/16, none of which identified any major control weakness.

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

Significant Issues

There are no significant issues to report.

Estates Strategy

Following merger in August 2013, Fife College developed a campus masterplan for the future of the organisation. Since August 2013, following decisions made around the masterplan, there has been an on-going rationalisation of the College estate.

Since August 2013, the following components of the College Estate are no longer in use;

Owned	Leased
Cowdenbeath (1042m2)	Walton House, Leven (1809m2)
Southfield, Glenrothes (1397m2)	Pentland House, Glenrothes (78m2)
RPH, Rosyth (588m2)	Thomson House, Methil (510m2)
Priory Campus, Kirkcaldy (8079m2)	Next Steps, Kirkcaldy (132m2)
	New Row, Dunfermline (301m2)
	Navy House, Rosyth (725m2)

In late 2014, the College received the news that £70million had been awarded for an NPD new build in West Fife. An outline Business Case (OBC) was created, building on the Estates Strategy and the College is now producing a Full Business Case (FBC) to be completed by October 2016. The new campus will open for students at Halbeath Dunfermline in August 2020.

This has given the College the opportunity to review the curriculum delivery and the balance of delivery across Fife. When the new campus opens in 2020 (when the College will move out of Rosyth), the College will deliver from 4 principal sites, as well as sites in the community not owned or leased by the College.

The 4 campuses will be;

Dunfermline, St Brycedale, Stenton and Levenmouth.

Following the review of delivery across Fife, roughly half of all activity will be at Dunfermline, with a quarter at St Brycedale and Stenton and the remainder being delivered at the Levenmouth Campus which opened in August 2016.

Corporate Governance Report – Governance Statement (Continued)

Conclusion & Going Concern

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

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

The Board of Governors was of the view that there was an on-going process for identifying, evaluating and managing the College's significant risks, that it had been in place for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts, that it was regularly reviewed by the Board of Governors and that it accords with the 2014 Code of Good Governance for Scotland's Colleges.

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

Remuneration and Staff Report

Remuneration Report

Introduction

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2015-16 Government Financial Reporting Model (FReM) issued by the Scottish Government, which came into force for the period ending 31 August 2015.

The report sets out the remuneration and accrued pension benefits of the Senior Management Team members of the College.

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

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

Remuneration Policy

The remuneration of the Senior Management team is considered by Chair's Committee, the remit of the Chair's Committee in terms of Remuneration is as follows:

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

Remuneration including salary and pension entitlements

Salary entitlements

The following table provides detail of the remuneration and pension interests of senior management and board members that are remunerated.

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

	Year ended 31 July 2016			**16 months ended 31 July 2015**		
Name	**Salary £'000**	**Pension Benefit £'000**	**Total £'000**	**Salary £'000**	**Pension Benefit £'000**	**Total £'000**
Stephen Magee	20-25	0	20-25	25-30	0	25-30
Hugh Logan	130-135	20-25	150-155	170-175	10-15	185-190
Carol Scott	85-90	40-45	130-135	115-120	20-25	135-140
David Hosey[1]	25-30	-5-10	20-25	115-120	0-5	125-130
Dorothee Leslie[2]	20-25	15-20	40-45	-	-	-
David Neilson	85-90	30-35	115-120	105-110	10-15	120-125
Debbie Miller	80-85	25-30	110-115	105-110	25-30	130-135

[1]Leave date 30th November 2015 annual equivalent shown below.
[2]Start date 1st of May 2016 annual equivalent shown below.

Remuneration and Staff Report (Continued)

	Year ended 31 July 2016			16 months ended 31 July 2015		
Name	**Salary £'000**	**Pension Benefit £'000**	**Total £'000**	**Salary £'000**	**Pension Benefit £'000**	**Total £'000**
Stephen Magee - Annual Equivalent	20-25	-	20-25	20-25	-	20-25
Hugh Logan - Annual Equivalent	130-135	20-25	150-155	130-135	5-10	135-140
Carol Scott - Annual Equivalent	85-90	40-45	130-135	85-90	15-20	100-105
David Hosey - Annual Equivalent	85-90	-20-25	65-70	85-90	5-10	90-95
Dorothee Leslie - Annual Equivalent	85-90	75-80	160-165	-	-	-
David Neilson - Annual Equivalent	85-90	30-35	115-120	80-85	10-15	90-95
Debbie Miller - Annual Equivalent	80-85	25-30	110-115	80-85	20-25	100-105

The Regulations require information to be published on the total number of College employees (including Senior Management Team members) whose total actual remuneration was £50,000 or more. This information is to be disclosed in salary bandings of £10,000 above £50,000 and is shown in note 7 to the financial statements.

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

Median Remuneration

Based on the 12 month equivalent figures above, the banded remuneration of the highest paid official in the organisation in the financial year 2015-16 was £130-135,000 (2014-15 £130-135,000 on an annual basis). This was 4.7 times (2014-15 4 times) the median remuneration of the workforce which was £28,112 (2014-15 £32,828).

Accrued pension benefits

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

Both STSS and LGPS are final salary pension schemes. This means that pension benefits are based on the final year's pay and the number of years that the person has been a member of the scheme.

The scheme's normal retirement age is 60.

Contribution rates are set annually for all employees and can be found in note 26.

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

Remuneration and Staff Report (Continued)

Senior Management Team Pension

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

Name	Accrued pension at pension age at 31 July 2016	Accrued lump sum at pension age at 31 July 2016	Real increase in pension 1 August 2015 to 31 July 2016	Real increase in lump sum 1 August 2015- to 31 July 2016	CETV at 31 July 2016	CETV at 31 July 2015	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Stephen Magee	-	-	-	-	-	-	-
Hugh Logan	60-65	185-190	0-2.5	2.5-5	1,461	1,417	28
Carol Scott	35-40	75-80	0-2.5	0-2.5	742	714	19
David Hosey	35-40	115-120	-	-	917	917	(7)
Dorothee Leslie	11-20	40-45	0-2.5	-	265	246	20
David Neilson	15-20	50-55	0-2.5	5-7.5	360	311	38
Debbie Miller	0-5	-	0-2.5	-	61	37	17

Cash equivalent Transfer Value (CETV)

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

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

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

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

(ii) the accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

Real increase in CETV

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

Remuneration and Staff Report (Continued)

Compensation for loss of office

42 employees left under Voluntary Severance during the year, 7 of which elected to take early retirement, the cost to the College of buying out the actuarial reduction on their pension was £86,513.

4 employees left under voluntary exit terms during the year.

9 employees left under compulsory redundancy during the year.

The total cost of the above was £1.190 million.

The table below summarises the exit packages by cost band.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	19	19
£10,000 - £25,000	9	3	12
£25,000 - £50,000	-	20	20
£50,000 - £100,000	-	4	4
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
Total number of exit packages	-	-	-
Total cost (£)	**9**	**46**	**55**

Staff report

Introduction

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

Staff Numbers & Costs

Senior Staff

The number of senior staff throughout the year was 7. Senior staff is defined as being member of the Senior Management Team or a remunerated Board Member for the College.

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

Senior Staff Numbers	**2016**	**2015**
Bands	**No**	**No**
£20,001 to £25,000 per annum	1	1
£80,001 to £85,000 per annum	1	1
£85,001 to £90,000 per annum	3	2
£90,001 to £95,000 per annum	1	1
£130,001 to £135,000 per annum	1	1
Total	**7**	**6**

Remuneration and Staff Report (Continued)

Total Staff Numbers & Costs

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

	2016	**2016**	**2016**	**2015**
	Directly employed staff	**Seconded and agency staff**	**Total**	**Total**
Wages and salaries £'000	24,039	1,537	25,576	32,980
Social security costs £'000	2,054	88	2,142	2,458
Other pension costs £'000	4,179	180	4,359	5,145
Total £'000	**30,272**	**1,804**	**32,077**	**40,583**
Average number of FTE	**801**	**55**	**856**	**854**

The college employed 660 females and 404 males as at 31 July 2016.

Sickness absence data

The average number of days lost per full time equivalent (FTE) to sickness absence during the year 2015-16 was 9.07 days, this compares to 8.78 days for the same period during 2014-15.

The following table shows the sickness absence days for the year 2015-16 comparing to the same period during 2014-15.

Days Sickness Absence	**2016**	**2015**
	12months	**12months**
Short Term (Under 20 days)	4,167	4,410
Long Term (Over 20 days)	5,230	3,695
Total	**9,397**	**8,105**

Policies in relation to disabled persons

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

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

- Recruitment and Selection – The College will use media that attracts applications from all the communities that it serves and decisions will be based on objective criteria related to the requirements of the post. Where employment agencies are used, they will be informed of the College's commitment to equality and diversity and be required to act in way that is consistent with this policy.

Remuneration and Staff Report (Continued)

- Staff Development/ Continuous Professional Development – All members of staff will have the opportunity to participate in development activity that enables them to develop their qualifications and skills. Members of staff will be expected to participate in equality and diversity development training and other initiatives.

- Equal Pay – Members of staff can expect to be paid the same as other members of staff when the duties that they undertake are the same or similar, where it is rated as equivalent using an appropriate scheme where applicable or where it is work of equal value to another member of staff.

- Work Life Balance – The College recognises that members of staff have commitments both at home and work. To enable staff to balance these commitments, the College has in place a range of flexible working arrangements which can be found at https://staff.fife.ac.uk/support/hrt/Policies%20and%20Procedures/Forms/AllItems.aspx

- Conduct – Members of staff can be expected to be treated with respect by those that they encounter in the course of their duties and in return must treat others with respect. There are policies and procedures that describe the expectations of the College in this regard and these are contained in Codes of Conduct and Anti-Harassment policy and procedure. Review of performance will be objective and fair.

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

The College wishes to attract the best staff and part of that is to ensure that all applicants are considered on their merits with due regard to any personal characteristics. Throughout the recruitment and selection process, there are opportunities to enable candidates to declare if they require any adjustments to processes following appointment. At each stage, any requested adjustments will be considered and acted upon. There may be instances where the requested adjustment is not possible and in such circumstances, these will be discussed with the candidate in advance.

The College is an accredited user the Disability Confident Scheme, therefore the College has agreed to make certain positive commitments regarding the employment, retention, training and career development of people with disabilities.

Expenditure on consultancy

Consultancy expenditure £0k was incurred during 2015-16 (£44k 2014-15).

Parliamentary Accountability Report

Fees and Charges

Throughout the financial year Fife College had a contract with the Scottish Prison Service to deliver education services within 6 prisons across Scotland.

The direct cost of running this contract was £1.5m and income generated was £2m.

The Corporate Governance Statement on pages 12 – 17 was approved by the Board of Governors on 21 December 2016 and signed on its behalf by:

DNeilson

David Neilson
Vice Principal Finance & Planning

Stephen Magee
Chair, Board of Governors

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

We have audited the financial statements of Fife College and its group for the year ended 31 July 2016 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated and College Balance Sheet, the Consolidated Statement of Cash Flow and the Consolidated and College Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Financial Reporting Standard (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 Governors and auditor

As explained more fully in the Statement of Board of Governor's Responsibilities, the Board of Governors 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 circumstances of the college and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; 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 Annual Accounts 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 affairs of the college and its group as at 31 July 2016 and of their deficit for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

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 and Staff 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 Performance Report for the financial year 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 and the part of the Remuneration and Staff Report to be audited 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 Corporate Governance Report does not comply with Scottish Funding Council requirements.

We have nothing to report in respect of these matters.

Jackie Bellard

Jackie Bellard
For and on behalf of Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

21 December 2016

Jackie Bellard is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000

Fife College

Consolidated Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2016 Consolidated £'000	College £'000	16 months Ended 31 July 2015 Consolidated £'000	College £'000
Income					
SFC Grants	2	35,628	33,910	49,971	48,502
Tuition fees and education contracts	3	8,847	8,847	12,598	12,598
Other income	4	3,209	2,174	5,161	4,029
Investment income	5	3,349	3,349	1,636	1,636
Total income before endowments and donations		**51,033**	**48,280**	**69,366**	**66,765**
Donations and endowments	6	132	99	86	0
Total income		**51,165**	**48,379**	**69,452**	**66,765**
Expenditure					
Staff costs	7	32,497	31,992	41,680	41,074
Fundamental restructuring costs	7	1,450	1,450	2,481	2,481
Interest and other finance costs	9	367	366	563	560
Other operating expenses	10	13,105	10,893	16,201	14,182
Depreciation	12	3,354	3,339	5,479	5,439
Charitable Donations				762	762
Total expenditure		**50,773**	**48,040**	**67,166**	**64,498**
Surplus/deficit before other gains losses and share of operating surplus/deficit of joint ventures and associates.		**392**	**339**	**2,286**	**2,267**
Gain/(loss) on disposal of fixed assets				(46)	(46)
Gain/(loss) on revaluation of fixed assets		(887)	(887)		
(Loss) / Gain on investments					
Share of operating surplus/(deficit) in joint venture					
Share of operating surplus/(deficit) in associate					
Surplus / (Deficit) before tax		**(495)**	**(548)**	**2,240**	**2,221**
Taxation	11				
Surplus / (Deficit) for the year		**(495)**	**(548)**	**2,240**	**2,221**
Unrealised surplus on revaluation of land and buildings				1,020	1,020
Actuarial (loss)/gain in respect of pension schemes	22	(8,716)	(8,716)	(2,211)	(2,211)
Change in fair value of hedging financial instruments					
Total comprehensive income for the year		**(9,211)**	**(9,264)**	**1,049**	**1,030**
Represented by:					
Endowment comprehensive income for the year					
Restricted comprehensive income for the year	21		0	27	0
Unrestricted comprehensive income for the year		(9,211)	(9,264)	1,022	1,030
		(9,211)	**(9,264)**	**1,049**	**1,030**
Surplus for the year attributable to:					
Non controlling interest					
College		**(495)**	**(548)**	**2,240**	**2,221**
Total Comprehensive income for the year attributabe to					
Non controlling interest					
College		**(9,211)**	**(9,264)**	**1,049**	**1,030**

All items of income and expenditure relate to continuing activities

Fife College

Consolidated and College Balance Sheet

	Notes	As at 31 July 2016 Consolidated	College	As at 31 July 2015 Consolidated Restated	College Restated
		£'000	£'000	£'000	£'000
Non-current assets					
Tangible Assets	12	69,652	69,626	73,326	73,287
Investments	13	32	2	30	2
Investment in joint venture	13	404	404	404	404
		70,088	**70,032**	**73,760**	**73,693**
Current assets					
Stock	14	152	135	152	140
Trade and other receivables	15	2,104	2,072	1,943	2,039
Cash and cash equivalents	16	3,345	3,128	3,824	3,564
		5,601	**5,335**	**5,919**	**5,743**
Less: Creditors - amounts falling due within one year	17	-6,213	-6,057	-6,244	-6,082
Net current (liabilities)/assets		**-612**	**-722**	**-325**	**-339**
Total assets less current liabilities		**69,476**	**69,310**	**73,435**	**73,354**
Creditors: amounts falling due after more than one year	18	-34,278	-34,278	-31,853	-31,853
Provisions					
Pension provisions	19	-20,878	-20,878	-14,819	-14,819
Other provisions	20	-3,718	-3,718	-3,637	-3,637
Total net assets		**10,602**	**10,436**	**23,126**	**23,045**
Restricted Reserves					
Income and expenditure reserve - endowment reserve	21				
Income and expenditure reserve - restricted reserve	21	103	0	73	0
Unrestricted Reserves					
Income and expenditure reserve - unrestricted	22	-14,564	-14,595	-6,267	-6,245
Revaluation reserve	23	25,063	25,031	29,320	29,290
		10,602	**10,436**	**23,126**	**23,045**
Non-controlling interest					
Total Reserves		**10,602**	**10,436**	**23,126**	**23,045**

The financial statements on pages 1 to 44 were approved by the Board of Governors on 21 December 2016 and were signed on its behalf on that date by:

Mr Stephen Magee
Chair, Board of Governors

Mr David Neilson
Vice Principal Finance

Fife College

Consolidated Statement Cash Flow

	Note	31 July 2016 £'000	31 July 2015 £'000
Cash flow from operating activities			
Surplus / (Deficit) for the year		**-495**	**2,240**
Adjustment for non-cash items			
Depreciation	12	3,354	5,479
Deferred Government grants released to income	2	-1,079	-1,592
Deferred Non Government grants released to income	4	-492	-760
Loss / (Gain) on disposal of assets		0	20
Loss / (Gain) on revaluation of assets		887	
Loss / (Gain) on disposal of assets-cash cost		-7	
Decrease/(increase) in stock	14	0	22
Decrease/(increase) in debtors	15	-161	2,158
Increase/(decrease) in creditors	17	-155	-4,740
Increase/(decrease) in pension provision	19	-2,657	-530
Increase/(decrease) in other provisions	20	81	-292
Increase / Decrease in student funds	25	153	131
Share of operating (surplus)/deficit in joint venture			
Share of operating (surplus)/deficit in associate			
Adjustment for investing or financing activities			
Investment income	5	-4	-9
Interest payable	9	367	563
Endowment income		30	
Net cash inflow from operating activities		**-178**	**2,690**
Cash flows from investing activities			
Proceeds from sales of fixed assets			480
Proceeds from sales of intangible assets			
Disposal of non-current asset investments			
Withdrawal of deposits			
Investment income	21	4	9
Payments made to acquire fixed assets	12	-4,969	-287
Payments made to acquire intangible assets			
New non-current asset investments			
New deposits			
Cash flows from financing activities			
Interest paid	9	-294	-460
Interest element of finance leaseand service concession payments	9	-73	-103
New Grants		5,612	
New secured loans			
New unsecured loans			
Repayments of amounts borrowed	17/18	-400	-850
Capital element of finance lease and service concession payments	17/18	-181	-282
(Decrease)/increase in cash and cash equivalents in the period		**-479**	**1,197**
Cash and cash equivalents at beginning of the period		3,824	2,627
Cash and cash equivalents at end of the period		3,345	3,824
Increase / (Decrease) in cash		**-479**	**1,197**

Fife College

Consolidated and College Statement of Changes in Reserves

Year ended 31 July 2016

Consolidated	**Income and expenditure account**			**Revaluation reserve**	**Total**
	Endowment £'000	**Restricted £'000**	**Unrestricted £'000**	**£'000**	**£'000**
Balance at 1 April 2014	**55**	**58**	**-8,285**	**30,249**	**22,077**
Surplus/(deficit) from the income and expenditure statement		27	2,213		**2,240**
Other comprehensive income			-2,211	1,020	**-1,191**
Transfer between Adam Smith Foundation to general reserves		-12	12		**0**
Transfer between Endowment to general reserves	-55		55		**0**
Transfers between revaluation and income and expenditure reserve			1,949	-1,949	**0**
Release of restricted funds spent in year					
	-55	**15**	**2,018**	**-929**	**1,049**
Balance at 1 August 2015	**0**	**73**	**-6,267**	**29,320**	**23,126**
Surplus/(deficit) from the income and expenditure statement		0	-495		**-495**
Other comprehensive income		76	-8,716	-3,343	**-11,983**
Transfer between Adam Smith Foundation to general reserves					**0**
Transfer between Endowment to general reserves					**0**
Transfers between revaluation and income and expenditure reserve			914	-914	**0**
Release of restricted funds spent in year		-46			
Total comprehensive income for the year	**0**	**30**	**-8,297**	**-4,257**	**-12,524**
Balance at 31 July 2016	**0**	**103**	**-14,564**	**25,063**	**10,602**

College	**Income and expenditure account**			**Revaluation reserve**	**Total**
	Endowment £'000	**Restricted £'000**	**Unrestricted £'000**	**£'000**	**£'000**
Balance at 1 April 2014	**55**		**-8,259**	**30,219**	**22,015**
Surplus/(deficit) from the income and expenditure statement			2,221		**2,221**
Other comprehensive income			-2,211	1,020	**-1,191**
Transfer between Adam Smith Foundation to general reserves					**0**
Transfer between Endowment to general reserves	-55		55		**0**
Transfers between revaluation and income and expenditure reserve			1,949	-1,949	**0**
Release of restricted funds spent in year					
	-55	**0**	**2,014**	**-929**	**1,030**
Balance at 1 August 2015	**0**	**0**	**-6,245**	**29,290**	**23,045**
Surplus/(deficit) from the income and expenditure statement			-9,264	0	**-9,264**
Other comprehensive income				-3,345	**-3,345**
Transfer between Adam Smith Foundation to general reserves					**0**
Transfer between Endowment to general reserves					
Transfers between revaluation and income and expenditure reserve			914	-914	**0**
Release of restricted funds spent in year					
Total comprehensive income for the year	**0**	**0**	**-8,350**	**-4,259**	**-12,609**
Balance at 31 July 2016	**0**	**0**	**-14,595**	**25,031**	**10,436**

1 Statement of Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation
These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (SORP) 2015: 'Accounting in Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2015-16 Government Financial Reporting Model (FReM) issued by the Scottish Government and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

Basis of Consolidation
The consolidated financial statements include the College and its subsidiary undertaking, Carnegie Enterprise Limited. Fife College Board of Governors wholly owns Carnegie Enterprise Limited. Intra-group sales and profits are eliminated fully on consolidation. The College has no student union. All financial statements are made up to 31 July 2016

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

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

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

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

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

Grant funding

Government revenue grants including the recurrent grants from the Scottish Funding Council (SFC) are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants from non government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Donations and endowments

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

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

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

Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met, the funds will be held in deferred income under creditors until conditions are met.

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

Land and buildings

Land and buildings are measured using the revaluation model. Under the revaluation model, assets are revalued to fair value. Where appropriate Depreciated Replacement cost has been used as a measure of fair value for land and buildings otherwise Market Value will be used. The College has a policy of ensuring a full revaluation takes place at least every 5 years such that the fair value is not materially different to the current value. In line with the FReM an annual indexation exercise will be completed. Depreciation and impairment losses are subsequently charged on the revalued amount.

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

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

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

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

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2016. They are not depreciated until they are brought into use.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives.

The expected useful life of buildings can vary from 10 to 50 years as determined by professional opinion and valuation.

Equipment

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

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

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

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

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

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

Leased assets

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. Assets held under finance leases are depreciated over their useful life.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The lease rentals are treated as consisting of capital and interest. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the income & expenditure account in proportion to the reducing capital element outstanding.

Leases not meeting the criteria of a finance lease are treated as an operating lease. Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Service Concession Arrangements

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

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

Investments

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

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

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

Stocks

Stocks held are valued at cost.

Cash

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

Taxation

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

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

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

Provisions

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

Agency arrangements

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the College Income and Expenditure Account, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, and those funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College Income and Expenditure Account.

Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the college. Any unused benefits are accrued and measured as the additional amount the college expects to pay as a result of the unused entitlement.

Retirement benefits

Fife Council Pension Fund
The Fife Council Pension Fund is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of the College. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary on the basis of triennial valuations using the Age Attained Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes, after making allowances for future withdrawals. The amount charged to the income and expenditure account represents the service cost expected to arise from employee service in the current year.

Scottish Teachers' Superannuation Scheme
The College participates in the Scottish Teachers' Superannuation Scheme pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the College. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the year.

Reserves

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

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

Transition to 2015 SORP

The college is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the college is provided in note 27

Change in accounting policy

The college is preparing its financial statements in accordance with the 2015 SORP for the first time in the financial year to 31 July 2016.

Following the conversion to 2015 SORP the college has changed the following accounting policies in the financial year 31 July 2016:

- **Capital Grants**
  Government Funded
  v Accounting Policy - We propose accrual model selected for the accounting policy.
  v Restatement impacts – reclassification of deferred capital grants on the balance sheet as deferred income within creditors rather than part of reserves. This will result in a drop in the net asset position of the College as the deferred capital grants move from reserves to creditors. Please note the value of the deferred capital grants below moving from reserves to creditors:

	1st of April 2014	31st of July 2015
Deferred Capital Grants	26,183	23,787

- **Capital Grants**
  Non-Exchange Transactions
  v Accounting Policy – Required to implement the performance model as the accounting policy.
  v Restatement impacts – A review has been completed of the deferred capital grants at transition date (1st April 2014) and it has been concluded that £166k worth of deferred capital grants are from a non-government source. No further capital grants were received by the College since then from a non-government source. This will result in a restatement to the transition balance sheet and opening reserves, followed by an adjustment to the 31st of July 2015 position to remove the impact of these grants.

- **Investments**
  v Accounting Policy – Required to implement the equity method as accounting policy.
  v Restatement impacts – there will be no adjustment required if agreement is obtained to remain with the original transaction price as the valuation for this investment.

- **Accounting for Contracted Lease arrangements**

  v Accounting Policy – We are required to implement an accounting policy where classification of leases is based on risk and rewards incidental to ownership.
  v Restatement impacts - A review has been completed of all the finance and operating leases in existence at transition date (1st of April 2014) and 31st of July 2015 and two leases have been identified as requiring to be reclassified as finance leases as oppose to operating leases. The value of these at transition date was £117k. We are currently obtaining the paper work to enable the relevant accounting adjustments to be made.

- **Accounting for Embedded Leases**

  v Accounting Policy – We are required to implement an accounting policy where embedded leases that do not have the legal status of a contracted lease are accounted for in line with the accounting policy for contracted leases.

- **Service Concession Arrangements**
  - Accounting Policy – Our accounting policies have been amended to include the required accounting treatment of any service concession arrangements.

FIFE COLLEGE

- **Pension Obligations**
  - Accounting Policy – The accounting treatment for both schemes is similar under FRS102 as for current UK GAAP. Therefore, we have not adjusted our accounting policy notes.
  - Restatement impacts – We have requested restated figures at date of transition (1st April 2014) and the comparative period (31st July 2015) as a result of the slight calculation change noted above.

			Year Ended 31 July 2016		16 months Ended 31 July 2015	
		Notes	Consolidated £'000	College £'000	Consolidated £'000 Restated	College £'000 Restated
2	**SFC Grants**					
	FE recurrent grant		30,289	30,289	40,581	40,581
	Childcare funds	25	1,677		1,386	
	Release of deferred capital grants		1,079	1,079	1,592	1,592
	Other SFC grants		2,474	2,433	4,243	4,160
	Funding for Merger		109	109	2,169	2,169
			35,628	**33,910**	**49,971**	**48,502**
3	**Tuition fees and education contracts**					
	FE fees - UK		122	122	247	247
	FE fees - EU		0	0	0	0
	FE fees - non EU		30	30	57	57
	HE fees		3,172	3,172	4,552	4,552
	SDS Contracts		1,300	1,300	1,992	1,992
	Education contracts		4,223	4,223	5,750	5,750
	Other contracts				0	0
			8,847	**8,847**	**12,598**	**12,598**
4	**Other income**					
	European funds		32	32	61	61
	Release of deferred capital grants		492	492	760	760
	Other grants	15	187	187	368	368
	Residences and catering		6	6	74	75
	Other income-generating activities		1,762	760	2,666	1,414
	Other income		730	697	1,232	1,351
			3,209	**2,174**	**5,161**	**4,029**
5	**Investment income**					
	Investment income on endowments					
	Investment income on restricted reserves					
	Other investment income					
	Other interest receivable		4	4	9	9
	Total net of pension scheme		4	4	9	9
	Net return on pension scheme		3,345	3,345	1,627	1,627
			3,349	**3,349**	**1,636**	**1,636**
6	**Donations and endowments**					
	New endowments	21	0		0	0
	Donations with restrictions	21	0		86	0
	Unrestricted donations		132	99		
			132	**99**	**86**	**0**

7 Staff costs

	Year Ended 31 July 2016 Consolidated £'000	College £'000	16 months Ended 31 July 2015 Consolidated £'000 Restated	College £'000 Restated
Staff Costs :				
Salaries	25,576	25,130	32,980	32,453
Social security costs	2,054	2,018	2,458	2,407
Other pension costs	4,179	4,156	5,145	5,117
IAS 19 adjustment	688	688	1,097	1,097
Fundamental restructuring costs	1,450	1,450	2,481	2,481
Total	**33,947**	**33,442**	**44,161**	**43,555**
Academic/ Teaching Departments	19,255	19,255	24,198	24,199
Academic/ Teaching Services	5,231	5,231	6,758	6,758
Other Support Services	1,840	1,840	2,868	2,868
Administration and Central Services	2,917	2,917	3,640	3,640
Premises	1,186	1,186	1,472	1,472
Catering and Residences			47	47
Full Cost Activities	1,149	644	1,339	732
Other expenditure	231	231	261	261
Pension Charge less contributions paid	688	688	1,097	1,097
Sub-total	**32,497**	**31,992**	**41,680**	**41,074**
Fundamental restructuring costs	1,450	1,450	2,481	2,481
	33,947	**33,442**	**44,161**	**43,555**
Employment costs for staff on permanent contracts	30,005	29,538	37,806	37,149
Employment costs for staff on temporary contracts	1,804	1,766	2,777	2,828
Pension charge less contribution paid	688	688	1,097	1,097
Fundamental restructuring costs	1,450	1,450	2,481	2,481
	33,947	**33,442**	**44,161**	**43,555**

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

	2016	2015
Academic/ Teaching Departments	457	476
Academic/ Teaching Services	238	151
Other Support Services	21	60
Administration and Central Services	53	101
Premises	36	35
Catering and Residences		2
Full Cost Activities	48	28
Other staff	3	1
	856	**854**

The number of staff, including senior post-holders and the Principal, who received emoluments in the following ranges were: (A split is shown below for 2016 between staff whose emoluments include a voluntary severence (VS) payment and those that do not include a VS payments.

	2016 **VS included**	**2016 No VS**	**2016 Total No**	**2015 Total No**
£60,001 to £70,000 per annum	6	3	9	3
£70,001 to £80,000 per annum	7	1	8	6
£80,001 to £90,000 per annum	1	1	2	4
£90,001 to £100,000 per annum	1	2	3	1
£100,001 to £110,000 per annum		0	0	-
£110,001 to £120,000 per annum		0	0	-
£120,001 to £130,000 per annum		0	0	1
£130,001 to £140,000 per annum		1	1	-
	15	**8**	**23**	**15**

8 Senior post-holders' emoluments

	Period ended 31 July 2016	16 months ended 31 July 2015
Emoluments of the Principal	**£**	**£**
Salary	134,013	173,333
Benefits in kind		
Pension contributions	22,801	25,827
Loss of Office		
	156,814	**199,160**

	Year Ended 31 July 2016		16 months Ended 31 July 2015	
	Consolidated £'000	**College £'000**	**Consolidated £'000 Restated**	**College £'000 Restated**
9 Interest and other finance costs				
On bank loans, overdrafts and other loans:				
Repayable within five years, not by instalments	21	20	49	46
Repayable within five years, by instalments	46	46	86	86
Repayable wholly or partly in more than five years	227	227	325	325
	294	**293**	**460**	**457**
On finance leases	73	73	103	103
Total net of pension charge	**367**	**366**	**563**	**560**
Net charge on pension scheme				
	367	**366**	**563**	**560**
10 Other operating expenses by activity				
Academic/ Teaching Departments	1,898	1,896	2,156	2,163
Academic/ Teaching Services	334	336	156	158
Other Support Services	107	111	107	107
Administration and central services	2,265	2,280	3,155	3,219
Student Funds Overspend	22	22	0	0
Merger Costs	163	163	891	891
General Education	1,201	1,205	1,193	1,193
Premises costs	4,460	4,478	5,711	5,743
Planned maintenance	137	137	243	243
Interest on early retirement provision	36	36	39	39
Loss on disposal of fixed assets			0	0
Other Expenses	1,880	86	1,739	254
Other income generating activities	614	155	784	145
Residences and catering	(12)	(12)	27	27
	13,105	**10,893**	**16,201**	**14,182**
Other operating expenses include:				
Auditors' remuneration				
- external audit of these financial statements	45	40	39	35
- internal audit services	36	36	55	55
- other services	1		5	5

11 Taxation

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

12 Fixed Assets

	Land and Buildings £'000	Equipment £'000	Total Assets £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation					
At 1 August 2015	76,378	4,895	81,273	287	81,560
Additions	750		750	4,969	5,719
Revaluation	(2,317)		(2,317)		(2,317)
Transfers			0		0
Disposals	(7,595)	(1,682)	(9,277)		(9,277)
At 31 July 2016	**67,216**	**3,213**	**70,429**	**5,256**	**75,685**
Depreciation					
At 1 August 2015	3,810	4,424	8,234	0	8,234
Charge for the year	3,091	263	3,354		3,354
Written back on depreciation			0		0
Revaluation	(2,342)		(2,342)		(2,342)
Disposals	(1,530)	(1,683)	(3,213)		(3,213)
At 31 July 2016	**3,029**	**3,004**	**6,033**	**0**	**6,033**
Net book value					
At 1 August 2015	**72,568**	**471**	**73,039**	**287**	**73,326**
At 31 July 2016	**64,187**	**209**	**64,396**	**5,256**	**69,652**

Fixed Assets (College only)

	Land and Buildings £'000	Equipment £'000	Total Assets £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation					
At 1 August 2015	76,336	4,514	80,850	287	81,137
Additions	750		750	4,968	5,718
Revaluation	(2,317)		(2,317)		(2,317)
Transfers			0		0
Disposals	(7,595)	(1,683)	(9,278)		(9,278)
At 31 July 2016	**67,174**	**2,831**	**70,005**	**5,255**	**75,260**
Depreciation					
At 1 August 2015	3,790	4,060	7,850	0	7,850
Charge for the year	3,087	252	3,339		3,339
Written back on depreciation			0		0
Revaluation	(2,342)		(2,342)		(2,342)
Disposals	(1,530)	(1,683)	(3,213)		(3,213)
At 31 July 2016	**3,005**	**2,629**	**5,634**	**0**	**5,634**
Net book value					
At 1 August 2015	**72,546**	**454**	**73,000**	**287**	**73,287**
At 31 July 2016	**64,169**	**202**	**64,371**	**5,255**	**69,626**

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

Land and buildings were independently valued for the purposes of the financial statements by Hardies, Property & Construction Consultants. The basis of valuation used was Depreciated Replacement Cost at 31 July 2013 . Directly attributable acquisition costs have been included and expected selling costs deducted.

Desktop revaluations are calculated by Hardies. Property & Construction Consultants in the interim years between full revaluations

Freehold land at the Halbeath campus, which was inherited on incorporation at a nominal value of £1, was revalued on 31 July 2013 and restated in the accounts at £1.8million

Other tangible fixed assets inherited from the local authority at incorporation were revalued on 31 July 2013 on a depreciated replacement cost basis with the assistance of independent advice. If inherited land and buildings had not been valued they would be included at nil cost and nil net book value.

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

Included in the College's tangible fixed assets (land and buildings) is a finance lease asset with a net book value of £1.4 million. The finance lease is for a 25-year period commencing October 2003. Under the terms of the lease the amount payable is reviewed every 5 years.

		Year Ended 31 July 2016		16 months Ended 31 July 2015	
		Consolidated £'000	College £'000	Consolidated £'000 Restated	College £'000 Restated
13	**Investments**				
	Investments in Joint Venture companies	404	404	404	404
	Investments in subsidiary companies	0	2	0	2
	CEL Artworks	32	0	30	0
	Total	**436**	**406**	**434**	**406**
14	**Stocks**				
	Stores	7	7	7	7
	Consumables	128	128	133	133
	Other	17	0	12	0
		152	**135**	**152**	**140**
15	**Trade and other receivables**				
	Trade debtors - net of provision for doubtful debts	572	466	625	506
	European funding	474	474	509	509
	Amounts owed by SFC	254	254	362	362
	Amounts owed by subsidiaries	0	139	0	232
	VAT	0	0	0	0
	Prepayments and accrued income	804	739	447	430
		2,104	**2,072**	**1,943**	**2,039**
16	**Cash and cash equivalents**				
	Cash at bank	3,332	3,116	3,803	3,545
	Cash in hand	13	12	21	19
		3,345	**3,128**	**3,824**	**3,564**

The College receives certain Funding Council grants on an agency basis. The funds are available solely for students and the College acts only as paying agent. The funds held in trust are reflected on the balance sheet, as both cash at bank and as a current liability. The following agency funds are included in cash at bank and in hand at the year end:

		Consolidated £'000	College £'000	Consolidated £'000 Restated	College £'000 Restated
	Bursary Funds	259	259	75	75
	FE Hardship	53	53	45	45
	HE Discretionary	0	0	52	52
	Childcare	58	58	45	45
	EMA	46	46	4	4
		416	**416**	**221**	**221**
17	**Creditors - amounts falling due within one year**				
	Bank loans and overdrafts	488	488	474	474
	Obligations under finance leases	136	136	180	180
	Payments received in advance			0	0
	Trade creditors	1,247	1,232	572	555
	VAT	69	28	68	33
	Pension	518	518	489	487
	Amounts owed to SFC	154	154	218	218
	Other taxation and social security	659	651	645	636
	Other creditors	45	45	47	47
	Accruals and deferred income	2,527	2,435	3,334	3,235
	Bursaries and Access funds for future disbursement	370	370	217	217
		6,213	**6,057**	**6,244**	**6,082**

		Year Ended 31 July 2016		16 months Ended 31 July 2015	
		Consolidated £'000	College £'000	Consolidated £'000 Restated	College £'000 Restated
18	**Creditors: amounts falling due after more than one year**				
	Bank loans	5,861	5,861	6,275	6,275
	Obligations under finance leases	1,593	1,593	1,730	1,730
	Government Grants	26,824	26,824	23,848	23,848
		34,278	**34,278**	**31,853**	**31,853**
19	**Pension Provision**				
	As at 1 August 2015	14819	14,819	13138	13138
	Current service cost	2903	2903	3478	3478
	Employer contributions	-2134	-2134	-2673	-2673
	Past service gains	678	678	1009	1009
	Net return on assets	-4104	-4104	-2344	-2344
	Transfer to/ (from) income & expenditure	(2,657)	(2,657)	(530)	(530)
	Actuarial gains/ (losses)	8,716	8,716	2211	2211
	As at 31 July 2016	**20,878**	**20,878**	**14,819**	**14,819**
20	**Other Provisions**				
	At 1 August 2015	3,637	3,637	3,929	3,929
	Expenditure in the period	(215)	(215)	(290)	(290)
	Additional provision required in year			0	0
	Revaluation adjustment	260	260	(41)	(41)
	Interest charged	36	36	39	39
	At 31 July 2016	**3,718**	**3,718**	**3,637**	**3,637**

The above liability is in respect of future pension liabilities arising from early retirals.

A valuation of the existing pension provision was carried out by Hymans Robertson LLP, an independent firm of actuaries, at 31 July 2016.

		Year Ended 31 July 2016		16 months Ended 31 July 2015	
		Consolidated £'000	College £'000	Consolidated £'000 Restated	College £'000 Restated
21	**Restricted Reserves**				
	Endowment (Whitlock)				
	At 1 August 2015	0	0	55	55
	Donations Received				
	Transfer to unrestricted reserve			(55)	(55)
	Donations Issued				
	At 31 July 2016	**0**	**0**	**0**	**0**
	Restricted (Adam Smith Foundation)				
	At 1 August 2015	73	0	58	
	Donations Received	76		86	
	Transfer to unrestricted reserve			(12)	
	Donations Issued	(46)		(59)	
	At 31 July 2016	**103**	**0**	**73**	**0**
22	**Income & Expenditure Reserve Unrestricted**				
	At 1 August 2015	(6,267)	(6,245)	(8,285)	(8,259)
	Surplus/ Deficit for the year	(495)	(548)	2,213	2,221
	Revaluation of Asset			(239)	(239)
	Transfer from revaluation reserve	914	914	2,188	2,188
	Transfer from restricted reserve	0	0	67	55
	Actuarial gain/ (loss) in pension scheme	(8,716)	(8,716)	(2,211)	(2,211)
	At 31 July 2016	**(14,564)**	**(14,595)**	**(6,267)**	**(6,245)**
23	**Revaluation Reserve**				
	At 1 August 2015	29,320	29,290	30,249	30,219
	Disposal	(3,370)	(3,370)	0	0
	Revaluation	(2,315)	(2,317)	(3,928)	(3,928)
	Write back of depreciation on revaluation	2,342	2,342	5,187	5,187
	Transfer to Income & expenditure account in respect of:				
	Depreciation on revalued assets	(914)	(914)	(2,188)	(2,188)
	At *31 July 2016*	**25,063**	**25,031**	**29,320**	**29,290**

24 Lease obligations

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

	31 July 2016 Land and Buildings £'000	Plant and Machinery £'000	Total £'000	31 July 2015 Total £'000
Payable during the year	119	17	**136**	188
Future minimum lease payments due:				
Not later than 1 year	119	17	**136**	188
Payable within 2 - 5 years		1	**1**	23
Payable within 6 - 10 years			**0**	
Payable within 11 - 15 years	1,592		**1,592**	1,711
Payable within 16 - 20 years			**0**	
Total lease payments due	**1,711**	**18**	**1,729**	**1,922**

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

Payable during the year	**8**	**8**	**16**	**15**
Future minimum lease payments due:				
Not later than 1 year	**8**	**8**	**16**	15
Later than 1 year and not later than 5 years	**3**	**3**	**6**	8
Later than 5 years	**0**	**0**	**0**	0
Total lease payments due	**11**	**11**	**22**	**23**

25 FE Bursary and other Student Support Funds

	FE Bursary £000	FE Hardship £000	EMA's £000	Other £000	Period ended 31 July 2016 Total £000	16 months Ended 31 July 2015 Total £000
Balance brought forward	75	45	4	51	175	41
Allocation received in year	6,855	656	957	307	8,775	12,033
	6,930	**701**	**961**	**358**	**8,950**	**12,074**
Expenditure	(6,692)	(648)	(916)	(307)	(8,563)	(11,628)
Repayable to Funding Council as Clawback				(53)	(53)	(27)
College Contribution to funds	21		1	2	24	0
Virements						(243)
Balance Carried forward	**259**	**53**	**46**	**0**	**358**	**176**

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

Represented by:

Repayable to Funding Council as Clawback	358	176
Retained by College for Students		
	358	**176**

FE Childcare Funds

Balance brought forward	45	45
Allocation received in year	1,731	1,469
	1,776	**1,514**
Expenditure	(1,718)	(1,712)
Repayable to Funding Council as Clawback		
College Contribution to funds		
Virements		243
Balance Carried forward	**58**	**45**

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

26 Pensions and similar obligations

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

The total pension costs for the institution was :	12 months to 31 July 2016 £000	16 months to 31 July 2015 £000
Contribution to STSS	2,343	2,827
Contribution to LGPS	1,813	2,290
Norwich Union Scheme	23	28
Total pension cost (Note 7)	**4,179**	**5,145**
Contribution rates		
STSS	17.20%	14.90%
LGPS	19.10%	19.10%

Scottish Teachers Superannuation Scheme (STSS)

The STSS is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequor under arrangements governed by the Superannuation Act 1072. A notional asset value is ascribed to the scheme for the purpose of determining contribution rate.

Fife Council Pension Scheme

The Fife Council Pension Scheme is a notional fund and is a defined benefit multi-employer scheme. The latest actuarial valuation for the scheme was carried out as at 31 July 2016

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

Rate of return on investments in excess of rate of increase in salaries	-0.10%
Rate of return on investments in excess of rate of increase in pensions	1.00%
Market value of the assets as at 31 July 2016	£52,610,000

The following notes are derived from the Actuarial report supplied by Hymans Robertsons LLP dated 8 September 2016 to comply with the reporting requirements of FRS102, as amended

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

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

Reconciliation of Defined Benefit Obligation

Period ended	31 July 2016 £000	31 July 2015 £000
Opening Defined Benefit Obligation	71,066	62,703
Current Service Cost	2,784	3,274
Interest Cost	2,616	3,691
Contributions by Members	568	726
Actuarial Losses / (Gains)	8,716	2,211
Past Service Costs / (Gains)	119	204
One-off exceptional gain pension adjustment		
Losses on curtailments	-	-
Estimated Unfunded Benefits Paid	(217)	(283)
Estimated Benefits Paid		(1,460)
Closing Defined Benefit Obligation	**85,652**	**71,066**

Balance Sheet

Period ended	31 July 2016 £000	31 July 2015 £000
Fair Value of Employer Assets	61,056	52,610
Present Value of Wholly Funded Obligations	(81,934)	(67,429)
Net (Under) Funding in Funding Plans	(20,878)	(14,819)
Unrecognised Past Service Cost	-	-
Net (Liability) held in Balance Sheet	**(20,878)**	**(14,819)**

The present value of Unfunded Obligations is £3,718K (was £3,637k in 14/15) in relation to Early Retirements agreed in previous years. There are no partly funded obligations.

Reconciliation of Fair Value of Employer Assets

Period Ended	31 July 2016 £000	31 July 2015 £000
Opening value	52,610	45,636

Expected Return on Assets	5,961	5,318
Contributions by Members	568	726
Contributions by the Employer	1,917	2,390
Contributions in respect of Unfunded Benefits	217	283
Actuarial (Losses) / Gains	0	0
Unfunded Benefits Paid	(217)	(283)
Benefits Paid	0	(1,460)
Closing Fair Value of Employer Assets	**61,056**	**52,610**

Fair Value of Employer Assets

Period Ended	**31 July 2016 £000**	**31 July 2015 £000**
Equities	42,129	37,353
Bonds	9,769	7,892
Properties	5,495	5,261
Cash	3,663	2,104
Total	**61,056**	**52,610**

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

	31 July 2016 £000	**31 July 2015 £000**
Net return/ (Cost) on pension asset/ liability	3,345	1,627
Expected return on pension scheme assets	5,961	5,318
Interest on pension liabilities	(2,616)	(3,691)
Net return	**3,345**	**1,627**

Analysis of amounts charged to staff costs (Note 7)

	31 July 2016 £000	**31 July 2015 £000**
Pension Charge less contributions paid	688	1,097
Current service costs	2,865	3,566
Past service costs	119	204
Curtailment & Settlements	-	-
Total operating charge	2,984	3,770
Less Contributions Paid	(2,134)	(2,673)
Pension costs less contributions payable	**850**	**1,097**

Actuarial Assumptions

The Actuaries recommended assumptions are summarised below:

Period Ended	**31 July 2016** % p.a.	**31 July 2015** % p.a.
Rate of increase in salaries	3.10%	3.70%
Rate of increase in pensions	1.90%	2.60%
Expected return on Assets	2.40%	3.60%
Discount rate for liabilities	2.40%	3.60%

The expected return on assets is based on the discount rate

Period Ended	**31 July 2016** % p.a.	**31 July 2015** % p.a.
Equities	2.40%	3.60%
Bonds	2.40%	3.60%
Property	2.40%	3.60%
Cash	2.40%	3.60%

Mortality Rates

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

	Males	Females
Current Pensioners	22.0	23.7
Future Pensioners	24.1	26.4

Amounts for the current and previous accounting periods

Year to 31 July (to 31 March in 2014)	**2016** **£000**	**2015** **£000**	**2014** **£000**	**2013** **£000**	**2012** **£000**
Fair value of Employer Assets	61,056	52,610	45,636	43,661	36,103
Present Value of Defined Benefit Obligation	(85,652)	(71,066)	(58,774)	(52,295)	(48,971)
(Deficit)	(24,596)	(18,456)	(13,138)	(8,634)	(12,868)

27 Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the College's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 2016, the comparitive information presented in these financial statement for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 April 2014. In preparing its FRS102, SORP based Statement of Financial Position, the College has adjusted amounts reported previous;y in financial statements prepared in accordance with its old basis of accounting (2007 SORP).

An explanation of how the transition to FRS 102 and the SORP, has affected the College's financial position, financial performance and cash flows is set out in the following

	1 April 2014		**1 August 2015**	
Financial position	**Consolidated £'000**	**College £'000**	**Consolidated £'000**	**College £'000**
Total reserves under 2007 SORP	**21,928**	**21,866**	**23,021**	**22,940**
Write off non Government Deferred Grants	149	149	149	149
Write back non Government Deferred Grants Released	0	0	-44	-44
	0	0	0	0
	0	0	0	0
	0	0	0	0
Total effect of transition to FRS 102	**149**	**149**	**105**	**105**
Total reserves under 2015 SORP	**22,077**	**22,015**	**23,126**	**23,045**

	16 months Ended 31 July 2015	
Financial performance	**Consolidated £'000**	**College £'000**
Surplus for the year under 2007 SORP	**747**	**755**
Write back non Government Deferred Grants Released	-44	-44
Include in the STRGL under the 2007 SORP		
Expendable Endowment	-55	-55
Adam Smith Foundation	27	
Revaluation of Asset	1,020	1,020
Actuarial gain/(loss) in respect of pension scheme	-646	-646
Total effect of transition to FRS 102	302	275
Total comprehensive income for the year under 2015 SORP	**1,049**	**1,030**

28 Related Party Transaction

RELATED PARTY TRANSACTIONS

	Period ended 31 July 2016			
COMPANY	**SALES**	**PURCHASES**	**DUE FROM**	**DUE TO**
Royal Dutch Shell	66,000	16,510	-	-
Scottish Childrens Panel	4,658	-	4,658	-
Fife Migrants Form	298	-	-	-
Adam Smith Foundation	3,995	400	-	-
GIA Business Properties	-	3,412	-	-
Law Society of Scotland	310	-	-	-
Fife Chamber of Commerce	250	4,866	-	-
University of St Andrews	3,134	-	-	-
University of Abertay	34,911	130,359	-	7,139
Fife Council	471,172	462,084	8,706	164
Trades Union Congress	200	-	-	-
Taylor Law Ltd	551	-	-	-
Totals	**519,479**	**601,121**	**13,364**	**7,303**

2015-16 Accounts direction for Scotland's colleges and universities

1 It is the Scottish Funding Council's direction that colleges and universities comply with the 2015 *Statement of Recommended Practice: Accounting for Further and Higher Education* (SORP) in preparing their annual report and accounts.

2 Colleges and universities must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (for assigned colleges).

3 Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2015-16 (FReM) where applicable.

4 Incorporated colleges are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2016.

5 The annual report and accounts should be signed by the chief executive officer and by the chair, or one other member of the governing body.

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

Scottish Funding Council
24 August 2016