



Annual Accounts 2014-15

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2014-15

Scottish Charity Number: SCO21203

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Authorised for Issue:

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Operating and Financial Review by the Board of Governors of Fife College

Introduction

The Board of Governors of Fife College present the financial statements of the College and its wholly owned subsidiary for the year to 31 July 2015.

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.

Scope of the Financial Statements

The Board presents the consolidated financial statements of the College and its subsidiary company. The subsidiary company is Carnegie Enterprise Ltd (CEL).

Vision

Fife College will enhance the wellbeing of the people of Fife by:

- providing lifelong learning opportunities to promote employability, develop personal and employment skills and encourage achievement and progression; a provision which primarily for the people of Fife will not be constricted thereto since supporting business and commercial activity outside Fife will enhance our capacity and thus enhance opportunities for the people of Fife.
- Contribution to strategic partnerships to close the opportunity gap by providing programmes which facilitate improved life choices for the communities.
- being a dynamic and responsive organisation committed to professional training and development of our staff.

Our Values

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

Integrity

Acting with honesty and fairness.

Trust and Mutual Respect

Treating others with dignity and sensitivity.

Social Responsibility

Acting for the Interests of society.

Innovation

Actively supporting enterprise, creativity and open-mindedness.

Achievement

Encouraging, recognising and celebrating progress.

Cultural Diversity

Welcoming and valuing the rich diversity of the community we serve.

Health and Safety

Providing a healthy and safe environment is a core entitlement to the whole College community.

Operating and Financial Review by the Board of Governors of Fife College (Continued)

Principal Objectives

In meeting the educational needs of the community and within the context of the College's mission statement, the strategic aims for 2014-15 were:

Estates

1. Monitor the on-going performance and suitability of the College Estate and rationalise in accordance with the Estates Strategy.
2. Plan and implement an annual cycle of maintenance, minor works and planned preventative maintenance ensuring that these plans are fully embedded in the financial budgeting and reporting process and are as required to maintain compliance conditions.
3. Manage the College's carbon footprint by introducing more efficient working practices.

Health and Safety

1. Ensure the Health and Safety Policy complies with legislative requirements and supports the sustainability of the College.
2. Promote a positive health and safety culture and liaise with staff, their representatives and students to help drive behavioural change throughout the College.
3. Develop an Occupational Health Strategy and appropriate occupational health surveillance to promote the wellbeing of our staff.

Finance

1. Return a surplus budget for 2014-15.
2. Increase efficiency as income remains static and costs increase.
3. Maintain a sustainable college.
4. Maximise commercial income.

Curriculum Design and Development

1. Develop a curriculum review process, taking cognisance of employer needs and economic priorities, which prepares Students for progression to employment or relevant further study.
2. Following reflection of the previous curriculum plan and its impact, engage with all stakeholders in the development of an appropriate curriculum for the people, businesses and organisations of Fife.
3. Develop and implement a Fife College Learning and Teaching Strategy that supports the development of engaging and high quality learning experiences that creates opportunities for our communities.
4. Develop the School- College partnership to increase opportunities for collaboration in vocational curriculum areas and provide an informed Learner journey.
5. Strengthen our partnership with the business sector to support the generation of income and secure opportunities for our learners.

Commercial Targets

1. Promote a commercial culture across the College to engender positive engagement in the development of commercial provision.
2. External relationships mapped and managed to ensure maximum benefit for the organisations/businesses and the College.
3. Business development activities focused and managed effectively to deliver against agreed KPIs.
4. Establish a telephone contact centre providing high levels of customer service in response to incoming calls and delivering effective outbound campaigns.

Staffing

1. Continue to enhance the performance of staff to support the learning and teaching experience through the effective leadership and deployment of staffing resources.
2. Promote and support the continuous professional development of staff supporting curricular development and College sustainability.
3. Continue to develop a culture in support of the principles of the Human Resources Strategy valuing equality and diversity and responding to legislative requirements.
4. Continue to develop and enhance robust processes for strategic and operational planning.

Operating and Financial Review by the Board of Governors of Fife College (Continued)

Main Achievements

Throughout the period April 2014 to July 2015, Fife College continued the process of creating a fit for purpose organisational structure. The process began in December 2013 with an all-staff consultation in the form of a series of presentations by the Principal and the 4 Vice Principals.

The organisational structure has been created department by department with full consultation of those involved. The College felt it best to carry out this exercise in a sequential manner to ensure the new structure is appropriate, rather than attempt to solve the issue in one fell swoop.

Transformational funding made available by SFC for Voluntary Severance (VS) (£4.88 million) has now been exhausted and the College has had to finance further VS payments of just over £1.5 million. VS decisions continue to be made in line with the VS scheme rules, in terms of the payback period and there being no backfilling of the post. Some VS applications have been refused on the grounds of payback, when pension strain costs have been involved.

The 2014-15 accounting period covered the period April 2014 to July 2015 or 16 months. The period also saw Scottish Colleges become part of Government accounting with a change in approach from the past. Fife College has been able to prepare and resource appropriately for this change. The return to an August to July financial year is welcomed as it makes budgeting and planning more practical.

The Board of Governors for Fife College is now well established as are the relevant sub-committees. There are now no Board of Governors members from the pre-merger colleges, all members have been appointed since August 2013. The College has remained financially stable since April 2014 and has returned an operating surplus for the period. The financial position continues to be regularly monitored by Heads of Departments, Senior Management, the relevant Board of Governors sub-committee and Board of Governors themselves.

Following the announcement of the allocation of £70 million in late 2014 for a new campus in West Fife, an Outline Business Case was submitted to SFC in early 2015. The OBC has now been approved and the College is now looking to submit a Full Business Case as the next part of the process. We are looking for this to be approved by March 2016. The aim is for the new building in Dunfermline to be open by August 2019.

The new build in Dunfermline will see a rebalancing of activity over Fife as well as specialising curriculum delivery geographically. Access provision will of course be more widely available.

A process of rationalisation of the estate is ongoing looking forward to the new build in Dunfermline. Fife College will cease to operate from the Priory Campus in Kirkcaldy and the SRUC Campus in Cupar as of summer 2016. The same volume of activity will continue to be delivered from August 2016 onwards from Halbeath, St Brycedale, Stenton, Rosyth and Levenmouth.

Fife College received a review by Education Scotland in February 2015. The overarching judgement was of limited effectiveness, the middle grade of 3 options. An action plan was put in place to address the issues raised during the visit and is being progressed across the College.

The systems used in former Adam Smith and Carnegie Colleges had little commonality in the sense that the network operating system, Finance, HR, Student Records, Estates etc. were all different. Since April 2014 the College has selected a single solution for Finance, Student Records, HR, Payroll, Health and Safety as well as a single network operating system.

Operating and Financial Review by the Board of Governors of Fife College (Continued)

Financial Performance

Fife College finished 2014-15 with an operating surplus of £747k (after the adjustment for FRS 17 which resulted in a cost of £1,035k). After the revaluation reserve transfer, severance payments and income from merger funds, the historic cost surplus was £2.713 million.

The decision to revalue the College's assets on a consistent basis prior to merger increased the depreciation charge (thus reducing the operating surplus) and increased the revaluation reserve transfer. There was a FReM requirement to carry out an annual indexation valuation as part of the 31st of July 2015 year end. This has resulted in the fixed assets increasing in value by £1.253m.

CEL returned a deficit of £7k, which was an improvement on the projected position of a deficit of £33k.

During 2014-15 the College paid out £2,481k in severance payments and received £1,095k from SFC transformation funding to offset these payments.

The Pension Reserve on the balance sheet, the College's share of the Fife Council Pension Scheme deficit, has increased from £13.138 million to £14.819 million at the end of July 2015. For 2014-15, this has again had a significant effect on the net worth of the balance sheet.

With the onset of the ONS reclassification in April 2014, the College set up an Arm's Length Foundation (ALF) prior to 31 March 2014. There was the option to be part of a sector wide ALF, however Fife College's Board of Governors took the decision to use an ALF set up for the region of Fife. This meant that any surplus cash on 31 March 2015 could be donated to the ALF by way of a charitable donation, rather than return the cash to SFC. Fife College made a charitable donation of £762k to the ALF on 31 March 2015. The £762k is included as a cost with operating costs and is therefore reflected within the operating surplus and because the ALF is an independent legal entity, the cash held within the ALF of £1.9 million does not appear on Fife College's balance sheet.

The College's cash and liquid resources position at the end of the period was £3.824 million (31 March 2014: £2.752 million), this equates to the College having 23 days of cash on hand. The majority of these funds are held at the year-end to meet the working capital requirements and outstanding provisions the financial year to 31 July 2016.

The table below details trend data for Fife College as agreed with the Scottish Funding Council to determine whether institutions are maintaining a "sustainable trajectory".

Performance Indicators:

	2013-14	2014-15
Operating Surplus/Deficit as % of Total Income *	-7.1%	1.1%
Non SFC Income as % of Total Income	28.6%	26.3%
Current Assets : Current Liabilities *	0.63	0.95
Staff Costs as a % of total turnover *	65.0%	61.4%
Ratio of days cash to total expenditure	25.2	22.6
Staff Turnover	7.0%	7.0%
Gearing *	40.9%	34.7%
Student Activity (WSUM)	176,084	182,048
Performance Against WSUMs Activity Target	98.3%	99.0%
WSUMs per Staff FTE *	198	213
Early Withdrawal	7.0%	4.6%
Further Withdrawal	11.0%	4.5%

* 2013-14 figures have been re-stated please refer to note 34 for details of the restatement.

Operating and Financial Review by the Board of Governors of Fife College (Continued)

Physical Developments

In the reporting period the College spent £287k on the Levenmouth campus development. The College has been awarded a grant of £5m plus VAT from the SFC to support the build of the Levenmouth Campus. In addition to this grant the College sold two properties (Cowdenbeath & Southfield) during 2014-15 and the sale proceeds of £480k will be reinvested within the Levenmouth development.

The College also spent £122k of revenue on improving accommodation. Projects included: the completion of work to create new teaching accommodation at St Brycedale and a variety of other works to improve the physical environment of the College for students and staff.

Investment continued in ICT equipment and infrastructure to support the regionalisation and merger. In the period, the College invested £700k in a broad range of ICT infrastructure and equipment for teaching and support functions.

Taxation Status

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

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 2015, there was a cash balance of £3.824 million (31st March 2014 £2.572 million), following the donation to the ALF. Normal practice is to pool funds in an overnight deposit account and to use a longer term deposit when circumstances permit.

Fife College complies with the CBI Prompt Payment Code unless the invoice is contested or alternative terms have been arranged. In 2015, the level of creditors in terms of the proportion of year-end creditors to the aggregate invoiced amounts during the year was 16 days (2013-14: 19 days, 2012-13: 17 days, 2011-12: 30 days, 2010-11: 32 days).

Cash Flows

The College increased its cash balance by £1.252 million in the year (2013-14 – decrease of £2.022 million), operating cash inflow was £2.664 million (2013-14 – outflow £4.020 million).

Supplier Payment

The College complies where appropriate with the CBI prompt payment code and has a policy of paying its suppliers within 30 days of invoice unless the invoice is contested. All disputes are handled as quickly as possible. Supplier payment runs are completed fortnightly future paying all invoices due and those falling due in the next 2 weeks to ensure all payments are made within 30 days.

Interest paid under Late Payments of Commercial Debts (Interest) Act 1998 amounted to £nil during the year (31st March 2014 - £nil).

Operating and Financial Review by the Board of Governors of Fife College (Continued)

Current and Future Developments and Performance

Outcome Agreement with the Scottish Funding Council

The data available to the College at the time of writing indicates that it is reasonable to expect that the College will meet the commitments set out in the outcome agreement for the academic year 2014-15 that has been agreed with the SFC.

Curriculum Developments

The College will ensure that high quality tuition and support is provided to students to help them achieve their potential in terms of qualifications and vocational, employability, citizenship and personal and social skills by promoting a high quality experience for all students, offering varied and stimulating opportunities for learning, which incorporate new technologies and flexible modes of delivery where appropriate, and high quality support services, underpinned by effective quality management systems and professional development arrangements for staff.

Payment Performance

The College continues to comply where appropriate with the CBI prompt payment code. At the time of writing, no interest has been paid under the Late Payments of Commercial Debts (Interest) Act.

Post Balance Sheet Events

No post balance sheet events to report.

Future Events

By 2015-16 the College restructure will have been completed. The curriculum plan is now in place for 2015-16 with a clear picture of how the College's credit allocation is to be used.

Estates Strategy

Following the production of an Estates Strategy for Fife College with a number of options, a way forward was agreed at the Board of Governors Development Day in April 2014. The next step in the process was the production of an Outline Business Case, a draft of which was passed to Scottish Funding Council (SFC) in December 2014.

In October 2014, the Scottish Government announced capital spend for two college estates projects, each worth £70 million, at Fife College and Forth Valley College to be undertaken as NPD projects. Fife College is now working closely with SFC and Scottish Futures Trust (SFT) to progress the realisation of the first stage of the Estates Strategy, a new build for West Fife in Dunfermline. This will involve further estates rationalisation across Fife, as well as a rebalancing of activity towards West Fife and a review of curriculum delivery in Fife going forward

Fife College's OBC was approved in June 2015 by SFC and the College is progressing to Full Business Case (FBC) which is the next stage of the process.

During the year, further estates rationalisation has taken place. The College has sold its premises in Cowdenbeath and Southfield, Glenrothes. The College has moved out of leased premises at New Row in Dunfermline and has served notice for premises at Pentland House in Glenrothes and Walton House in Leven.

A further exciting estates development during the year was the approval by SFC to fund the build of a new 2,500 square metre school/college campus in Levenmouth, on the same site as the new Levenmouth High School, to improve school exit transitions and vocational success in one of Fife's more deprived communities. The facility is due to open at the same time as the school, in August 2016.

2015-16 will see further estates rationalisation. Fife College will cease operating from the SRUC campus in Cupar and the Priory Campus in Kirkcaldy in summer 2016. Existing activity at these sites will be moved elsewhere in Fife. Fife College will continue to deliver some activity in the Cupar area in conjunction with Fife Council.

Operating and Financial Review by the Board of Governors of Fife College (Continued)

Resources

The College has net assets of £45.714 million (31st March 2014 - £48.277 million). The current asset to current liabilities ratio is 0.95:1 (31st March 2014: 0.63:1), with the gearing on long term liabilities being 0.41:1 (31st March 2014: 0.37:1).

Principal Risks and Uncertainties

The principal risks faced by the College are recorded in the College's strategic risk register, which is reviewed monthly by the Senior Management Team and quarterly by the Audit and Risk Committee. The Board of Governors development day in April 2015 was centred on risk management. Departmental plans contain a local risk register.

Stakeholder Relationships

The College has links with many organisations. These include:

- Students – prospective, current and graduands
- Local communities
- Colleges and Universities
- Employers and Employer organisations and associations
- Charity and Voluntary organisations
- Sector Skills Councils
- Government and other central authorities
- Local authorities Emergency services Awarding bodies NDPBs
- Community and economic development organisations

Equality and Diversity

Fife College is committed to promoting equality of opportunity for all its students and staff in all aspects of College life to ensure that no-one is discriminated against on the grounds of race, colour, religion, sex, marital status, disability, age, social position or sexual orientation.

Fife College and Carnegie Enterprise aim to be Equal Opportunity Employers. The organisation's policy is to ensure that all employees are recruited, trained and promoted on the basis of their ability, their suitability for work, and the requirements of the job; and that no job applicant or employee receives less favourable treatment on the grounds of disability. An Equality and Diversity Action Group continues to influence our recruitment policies and practices for staff and students as well as physical developments.

Fife College and Carnegie Enterprise are fully aware of obligations under the Disability Discrimination Amendment Act 1995 as amended by the Special Educational Needs and Disability Act 2001 and has in place a policy and action plan to enhance access to learning and opportunity for disabled persons.

Disclosure of Information to Auditors

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

PROFESSIONAL ADVISERS

Internal Auditors:	BDO, Glasgow
External Auditors:	Grant Thornton UK LLP, Edinburgh
Legal Advisors:	Maclay, Murray and Spens, Edinburgh Anderson Strathern, Edinburgh
Bankers:	Royal Bank of Scotland, Dunfermline

Operating and Financial Review by the Board of Governors of Fife College (Continued)

Remuneration report

Introduction

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2014-15 Government Financial Reporting Model (FRoM) issued by the Scottish Government, which came into force for the period ending 31 March 2014.

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.

Name	16 months ended 31 July 2015			8 months ended 31 March 2014		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Stephen Magee	25-30	-	25-30	0-5	-	0-5
Hugh Logan	170-175	10-15	185-190	85-90	0-5	85-90
Carol Scott	115-120	20-25	135-140	40-45 ¹	10-15	55-60
David Hosey	115-120	5-10	125-130	35-40 ²	0-5	40-45
David Neilson	105-110	10-15	120-125	50-55	5-10	55-60
Debbie Miller	105-110	25-30	130-135	45-50 ³	10-15	55-60

¹Start date 1st of October 2013 annual equivalent shown below.

²Start date 21st of October 2013 annual equivalent shown below.

³Start date 2nd of September 2013 annual equivalent shown below.

Operating and Financial Review by the Board of Governors of Fife College (Continued)

Remuneration report (Continued)

Name	16 months ended 31 July 2015			8 months ended 31 March 2014		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Stephen Magee – Annual Equivalent	20-25	-	20-25	5-10	-	5-10
Hugh Logan – Annual Equivalent	130-135	5-10	135-140	130-135	0-5	130-135
Carol Scott – Annual Equivalent	85-90	15-20	100-105	85-90	20-25	105-110
David Hosey – Annual Equivalent	85-90	5-10	90-95	85-90	0-5	90-95
David Neilson – Annual Equivalent	80-85	10-15	90-95	80-85	5-10	85-90
Debbie Miller – Annual Equivalent	80-85	20-25	100-105	80-85	15-20	95-100

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 2014-15 was £132,500 (2013-14 £132,500). This was 4 times (2013-14 4.5 times) the median remuneration of the workforce which was £32,828 (2013-14 £32,000).

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 30.

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.

Operating and Financial Review by the Board of Governors of Fife College (Continued)

Remuneration 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 2015	Accrued lump sum at pension age at 31 July 2015	Real increase in pension 1 April 2014 to 31 July 2015	Real increase in lump sum 1 April 2014 to 31 July 2015	CETV at 31 July 2015	CETV at 31 March 2014	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Stephen Magee	-	-	-	-	-	-	-
Hugh Logan	60-65	180-185	0-2.5	2.5-5	1,444	1,405	18
Carol Scott	35-40	75-80	0-2.5	-	714	647	59
David Hosey	40-45	120-125	0-2.5	2.5-5	942	892	36
David Neilson	15-20	45-50	0-2.5	2.5-5	342	309	21
Debbie Miller	0-5	-	0-2.5	-	37	10	26

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.

Compensation for loss of office

80 employees left under voluntary exit terms during the year. They received a total payment of £2.566 million.

Signed Principal.....  Date.. 16/12/15

Corporate Governance Statement 2014-15

Introduction

Fife College was 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 2014-15, 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 3 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. The Chair's Committee agreed that no changes to remuneration of these individuals could be considered until salary settlements had been agreed for staff. This has not yet been forthcoming due to the national bargaining position. 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 therefore with all other aspects of this requirement.

- The Board must keep its effectiveness under annual review and have in place a robust self-evaluation process. There should be externally facilitated evaluation of its effectiveness every three to five years.

The Board undertakes self-evaluation annually. External facilitation is not currently in place, and will be put in place before 31 July 2018.

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 Deputy-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.

Corporate Governance Statement 2014-15 (continued)

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, Planning and Estates Committee, Chairman's Committee, Audit and Risk Committee, Health and Safety and Human Resources Committee, Equalities Short Life Working Group and Estates Short Life Working Group.

The Board annually held a strategic planning 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, Planning 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 Clerk to the Board; and consider central communications.

Corporate Governance Statement 2014-15 (continued)

Audit and Risk Committee

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

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.

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.

Corporate Governance Statement 2014-15 (continued)

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 ongoing 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 ongoing basis at departmental meetings as part of an ongoing review of the Department's plan.

Throughout 2014/15 the key strategic risks were reported to and monitored by the Audit & Risk Committee.

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

Corporate Governance Statement 2014-15 (continued)

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.

Going forward the Audit and Risk Committee will be provided with a separate sheet for each risk in greater detail of further actions and 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 eight reviews in 2014/15, 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.

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 data security during 2014-15.

Annual Assessment

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 ongoing process for identifying, evaluating and managing the College's significant risks, that it had been in place for the year ended 31 July 2015 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.

Corporate Governance Statement 2014-15 (continued)

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

The Corporate Governance Statement on pages 12 – 17 was approved by the Board of Governors on 16 December 2015 and signed on its behalf by:



Hugh Logan
Principal and Chief Executive



Stephen Magee
Chair, Board of Governors

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 and the 2014-15 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

- 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.

THE BOARD OF GOVERNORS OF FIFE COLLEGE

Members from 1 April 2014 – 31 July 2015

Member's Name	Date Appointed	Term of Office	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
C Bell	April 2009	Until 31.07.14	31.07.14	Teaching Staff Representative	Fife College	N/A	Finance, Commercial, Planning and Estates Estates Strategy Short Life Working Group
R Black	10.03.13 30.06.14	Until 31.07.17		Non Executive Member	N/A	Shell International / BG Group Scottish Children's Panel	Audit and Risk Chair's
C Ford	01.08.13	1 year	31.07.14	Student Member	Fife College Fife Council	N/A	Health and Safety and Human Resources Equalities Short Life Working Group
B Garmory	March 2008	Until 31.07.14	31.07.14	Non Executive Member	Robert Purvis Plant Hire Ltd	Fife Airport Ltd Fife Chamber of Commerce Dunfermline Athletic Football Club	Finance, Commercial, Planning and Estates
V Ilendo	03.10.13 03.03.15	Until 31.07.18		Non Executive Member	VI Consultancy	Fife Polish Education Trust Fife Migrants Form	Audit and Risk Health and Safety and Human Resources Equalities Short Life Working Group
H Logan	01.08.13	Duration of contract of employment		Principal and Chief Executive	Fife College	Fife Partnership Board Fife Partnership Executive Group Fife Economy Partnership	Health and Safety and Human Resources Finance, Commercial, Planning and Estates Chair's Estates Strategy Short Life Working Group 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

Member's Name	Date Appointed	Term of Office	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
F McCann	01.08.13	Until 02.03.15	02.03.15	Non teaching Staff Member	Fife College	N/A	Health and Safety and Human Resources Equalities Short Life Working Group
D Munro	01.08.13	Until 31.07.14	31.07.14	Non Executive Member	N/A	Business Gateway Fife Adam Smith Foundation	Audit and Risk Equalities Short Life Working Group
K Munro	Mar 2007	Until 02.03.15	02.03.15	Non Executive Member	Babcock International Group PLC	Babcock International Group	Health and Safety and Human Resources Chair's
B Poole	03.10.13 03.03.15	Until 31.07.18		Non Executive Member	Fife Council	N/A	Audit and Risk Chair's
B Roxburgh	01.08.13	Until 31.07.14	31.07.14	Non Executive Member	N/A	Children's Panel for Scotland Tullis Russell Group Pension Scheme	Finance, Commercial, Planning and Estates Estates Strategy Short Life Working Group
G Smith	03.10.13	Until 02.03.15	02.03.15	Non Executive Member	NCR Financial Solutions Ltd	N/A	Health and Safety and Human Resources
W Smith	04.03.14	Until 31.07.14	31.07.14	Student Member	Fife College	Kingdom Brass A	Finance, Commercial, Planning and Estates Estates Strategy Short Life Working Group
B Taylor	01.08.13	Until 02.03.15	02.03.15	Non Executive Member	N/A	Santander Fife Coast and Countryside Trust Fife Historic Buildings Trust Advisor to the MP – Kirkcaldy / Cowdenbeath Constituency Adam Smith Foundation	Finance, Commercial, Planning and Estates Chair's Estates Strategy Short Life Working Group Estates Project Board (Co-opted from 03.03.15)
G Webber	Mar 2007	Until 02.03.15	02.03.15	Non Executive Member	Edinburgh Napier University	NUVL APUC	Finance, Commercial, Planning and Estates
S Wexelstein	22.06.11	Until 31.07.14	31.07.14	Non Executive Member	Braw Idea Ltd	Planys Cloud Ltd Fife Chamber of Commerce	Audit and Risk

Member's Name	Date Appointed	Term of Office	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
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		Student Member	Fife College Students' Association	N/A	Finance, Commercial and Estates
Alasdair Clark	01.08.14 01.08.15	Until 31.07.16		Student Member	Fife College Students' Association	Scottish Green Party UNISON	Health and Safety and HR Equalities Short Life Working Group
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		Non Executive Member	eCom Scotland	Carnegie Enterprise Ltd	Finance, Commercial and Estates
Harry Cunningham	01.08.14	Until 31.07.17		Non Executive Member	Trades Union Congress	One Awards East Wemyss & McDuff Community Council	Health and Safety and HR Equalities Short Life Working Group
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		Non teaching Staff Member	Fife College	UNISON	Health and Safety and HR Equalities Short Life Working Group
Carol Ann Penrose Campbell	01.08.14	Until 31.07.18		Non Executive Member	Fife Council	N/A	Audit and Risk Chair's

Carnegie Enterprise Directors (dates as per above)

- Derek Birkenfield (Director from 03.03.15)
 - Shona Cochrane
 - Wendy Edie
 - Bob Garmory
 - Hugh Logan
 - Graeme Smith
 - Steven Wexelstein
-
- Steve Harrison (Director from 18.07.13)
 - Linda Greig (Managing Director until 23 July 2014)
 - Deborah Miller (Managing Director from 24 July 2014)

Attendance Record

Member's Name	Board of Governors	Audit and Risk	Finance, Commercial, Planning and Estates	Health and Safety and Human Resources	Chair's	Carnegie Enterprise	Equalities Short Life Working Group	Estates Project Board
C Bell	1/1		1/1					2/2
D Birkenfield	3/4	4/4				1/1		
B Black	5/5	3/5			1/2			
E Blades	4/4		3/4					
A Clark	4/4			4/4			1/1	
S Cochrane	3/4		3/4			4/5		
H Cunningham	2/3			4/4			1/1	
W Edie	4/4		3/4			3/5		
S Edney	3/4		4/4					
C Ford	1/1			1/1			1/1	
B Garmory	1/1		1/1			1/3		
S Harrison						8/8		
V Ilendo	3/5	4/5		5/5			2/2	
H Logan	5/5		4/5	5/5		7/8		3/4
S Magee	5/5				7/7			2/2
F McCann	3/3			3/3			1/1	
D Munro	0/1	1/1					1/1	
K Munro	2/3			3/3	3/5			
S Olivier	2/2	1/1						
C Penrose-Campbell	1/4	1/2			2/2			
B Poole	4/5	4/5			5/7			
B Reynolds	2/2			2/2			1/1	
B Roxburgh	1/1		1/1					2/2
G Smith	1/3		1/2	1/1		4/7		
W Smith	1/1		0/1					2/2
B Taylor	2/3		3/3		5/5			4/4
B Thomson	1/2	4/4						
J Trail	1/2		4/4					2/2
G Webber	2/3		1/3					
S Wexelstein	1/1	0/1				3/3		

Independent auditor's report to the members of the Board of Management 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 period ended 31 July 2015 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Group Income and Expenditure Account, the Statement of Group Historical Cost Surpluses and Deficits, the Statement of Group Total Recognised Gains and Losses, the Balance Sheets, and the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Board of Management and auditor

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

Generic 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 Management; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college and its group as at 31 July 2015 and of their surplus for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (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 Report to be audited has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Ministers; and
- the information given in the Operating and Financial Review for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the corporate governance statement 2014-15 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)
7 Exchange Crescent
Edinburgh
EH3 8AN

16 December 2015

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

Group Income and Expenditure Account for the Period ended 2015

		Period ended 31 July	Period ended 31 March
	Note	2015	2014
		£000	Restate d
INCOME			
SFC grants	2	49,971	26,730
Tuition fees and education contracts	3	12,598	7,341
Other grant income	4	1,233	465
Other operating Income	5	3,972	2,887
Endowment and investment income	6	71	9
Total Income		67,845	37,432
EXPENDITURE			
Staff costs	7	41,680	24,331
Exceptional restructuring costs	7	2,481	923
Other operating expenses	9	16,141	10,539
Depreciation	12	5,425	2,769
Charitable donations		762	1,200
Interest payable	10	563	332
Total Expenditure		67,052	40,094
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and before tax		793	(2,662)
Gain/(Loss) on disposal of assets		(46)	
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and before tax		747	(2,662)
Taxation	11		
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and tax		747	(2,662)
Surplus/(Deficit) for the year retained within general reserves		747	(2,662)

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

Statement of Group Historical Cost Surpluses and Deficits for the year ended 2015

		Period ended 31 July	Period ended 31 March
	Note	2015	2014
		£000	Restated £000
Surplus/(Deficit) on continuing operations before taxation		747	(2 662)
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	21	1,966	950
		<u>2,713</u>	<u>(1,712)</u>

Statement of Group Total Recognised Gains and Losses for the year ended 2015

		Period ended 31 July	Period ended 31 March
		2015	2014
		£000	Restated £000
Surplus/(Deficit) on continuing operations for the year after depreciation of assets and valuation and tax		747	(2 684)
Expendable Endowment		(55)	(43)
Adam Smith Foundation		27	22
Revaluation of Asset		1,020	0
Actuarial gain/(loss) in respect of pension scheme	30	(646)	(4 197)
Total gain/(loss) recognised since last annual report		<u>1,093</u>	<u>(6,902)</u>

Reconciliation

Opening reserves and endowments	21 928	28 630
Total recognised gains/ (losses) for the year	<u>1 093</u>	<u>(6 902)</u>
Closing reserves	<u>23,021</u>	<u>21,928</u>

Balance Sheet as at 31 July 2015

		Group Period ended 31 July	College Period ended 31 July	Group Period ended 31 March	College Period ended 31 March
	Note	2015 £000	2015 £000	2014 Restated £000	2014 Restated £000
Fixed Assets					
Tangible assets	12	73,267	73,228	77,885	77,806
Investments	13	434	406	434	406
Total fixed assets		73,701	73,634	78,319	78,212
Current assets					
Stocks		152	140	174	167
Debtors	16	1,943	2,039	4,101	4,080
Expendable Endowment	14	0	0	55	55
Cash at bank and in hand	15	3,824	3,564	2,572	2,425
Total current assets		5,919	5,743	6,902	6,727
Less: Creditors - amounts falling due within one year	17	6,203	6,042	10,888	10,668
Net current assets / (liabilities)		(284)	(299)	(3,986)	(3,941)
Total assets less current liabilities		73,417	73,335	74,333	74,271
Less: Creditors - amounts falling due after more than one year	18	7,987	7,987	8,989	8,989
Less: Provision for liabilities	19	3,637	3,637	3,929	3,929
Net Assets excluding pension asset/ (liability)		61,793	61,711	61,415	61,353
Net pension asset/ (liability)	30	(14,819)	(14,819)	(13,138)	(13,138)
NET ASSETS INCLUDING PENSION ASSET/ (LIABILITY)		46,974	46,892	48,277	48,215
Deferred capital grants					
	20	23,953	23,953	26,349	26,349
Income and expenditure account excluding pension reserve					
	21	8,520	8,468	4,762	4,730
Pension reserve	21	(14,819)	(14,819)	(13,138)	(13,138)
Total General Reserves	21	(6,299)	(6,351)	(8,376)	(8,408)
Expendable Endowment	21	0	0	55	55
Revaluation reserve	21	29,320	29,290	30,249	30,219
Total reserves		23,021	22,939	21,928	21,866
TOTAL		46,974	46,892	48,277	48,215

The financial statements on pages 5 to 21 were approved by the Board of Management on 16 December 2015 and were signed on its behalf on that date by

Mr Stephen Magee
Chairman

Mr Hugh Logan
Principal

Group Cash Flow Statement for the year ended 2015

		Period ended 31 July	Period ended 31 March
	Note	2015	2014
		£000	Restated £000
Cash inflow/ (outflow) from operating activities	22	2,664	(4,020)
Returns on investments and servicing of finance	23	(554)	(258)
Capital expenditure and financial investment	24	193	(25)
Management of liquid resources	28	-	-
Financing	25	(1,078)	(488)
Increase/ (decrease) in cash in the year		1,225	(4,791)
Reconciliation of net cash flow to movement in net funds/ (debt)			
Increase/ (decrease) in cash in the period		1,225	(4,791)
Cash inflow from new secured loan	27	-	-
Cash inflow from liquid resources	28	-	-
Change in net funds resulting from cash flows	26	27	-
Movement in net funds in period		1,252	(4,791)
Change in debt - non cash		1,078	488
Net funds at 1 April	26	(9,875)	(5,572)
Net funds at 31 July	26	(7,545)	(9,875)

Notes to the Financial Statements

1 Statement of Principal Accounting Policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (SORP) 2007 'Accounting in Further and Higher Education' and the 2014-15 Government Financial Reporting Manual (FRoM) issued by the Scottish Government and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

Basis of Consolidation

The consolidated financial statements include the College and its subsidiary undertaking, Carnegie Enterprise Limited. Carnegie College Board of Management wholly owns Carnegie Enterprise Limited. Intra-group sales and profits are eliminated fully on consolidation. The College has no student union. All financial statements are made up to 31 July 2015.

Where there is no material difference between the group and the single entity only the group figures have been disclosed. Separate group and single entity disclosures have been made within the Balance sheet and Note 5 where there is a material difference the group and college only figures.

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 FRoM apply International Reporting Standards as adapted or interpreted for the public sector context. Where the FRoM 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 grants (excluding European funds), contracts and other services rendered is included in proportion to the extent of completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

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

Revenue grants from European funds are recognised in the period in which they are receivable.

Endowment income is released through the income & expenditure account in line with the related expenditure.

Tangible fixed assets**Land and buildings**

Land and Buildings will be revalued every 5 years, with an annual indexation review. The College's buildings were revalued at depreciated replacement cost on 31 July 2013, and are depreciated over their expected useful remaining economic life. Freehold land is not depreciated. 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.

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

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

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

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July 2015. They are not depreciated until they are brought into use.

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

Other Assets

A review of all depreciation policies was carried out and implemented for the year ending 31 July 2013. 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

Notes to the Financial Statements (continued)

1 Statement of Principal Accounting Policies (continued)**Equipment (continued)**

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

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

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.

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.

Leased assets

Rental costs under operating leases are charged to expenditure at the cost incurred in the year.

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.

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. Assets held under finance leases are depreciated over their useful life.

Investments

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

Stocks

Stocks held are valued at cost.

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.

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, as required by FRS17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the year.

Notes to the Financial Statements (continued)

		Period ended 31 July	Period ended 31 March
	Note	2015	2014
		£000	£000
2 SFC grants			
FE recurrent grant (including fee waiver)		40,581	20,152
Childcare funds		1,386	863
Release of deferred capital grants	20	1,592	799
Other SFC grants		4,243	3,220
Funding for Merger		2,169	1,696
Total		49,971	26,730
3 Tuition fees and education contracts			
FE fees - UK		247	103
FE fees - non EU		57	-
HE fees		4,552	2,434
SDS Contracts		1,992	1,973
Education contracts		5,750	2,827
Other contracts			4
Total		12,598	7,341
4 Other grant income			
European funds		51	107
Release of deferred capital grants	20	804	355
Other grants		368	3
		1,233	465
5 Other operating income			
		Group	Group
Residences and catering		74	279
Other income-generating activities		2,666	2,102
Other income		1,232	506
Total		3,972	2,887
		College Only	College Only
Residences and catering		74	279
Other income-generating activities		1,072	1,219
Other income		1,232	506
Total		2,378	2,004

Notes to the Financial Statements (continued)

		Period ended 31 July 2015 £000	Period ended 31 March 2014 Restated £000
6 Endowment and investment income		-	-
Income from restricted endowment asset investments		-	-
Income from unrestricted endowment asset investments		-	-
Income from expendable endowment		-	-
Other interest receivable		9	9
		<u>9</u>	<u>9</u>
Net return ⁽¹⁾ (Cost) on pension asset/ liability	30	62	-
Total		<u><u>71</u></u>	<u><u>9</u></u>

7 Staff costs

Wages and salaries		32,980	20,440
Social security costs		2,458	1,257
Other pension costs (including FRS 17 adjustments of £1,097k (previous year £242k))	30	6,242	2,634
Restructuring costs		2,481	923
Total		<u><u>44,161</u></u>	<u><u>25,254</u></u>

Academic/ Teaching Departments		24,198	15,869
Academic/ Teaching Services		6,758	1,116
Other Support Services		2,868	426
Administration and Central Services		3,640	5,169
Premises		1,472	649
Catering and Residences		47	102
Full Cost Activities		1,339	576
Other expenditure		261	162
Pension Charge less contributions paid	30	1,097	242
Sub-total		<u><u>41,680</u></u>	<u><u>24,331</u></u>
Restructuring costs		2,481	923
Total		<u><u>44,161</u></u>	<u><u>25,254</u></u>

Employment costs for staff on permanent contracts		37,806	22,116
Employment costs for staff on temporary contracts		2,777	1,973
Pension charge less contribution paid	30	1,097	242
Restructuring costs		2,481	923
		<u><u>44,161</u></u>	<u><u>25,254</u></u>

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

	No.	Restated No.
Academic/ Teaching Departments	476	500
Academic/ Teaching Services	152	54
Other Support Services	60	14
Administration and Central Services	101	239
Premises	35	32
Catering and Residences	2	8
Full Cost Activities	28	38
Other staff	2	6
Total	<u><u>854</u></u>	<u><u>888</u></u>

Notes to the Financial Statements (continued)

7 Staff costs (continued)

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 2015 between staff whose emoluments include a voluntary severance (VS) payment and those that do not include a VS payments)

	2015	2015	2015	2014
	VS included	No VS included	Total	Total
			No.	No.
£50,001 to £60,000 per annum	16	12	28	13
£60,001 to £70,000 per annum	2	1	3	5
£70,001 to £80,000 per annum	4	2	6	2
£80,001 to £90,000 per annum	1	3	4	1
£90,001 to £100,000 per annum	1	-	1	-
£100,001 to £110,000 per annum	-	-	-	-
£110,001 to £120,000 per annum	-	-	-	1
£120,001 to £130,000 per annum	-	1	1	1
£130,001 to £140,000 per annum	-	-	-	-
£140,001 to £150,000 per annum	-	-	-	-

8 Senior post-holders' emoluments

The number of senior post-holders, including the Principal was

2015	2014
No.	No.
1	1

The Principal's emoluments are made up as follows

	Period ended 31 July	Period ended 31 March
	2015	2014
	£	£
Salaries	173,333	86,667
Benefits in kind	-	-
Pension contributions	25,827	12,913
Loss of Office	-	-
Total emoluments	199,160	99,580

Notes to the Financial Statements (continued)

8 Senior post-holders' emoluments (continued)

No staff pay award was given during the period

The Principal and 6 other senior post-holders were members of the Scottish Public Pensions Agency and the Local Government Pension Scheme. All employers pension contributions were paid at the same rate as for other members of staff.

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

	Period ended 31 July 2015 £000	Period ended 31 March 2014 £000
9 Other operating expenses		
Academic/ Teaching Departments	2,156	1,944
Academic/ Teaching Services	156	11
Other Support Services	107	47
Administration and central services	3,209	2,717
Bursary Overspend		309
Merger Costs	891	1,101
General Education	1,192	290
Premises costs	5,711	2,942
Planned maintenance	243	30
Interest on early retirement provision	39	57
Other Expenses	1,680	529
Other income generating activities	729	387
Residences and catering	27	175
Total	16,141	10,539

Other operating costs include:

Auditors' remuneration	- external audit of these financial statements	39	46
	- internal audit services	55	7
	- other services	5	8

	Period ended 31 July 2015 £000	Period ended 31 March 2014 £000
10 Interest payable		
On bank loans, overdrafts and other loans		
Repayable within five years, not by instalments	49	9
Repayable within five years, by instalments	86	169
Repayable wholly or partly in more than five years	325	36
	460	216
Net return/ (Cost) on pension asset liability	30	65
On finance leases	103	51
Total	563	332

11 Taxation

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

Notes to the Financial Statements (continued)

12 Tangible 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 April 2014	81 106	5 502	86 608		86 608
Additions	0	0	0	287	287
Revaluation	(3,928)	0	(3,928)	0	(3,928)
Transfers	0	0	0	0	0
Disposals	(800)	(810)	(1,610)	0	(1,610)
At 31 July 2015	76,378	4,692	81,070	287	81,357
Depreciation					
At 1 April 2014	4 193	4 530	8 723	0	8 723
Provided during year	4 865	560	5 425	0	5 425
Write back on depreciation	(5,187)	0	(5,187)		(5,187)
Revaluation	0	0	0	0	0
On disposals	(61)	(810)	(871)	0	(871)
At 31 July 2015	3,810	4,280	8,090	0	8,090
NBV at 1 April 2014	76,913	972	77,885	0	77,885
NBV at 31 July 2015	72,568	412	72,980	287	73,267
Inherited					
Financed by capital grant					
Other				287	287
Total Additions	0	0	0	287	287
Inherited	51,979		51,979	-	51,979
Financed by capital grant	2,539	309	2,848	-	2,848
Other	18,050	103	18,153	287	18,440
At 31 July 2015	72,568	412	72,980	287	73,267

12 Tangible 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 April 2014	81 064	5 016	86 080		86 080
Additions			0	287	287
Revaluation	(3,928)		(3,928)		(3,928)
Transfers			0		0
Disposals	(800)	(705)	(1,505)		(1,505)
At 31 July 2015	76,336	4,311	80,647	287	80,934
Depreciation					
At 1 April 2014	4 178	4 096	8 274		8 274
Provided during year	4,860	525	5 385		5 385
Write back on depreciation	(5,187)	0	(5,187)		(5,187)
Revaluation	0	0	0		0
On disposals	(61)	(705)	(766)		(766)
At 31 July 2015	3,790	3,916	7,706	0	7,706
NBV at 1 April 2014	76 886	920	77 806	0	77 806
NBV at 31 July 2015	72,546	395	72,941	287	73,228
Inherited					
Financed by capital grant					
Other				287	287
Total Additions	0	0	0	287	287
Inherited	51,979		51,979		51,979
Financed by capital grant	2,539	309	2,848		2,848
Other	18,028	86	18,114	287	18,401
At 31 July 2015	72,546	395	72,941	287	73,228

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.

Opening balances at 1 April 2014 have been restated due to re classification of some assets at date of merger. The overall total remains the same.

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.

Notes to the Financial Statements (continued)

The transitional rules set out in FRS15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly the book values at implementation have been retained.

Included in the College's tangible fixed assets (land and buildings) is a finance lease asset with a net book value of £1.5 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.

	Group Period ended 31 July 2015 £000	College Period ended 31 July 2015 £000	Group Period ended 31 March 2014 £000	College Period ended 31 March 2014 £000
13 Investments				
Investments in subsidiary companies	-	2	-	2
Investments in associated companies	404	404	404	404
Preference Shares in former subsidiary CEL Artworks	-	-	-	-
	30	-	30	-
Total	434	406	434	406

The College owns 100% of the issued ordinary £1 shares of Carnegie Enterprise Limited, a company incorporated in Scotland. The principal business activity of Carnegie Enterprise Limited is to provide high quality training and company development services.

The College owns 100% of the issued ordinary £1 shares of Lauder Holdings Limited, a company incorporated in Scotland. Lauder Holdings Limited is a dormant company. The College owns 50% of the issued ordinary £1 shares of Lauder Learning Limited, a company incorporated in Scotland. The principal business activity of Lauder Learning Limited is leasing property.

14 Expendable Endowment Asset	Period ended 31 July 2015 £000	Period ended 31 March 2014 £000
Balance at 1 August	55	96
Additions	-	-
Expenditure	(55)	(43)
Balance at 31 March	<u>0</u>	<u>55</u>
Represented by:		
Cash Balance	-	<u>55</u>
		<u>55</u>

In July 2010 the College received a donation of \$ Canadian 1million (£638K) to set up the Whitlock Energy Collaboration Centre at the College's Rosyth campus.

	Group Period ended 31 July 2015 £000	College Period ended 31 July 2015 £000	Group Period ended 31 March 2014 £000	College Period ended 31 March 2014 £000
15 Cash at bank and in Hand				
Cash at Bank & in Hand	<u>3,824</u>	<u>3,564</u>	<u>2,572</u>	<u>2,425</u>

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.

	221	221	141	141
Cash at Bank & in Hand				

16 Debtors: Amounts falling due within one year	Group Period ended 31 July 2015 £000	College Period ended 31 July 2015 £000	Group Period ended 31 March 2014 £000	College Period ended 31 March 2014 £000
Trade debtors - net of provision for doubtful debts	625	506	1,809	1,600
European funding	509	509	486	486
Amounts owed by SFC	362	362	981	981
Amounts owed by subsidiaries	-	232	-	206
VAT	-	-	-	7
Prepayments and accrued income	447	430	825	800
	<u>1,943</u>	<u>2,039</u>	<u>4,101</u>	<u>4,080</u>

Notes to the Financial Statements (continued)

	Group Period ended 31 July	College Period ended 31 July	Group Period ended 31 March	College Period ended 31 March
	2015	2015	2014	2014
17 Creditors: Amounts falling due within one year	£000	£000	£000	£000
Bank loans and overdrafts	474	474	517	517
Obligations under finance leases	139	139	172	172
Trade creditors	572	555	924	878
VAT	68	33	51	-
Pension	489	487	461	461
Amounts owed to SFC	218	218	432	432
Other taxation and social security	645	636	655	645
Other creditors	47	47	13	13
Accruals and deferred income	3,334	3,236	7,577	7,464
Bursaries and Access funds for future disbursement	217	217	86	86
	6,203	6,042	10,888	10,668

	Period ended 31 July 2015	Period ended 31 March 2014
18 Creditors: Amounts falling due after more than one year	£000	£000
Bank loans	6,275	7,082
Obligations under finance leases	1,712	1,907
Loans from subsidiary and associated companies	-	-
	7,987	8,989
19 Provisions for liabilities and charges		
At 1 April 2014	3,929	3,797
Expenditure in the period	(290)	(142)
Additional provision required in year	-	-
Revaluation adjustment	(41)	13
Interest charged	39	261
At 31 July 2015	3,637	3,929

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

A valuation of the existing pension provision was carried out by Hymans Robertson LLP an independent firm of actuaries, at 31 July 2015.

	SFC £000	Other £000	Total £000
20 Deferred Capital Grants			
At 1 April 2014			
Land and Buildings	17,413	8,356	25,769
Equipment	483	97	580
New Grants			
Land and Buildings	-	-	-
Equipment	-	-	-
Disposals			
Land and Buildings	-	105	105
Equipment	-	-	-
Released to Income and Expenditure Account			
Land and Buildings	1,354	668	2,022
Equipment	238	31	269
At 31 July 2015			
Land and Buildings	16,059	7,583	23,642
Equipment	245	66	311
	16,304	7,649	23,953

Opening balances at 1 April 2014 have been restated, due to re-classification of some grants at date of merger. The overall total remains the same.

Notes to the Financial Statements (continued)

	Group Period ended 31 July	College Period ended 31 July	Group Period ended 31 March	College Period ended 31 March
	2015	2015	2014	2014
	£000	£000	£000	£000
21 Reserves				
Revaluation Reserve				
At 1 April 2014	30,249	30,219	31,199	31,169
Impairment	-	-	-	-
Revaluation	-3,928	-3,928		
Write back of depreciation on revaluation	5,187	5,187		
Transfer to income & expenditure account in respect of	-	-	-	-
Depreciation on revalued assets	(2,188)	(2,188)	(950)	(950)
At 31 July 2015	29,320	29,290	30,249	30,219
General Reserve				
At 1 April 2014	(8,376)	(£ 408)	(2,467)	(2,443)
Surplus/ Deficit for the year	747	754	(2,684)	(2,718)
Increase / (Decrease) in Adam Smith Foundation	27	0	22	0
Revaluation of Asset	(239)	(239)	0	0
Transfer from revaluation reserve	2,188	2,188	950	950
Actuarial gain/ (loss) in pension scheme	(646)	(646)	(4,197)	(4,197)
At 31 July 2015	(6,299)	(6,351)	(8,376)	(8,408)
Expendable Endowment Reserve				
At 1 April 2014	55	55	98	98
Net Additions / Disposals	-	-	-	-
Transfer to income & expenditure account	(55)	(55)	(43)	(43)
Disposals	-	-	-	-
At 31 July 2015	0	0	55	55
Pension Reserve				
At 1 April 2014	(13,138)	(13,138)	(8,634)	(8,634)
Current service cost	3,478	3,478	1,378	1,378
Employer contributions	2,673	2,673	1,136	1,136
Past service gains	(743)	(743)	(307)	(307)
Net return on assets	(292)	(292)	132	132
Transfer to/ (from) income & expenditure	(6,151)	(6,151)	(2,514)	(2,514)
Actuarial gains/ (losses)	(646)	(646)	(4,329)	(4,329)
At 31 July 2015	(14,819)	(14,819)	(13,138)	(13,138)

Notes to the Financial Statements (continued)

22 Reconciliation of Consolidated operating surplus/(deficit) to net cash flow from operating activities	Note	Period ended 31 July 2015	Period ended 31 March 2014 Restated
		£000	£000
Operating surplus/(deficit) after depreciation of assets at valuation and tax		747	(2,662)
Pension costs less contribution payable		1,097	242
Depreciation	12	5,425	2,769
Deferred capital grants released to income	20	(2,396)	(1,154)
Loss on disposal of asset		20	0
(Increase)/Decrease in stocks		22	(74)
(increase)/Decrease in debtors	16	2,158	(1,385)
Increase/(Decrease) in creditors	17	(4,740)	(2,150)
(Decrease)/Increase in provisions	19	(292)	132
(Net return)/ Cost on pension asset/ liability	6	(62)	65
Interest receivable	6	(9)	(9)
Interest payable	10	563	267
Increase/(Decrease) in student funds		131	(61)
Net cash (inflow) outflow from operating activities		<u>2,664</u>	<u>(4,020)</u>
23 Returns on investments and servicing of finance			
Interest received	6	9	9
Interest paid	10	(460)	(216)
Interest element of finance lease repayments	10	(103)	(51)
Net cash inflow/ outflow from returns on investments and servicing of finance		<u>(554)</u>	<u>(258)</u>
24 Capital expenditure and financial investment			
Purchase of tangible fixed assets	12	(287)	(25)
Sales of tangible fixed assets		480	-
Receipts from sale of endowed assets		-	-
Deferred capital grants received	20	-	-
Net cash inflow/ outflow from capital expenditure		<u>193</u>	<u>(25)</u>
25 Financing			
Capital element of finance lease rental payments	27	(228)	(113)
New loans/Lease		-	-
Repayment of amounts borrowed	27	(850)	(375)
Net cash inflow from financing		<u>(1,078)</u>	<u>(488)</u>

Notes to the Financial Statements (continued)

26 Analysis of changes in net funds

	At 31 March		Other Changes	At 31 July
	2014	Cash Flows		2015
	£000	£000		£000
Cash	2,572	1,225	(103)	3,694
Adam Smith Foundation		27	103	130
Finance lease/hire purchase contracts	(2,079)	-	226	(1,851)
Debt due within 1 year	(517)	-	43	(474)
Debt due after 1 year	(7,082)	-	80	(6,275)
TOTAL	(7,106)	1,252	1,076	(4,776)

27 Financing

	Period ended		Period ended	
	31 July		31 March	
	2015	2014	2015	2014
	£000		£000	
Debt due beyond a year:				
New unsecured loans				
Repayment of amounts borrowed		25	850	375
Capital element of finance lease rentals		25	(228)	(113)
Net cash inflow/ (outflow) from financing			622	262

28 Lease commitments

The annual commitments under operating leases for equipment are as follows

	Period ended		Period ended	
	31 July		31 March	
	2015	2014	2015	2014
	£000		£000	
Expiry - within one year		41		114
- within two to five years		45		153
- after five years		-		-

Notes to the Financial Statements (continued)

29 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

	16 months to 31 July 2015	8 months to 31 March 14
	£000	£000
Contribution to STSS	2 827	1 396
Contribution to LGPS	2 290	982
Norwich Union Scheme	28	14
Total pension cost (Note 7)	5,145	2,392
Contribution rates		
STSS	14.90%	14.90%
LGPS	19.10%	17.90%

Scottish Teachers Superannuation Scheme (STSS)

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

Fife Council Pension Scheme

The Fife Council Pension Scheme is a notional fund and is a defined benefit multi-employer scheme. The latest actuarial valuation for the scheme was carried out as at 31 July 2015.

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%	0.60%
Rate of return on investments in excess of rate of increase in pensions	1.00%	3.20%
Market value of the assets as at 31 July 2015	£52,610,000	£45,636,000

The following notes are derived from the Actuarial report supplied by Hymans Robertsons LLP dated 8 September 2015 to comply with the reporting requirements of FRS17, as amended.

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

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

Notes to the Financial Statements (continued)

29 Pensions and similar obligations (continued)

Reconciliation of Defined Benefit Obligation

Period ended	31 July 2015 £000	31 March 2014 £000
Opening Defined Benefit Obligation	62,703	56,092
Current Service Cost	3,274	1,324
Interest Cost	3,691	1,717
Contributions by Members	726	319
Actuarial Losses / (Gains)	2,211	4,025
Past Service Costs / (Gains)	204	38
One-off exceptional gain pension adjustment	-	-
Losses on curtailments	-	16
Estimated Unfunded Benefits Paid	(283)	(145)
Estimated Benefits Paid	(1,460)	(683)
Closing Defined Benefit Obligation	<u>71,066</u>	<u>62,703</u>

Balance Sheet

Period ended	31 July 2015 £000	31 March 2014 £000
Fair Value of Employer Assets	52,610	45,636
Present Value of Wholly Funded Obligations	(67,429)	(56,774)
Net (Under) Funding in Funding Plans	(14,819)	(13,138)
Unrecognised Past Service Cost	-	-
Net (Liability) held in Balance Sheet	<u>(14,819)</u>	<u>(13,138)</u>

The present value of Unfunded Obligations is £3,637K (was £3,929K in 13/14) 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 2015 £000	31 March 2014 £000
Opening value	45,636	43,661
Expected Return on Assets	3,753	1,652
Contributions by Members	726	319
Contributions by the Employer	2,390	991
Contributions in respect of Unfunded Benefits	283	145
Actuarial (Losses) / Gains	1,565	(304)
Unfunded Benefits Paid	(283)	(145)
Benefits Paid	(1,460)	(683)
Closing Fair Value of Employer Assets	<u>52,610</u>	<u>45,636</u>

Fair Value of Employer Assets

Period Ended	31 July 2015 £000	31 March 2014 £000
Equities	37,353	32,402
Bonds	7,892	7,302
Properties	5,261	4,107
Cash	2,104	1,825
Total	<u>52,610</u>	<u>45,636</u>

Analysis of amounts included in interest receivable (Note 6 & 10)

	31 July 2015 £000	31 March 2014 £000
Net return / (Cost) on pension asset / liability	62	(65)
Expected return on pension scheme assets	3,753	1,652
Interest on pension liabilities	(3,691)	(1,717)
Net return	<u>62</u>	<u>(65)</u>

Analysis of amounts charged to staff costs (Note 7)

	31 July 2015 £000	31 March 2014 £000
Pension Charge less contributions paid	1,097	242
Current service costs	3,566	1,324
Past service costs	204	38
Curtailment & Settlements	-	16
Total operating charge	<u>3,770</u>	<u>1,378</u>
Less Contributions Paid	(2,673)	(1,136)
Pension costs less contributions payable	<u>1,097</u>	<u>242</u>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	31 July 2015 £000	31 March 2014 £000
Actuarial gain/(loss) in respect of pension scheme	(646)	(4,197)
Difference between the expected and actual return on Scheme Assets	2,276	(303)
Experience gains and (losses) arising on Scheme Liabilities	(422)	(59)
Change in the assumptions underlying the present value of the Scheme Liabilities	(2,500)	(3,835)
Actuarial (losses)/gains recognised in STRGL (Cumulative)	<u>(646)</u>	<u>(4,197)</u>

Notes to the Financial Statements (continued)

29 Pensions and similar obligations (continued)

Actuarial Assumptions

The Actuarial recommended assumptions are summarised below

Period Ended	31 July 2015	31 March 2014
	% p a	% p a
Rate of increase in salaries	3.70%	5.10%
Rate of increase in pensions	2.60%	2.80%
Expected return on Assets	6.00%	6.00%
Discount rate for liabilities	3.60%	4.30%

The expected return on assets is based on the long-term future investment for each asset class as at 31 July

Period Ended	31 July 2015	31 March 2014
	% p a	% p a
Equities	6.7%	6.7%
Bonds	4.0%	4.0%
Property	4.8%	4.8%
Cash	3.7%	3.7%

The actual return on the Fund in market value terms for the period to 31 July 2015 is estimated based on actual Fund returns provided and index returns where necessary. Details are given below

Actual return for period from 1 April 2014 to 31 July 2015

Estimated return for period to 31 July 2015

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)	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000
Fair value of Employer Assets	52,610	45,636	43,661	36,103	34,880
Present Value of Defined Benefit Obligation	(71,066)	(58,774)	(52,295)	(46,971)	(51,095)
(Deficit)	(18,456)	(13,138)	(8,634)	(12,868)	(16,215)
Experience Gains / (Losses) on Assets	1,565	(304)	4,591	(2,282)	1,509
Experience Gains / (Losses) on Liabilities	(422)	(59)	(4)	3,591	(1)

Notes to the Financial Statements (continued)

30 Related Party Transactions

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

The College had transactions during the year or worked in partnership with the following publicly funded or representative bodies in which members of the Board of Management hold or held official positions:

COMPANY	Sales	Purchases	As at 31/07/2015 Due from	As at 31/07/2015 Due to
Shell International	53,953			
Scottish Childrens Panel	6,247			
Robert Purvis		546		
Fife Airport Ltd	95			
Fife Chamber of Commerce	450	4,992	450	
DAFC	1,550	200		
University of St Andrews	5,324			216
University of Abertay	67,141	24,600	12,658	
Business Gateway Fife	2,324			-40
Adam Smith Foundation	4,904			
Babcock Marine/ International Group	616,678	443,104	42,495	
Tullis Russell Group	20,505			
Fife Coast and Countryside Trust	2,272			420
Edinburgh Napier	157,154	3,500		
APUC		50,396		
Planys Cloud Ltd	8,155			
GIA Business Properties		10,918		1,365
Fife Council	637,077	1,099,954	38,699	20
	<u>1,803,879</u>	<u>1,638,212</u>	<u>94,902</u>	<u>1,385</u>

31 FE Bursary and other Student Support Funds

	FE		EMA's	Other	Period ended	Period ended 31
	Bursary	Hardship			31 July	March
	£000	£000	£000	£000	2015	2014
	£000	£000	£000	£000	£000	£000
Balance brought forward	(50)	(5)	-	96	41	67
Allocation received in year	9,917	650	1,200	266	12,033	6,703
	<u>9,867</u>	<u>645</u>	<u>1,200</u>	<u>362</u>	<u>12,074</u>	<u>6,770</u>
Expenditure	(9,549)	(600)	(1,196)	(283)	(11,628)	(6,843)
Repayable to Funding Council as Clawback			-	27,00	(27)	(29)
College Contribution to funds			-	-	0	191
Virements	-243				(243)	(48)
Balance Carried forward	<u>75</u>	<u>45</u>	<u>4</u>	<u>52</u>	<u>176</u>	<u>41</u>
Represented by						
Repayable to Funding Council as Clawback	-	-	-	-	-	-
Retained by College for Students	<u>75</u>	<u>45</u>	<u>4</u>	<u>52</u>	<u>176</u>	<u>41</u>
	<u>75</u>	<u>45</u>	<u>4</u>	<u>52</u>	<u>176</u>	<u>41</u>

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.

Notes to the Financial Statements (continued)

32 FE Childcare Funds	Period ended 31 July 2015 £000	Period ended 31 March 2014 £000
Balance brought forward	45	65
Allocation received in year	1 469	742
Expenditure	1 514	807
Repayable to Funding Council as Clawback	(1 712)	(863)
College contribution to funds		(65)
Virements	243	118
Balance Carried forward	<u>45</u>	<u>45</u>
Represented by		
Repayable to Funding Council as Clawback	-	-
Retained by College for Students	45	45
	<u>45</u>	<u>45</u>

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

33 Capital Commitments	Period ended 31 July 2015 £000	Period ended 31 March 2014 £000
Contracted for at 31 July 2015	<u>-</u>	<u>-</u>

34 Prior Year Adjustment

Prior Period Adjustments arise as a result of a change in accounting policy. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts.

Following reclassification on 1 April 2014 as an arms length central government body, Fife College was required to comply with the Scottish Government's financial reporting manual (FRoM).

Prior period adjustments have been made to these financial statements in order to comply with the FRoM in respect of the liability for annual leave earned but not taken as at the balance sheet date.

These prior period adjustments impact creditors-amounts falling due within one year and the income & expenditure reserve, restated as follows:

	Group Restated 1 August 2013	Group Restated 31 March 2014 £000	Group 31 July 2015 £000
Creditors - amounts falling due within one year	10 961	10 885	6 203
Income and expenditure account excluding pension reserve	5 528	4 762	8 520

