

Annual Accounts 2016-17

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2016-17

Scottish Charity Number: SCO21203

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Principal and Chief Executive: Hugh Hall

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The Accountable Officer authorised these financial statements for issue on:

Performance Report

Performance Overview

Principal and Chief Executive's Statement on Performance

The Board of Governors of Fife College present the financial statements of the College and its wholly owned subsidiary, Carnegie Enterprise Limited (CEL) for the year to 31 July 2017.

During 2016-17 28,939 students were enrolled at the College of which 6,243 were fulltime.

Fife College was allocated an activity target of 132,765 credits by the Scottish Funding Council (SFC) for the period August 2016 to July 2017.

The College exceeded the credit target for 2016-17 by 0.4% (539 credits) as well as undertaking a further £8 million of commercial training. £1.2 million was delivered through the College's wholly owned subsidiary, Carnegie Enterprise Limited.

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. The College is a registered charity (Scottish Charity number SCO21203) for the purposes of the Charity and Trustee Investment (Scotland) Act 2005.

Vision and Values

Vision Statement

Our Vision is to inspire and empower.

Our Values

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

Achievement

Encouraging, recognising and celebrating success and excellence in all that we do.

Social Responsibility

Acting in the best interests of the College community financially, socially and sustainably.

Enterprise

Actively supporting enterprise, creativity and open-mindedness. In our staff through continuous professional development, shared practice and empowerment. In our students through curriculum design and targeted information, advice and support, ensuring we are responsive to the needs of our students throughout their journey.

Inclusiveness

Building and sustaining relationships with the diverse communities we serve providing a safe and welcoming place in which to learn and work.

Integrity

Acting with honesty and fairness in our relationships with each other, students and partners making principled and transparent decisions which are mutually beneficial. Treating others with dignity and sensitivity to enable open communication and appreciation of other's choices and opinions.

Performance Report (Continued)

Objectives and Strategies

During 2016-17, as detailed in the Regional Outcome Agreement, the College focussed on delivering 6 priority outcomes;

- Maintain a sustainable College for Fife which through effective and efficient management, partnership and good governance contributes to meeting the Scottish Government guarantee under Opportunities for All.
- Deliver a high quality relevant curriculum that meets the needs of the region, and provides progression opportunities to more advanced study and appropriate exit points to employment.
- Provide learning opportunities which contribute towards the creation of high retention, attainment and achievement
- Provide engaging learning opportunities for those within our most deprived communities to improve their life chances.
- Ensure there are appropriate opportunities for young people to make the transition from School to College learning.
- Grow our intellectual property, commercial profit and student opportunity through collaborative partnership with the business sector and other organisations.

Key Risks and Issues Affecting Fife College

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

The table below notes the key risks, what strategic risk they tie up with and what the remedial and preventative controls are in place to reduce the likelihood/impact of the risk;

Key Risks	Strategic Risk (as noted on Risk Register)	Controls/procedures in place to reduce the likelihood and impact of the risk to a more acceptable level.	
		Remedial	Preventative
Financial sustainability, uncertainty around future funding and the treatment of net depreciation make financial planning difficult.	Failure to achieve income targets by more than 10% and failure to control costs by more than 10%	<ul style="list-style-type: none"> • Ability to deal with ongoing funding cuts. 	<ul style="list-style-type: none"> • Rigorous budgeting forecasting and ongoing reporting against budget. • Ongoing drive for efficiencies and realisation of "invest to save". • Researching alternative delivery approaches.
	Risk of external political/funding/regulatory changes.	<ul style="list-style-type: none"> • Take account of any foreseen changes/cuts in budget planning. 	<ul style="list-style-type: none"> • Remain abreast of sectoral/governmental developments, liaising with auditors and response to SFC circulars.
Failure to deliver a fit for purpose estate.	Failure to develop FFP estate which delivers outcomes college desires	<ul style="list-style-type: none"> • Implement agreed Estates Strategy throughout Fife. • Continue to rationalise and maintain existing estate per the Estates Strategy. 	<ul style="list-style-type: none"> • Keep Estates Strategy under review. • Ensure Fife College adheres to deadlines under its control. • Maintain dialogue with SFC and Scottish Government regarding project funding.

Performance Report (Continued)

Key Risks	Strategic Risk (as noted on Risk Register)	Controls/procedures in place to reduce the likelihood and impact of the risk to a more acceptable level.	
		Remedial	Preventative
Uncertainty around the funding of the estates strategy.	Failure to implement effective financial planning and control regarding estates.	<ul style="list-style-type: none"> Ability to retain proceeds from estates disposals. 	<ul style="list-style-type: none"> Budgeting and longer term financial planning to identify and accumulate resources for estate realisation. Appropriate use of professional expertise. Awareness of changes to government framework.
Uncertainty around future funding of the outcome of national pay bargaining.	Risk of external political/funding/regulatory changes.	<ul style="list-style-type: none"> Picture now clearer over the next 5 years. 	<ul style="list-style-type: none"> Maintain dialogue with the sector.

Going Concern

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

Performance Summary and Overview

- Fife College delivered (and exceeded) its SFC activity target of 132,765 credits. The table below summarises the College key performance indicators in relation to student activity.

	2016-17	2015-16
Student Activity (Credits)	133,304	133,245
Performance Against Credits Activity Target	100.4%	100.4%
WSUMs per Staff FTE	155	156
Early Withdrawal	2.9%	4.7%
Further Withdrawal	4.6%	8.6%

Performance Analysis

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

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

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

Performance Report (Continued)

Fife College recorded an operating deficit of £3,116k. It should be noted that this figure includes the impact of non-operational items including:

- restructuring costs;
- new build professional fees funded through capital sale proceed receipts;
- non-controllable items in relation to the impact of the pension liability movements;
- spend of depreciation funding on other expenditure items:
 - restructuring costs of £315k
 - new build professional fees of £700k.
 - the impact of the net interest and the net expected return on the pension liability resulted in a loss of £2.1 million.
 - depreciation cash spend on expenditure items of £479k

Removing these impacts, the adjusted operating surplus would be £478k. Taking into account the restructuring costs (as this was a cash outlay for the College), the position in the "Underlying Operating" table below is a surplus of £162k.

- The College delivered over 600 Modern Apprenticeships under the SDS MA contract.
- Having had the Outline Business Case (OBC) for the Dunfermline new build approved by SFC, the College proceeded with the Full Business Case (FBC). Following discussion with SFC, this was eventually submitted in June 2017 on the basis of a capital grant, given the uncertainty around funding and with the non-profit distributing (NPD) option no longer available. The new build is currently targeted to open to students in August 2020. As part of the FBC, the College has to secure (but not necessarily purchase) a site. Following an options appraisal, the College has selected a site at Halbeath in Dunfermline and has taken out an option to purchase it.
- The College disposed of the Nairn Campus in Kirkcaldy and was given permission to retain the sale proceeds (£740k) to reinvest in work towards the new campus in Dunfermline.
- Further work took place during 2016-17 to ensure the staffing structure was fit for purpose, an Assistant Principal (Digital) was appointed to create more of a synergy between IT and e-learning and to move forward the e-learning agenda.

Financial Review Summary

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (SORP) 2015: 'Accounting in Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2016-17 Government Financial Reporting Model (FReM) issued by the Scottish Government and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

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

	2016-17 Actual	2015-16 Actual Restated
Operating Surplus/Deficit as % of Total Income	-6.5%	-8.4%
Non SFC Income as % of Total Income	24.5%	25.2%
Current Assets : Current Liabilities	0.76	0.85
Staff Costs as a % of total turnover	70.0%	68.7%
Ratio of days cash to total expenditure	25.7	24.1
Staff Turnover	6.2%	21.8%

Performance Report (Continued)

One consequence of college reclassification as central government bodies is that, from 1 April 2014, while colleges continued to prepare accounts under the FE/HE Statement of Recommended Practice, they are now also required to comply with Central Government budgeting rules. This affects, amongst other things, the way in which non-cash depreciation charges are treated for budgeting purposes and how the colleges spend the cash funds (cash budget for priorities) previously earmarked for depreciation.

Spend of the College's cash budget for priorities, and impact on the operating position, is detailed below.

Table of Cash Budget for Priorities Spend		
Revenue	2016-17	2015-16
	£'000	£'000
Student Support	0	0
2015-16 Pay Award	400	400
Estates Capital Development	79	672
Total Impact on Operating Position	479	1072
Capital		
Loan Repayments	626	639
Provisions Pre 1 April 2014	0	0
Unfunded Pension Payments	216	216
Total Capital	842	855
Total Cash Budget for Priorities Spend	1321	1927

The following table provides a reconciliation from the "Surplus/(Deficit) Before Other Gains and Losses" reported on the face of the Statement of Comprehensive Income and what is the underlying operating position.

UNDERLYING OPERATING POSITION	2016-17	2015-16
	£'000	£'000
Surplus/(Deficit) Before Other Gains and Losses	-3,116	-3,985
Add Back:		
- Depreciation (Net of Deferred Capital Grant Release)	1,321	1,927
- Exceptional Non-Restructuring Costs	700	224
- Non-Cash Pension Adjustments	2,099	1,663
- Donation to Arms Length Foundation	0	0
Deduct:		
- Non-Government Capital Grants	0	0
- Exceptional Income	0	0
- Revenue Funding Allocated to Loan Repayments	-626	-639
and Other Capital Items	-216	-216
Underlying Operating Surplus/(Deficit)	162	-1,026

* New Build Project Costs – as part of the project to create a new College Campus in Dunfermline, the College has funded professional fees, no additional income has been received to support these costs. The cash proceeds from property sales have been used to fund these costs.

Performance Report (Continued)

Treasury Management

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

Following reclassification on 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 2017, there was a cash balance of £3,432k. Normal practice is to pool funds in an overnight deposit account and to use a longer term deposit when circumstances permit. The cash balance at 31 July 2017 is higher than would normally be anticipated at month end, as the College had an underspend of 16/17 student support funds of approximately £1.5m, which is repayable to the Scottish Funding Council. The on-going cash balance at a month end should be around £2 million, being a half month cash requirement.

Supplier Payment

Fife College complies with the CBI Prompt Payment Code and has a policy of paying its suppliers within 30 days of invoice unless the invoice is contested. All disputes are handled as quickly as possible. Supplier payment runs are completed fortnightly future paying all invoices due and those falling due in the next 2 weeks to ensure all payments are made within 30 days unless the invoice is contested or alternative terms have been arranged.

In 2017, the level of creditors in terms of the proportion of year-end creditors to the aggregate invoiced amounts during the year was 39 days (2015-16: 33 days).

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

Sustainability Report 2016-17

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

Review of Resource outturn for year ended 31 March 2017

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

The resource budgets and final outturn for 2016-17 are outlined below:

	RDEL £'k	CDEL £'k
Resource budget for year ended 31 March 2017	54,919	1,906
Expenditure against resource budget	54,332	1,166
Net underspend/(overspend) against budget	587	740

The RDEL is underspent due to a student support funds underspend of £772k to the end of March 2017. This results in an adjusted RDEL overspend of £185k which relates to new build spend. The CDEL underspend is due to proceeds from the sale of Priory Campus unused as at March 2017. The RDEL adjusted overspend of £185k can be offset by this with the remaining underspend carried forward to the next financial year.

Signed Accountable Officer.....



Date.....

20/12/17

Accountability Report 2016-17

Corporate Governance Report – Director's Report

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

Please see the following table detailing the Fife College Board of Governors and relevant Register of Interest from 1st August 2016 to 31st July 2017:

Member's Name	Date Appointed	Term of Office	Date Terminated	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
R Black	30.06.14 01.08.17	Until 31.07.21		Non Executive Member	N/A	Royal Dutch Shell Scottish Children's Panel	Audit and Risk Chair's
V Ilendo	03.10.13 03.03.15	Until 31.07.18		Non Executive Member	VI Consultancy	Fife Polish Education Trust Fife Migrants Forum EKOS Limited	Audit and Risk Health and Safety and Human Resources
H Logan	01.08.13	Duration of contract of employment	31.10.16	Principal and Chief Executive	Fife College	Fife Partnership Board Fife Partnership Executive Group Fife Economy Partnership Colleges Scotland	Health and Safety and Human Resources Finance, Commercial and Estates Estates Project Board Chair's Estates Project Board
S Magee	01.08.13 04.03.14	4 years		Non Executive Member (Regional Chair)	University of Dundee	N/A	Audit and Risk Chair's
B Poole	03.10.13 03.03.15	Until 31.07.18		Non Executive Member	N/A	N/A	Audit and Risk Chair's
Derek Birkenfield	01.08.14	Until 31.07.17	05.04.17	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 Academic Quality
Edward Blades	01.08.14	Until 31.07.18		Teaching Staff Member	Fife College	EIS/FELA	Finance, Commercial and Estates Academic Quality
Shona Cochrane	01.08.14	Until 31.07.18		Non Executive Member	Thinking to Success Ltd	Carnegie Enterprise Ltd	Finance, Commercial and Estates Academic Quality Chair's
Jim Trail OBE	03.03.15	Until 31.07.18		Non Executive Member	GIA Business Properties	Scottish Children's Panel Carnegie Enterprise Ltd	Finance, Commercial and Estates Estates Project Board

Member's Name	Date Appointed	Term of Office	Date Terminated	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
Beki Thomson	03.03.15	Until 31.07.18		Non Executive Member	University of St Andrews	N/A	Audit and Risk
Heather Wray	01.02.16	31.07.19		Non teaching Staff Member	Fife College	UNISON	Health and Safety and Human Resources Academic Quality
Raymond McGinty	01.08.16	30.06.17	02.02.17	Student Member	Fife College Students' Association	N/A	Finance, Commercial and Estates
Tom McPherson	01.08.16	30.06.17	12.05.17	Student Member	Fife College Students' Association	N/A	Health and Safety and Human Resources
Ross Taylor	01.04.16	31.06.19		Non Executive Member	Taylor Law Ltd	Law Society of Scotland Glen Housing Association Fife Chamber of Commerce Chartered Institute of Arbitrators Notary Public	Estates Project Board
Jen Walls	01.10.16	31.07.20		Non Executive Member	Inzievar Medical Practice Dr Boggon & Halford	Carnegie Enterprise Ltd	Finance, Commercial and Estates
Tony Martin	01.10.16	31.07.20		Non Executive Member	N/A	Opportunities Fife	Audit and Risk Academic Quality Health and Safety and Human Resources
Zoe Thomson	01.10.16	31.07.20		Non Executive Member	Fife Council	N/A	Academic Quality Health and Safety and Human Resources
Hugh Hall	01.03.17	Duration of contract of employment		Principal and Chief Executive	Fife College	Carnegie Enterprise Ltd Scottish Children's Lottery Fife Chamber of Commerce & Enterprise Ltd	Health and Safety and Human Resources Finance, Commercial and Estates Estates Project Board Academic Quality

Member's Name	Date Appointed	Term of Office	Date Terminated	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
Jen Anderson	01.06.17	31.05.18		Student Member	Fife College Students' Association	NUS	Health and Safety and Human Resources Academic Quality
Glenn Jackson	01.06.17	31.05.18	27.09.17	Student Member	Fife College Students' Association	NUS	Finance, Commercial and Estates Academic Quality

Attendance Record

The Board of Governors formally meets 4 times a year, during 2016/17 there was also 3 other meetings covering individual estates plans, overall college strategy and a board development day. The Board also has a number of committees which are formally constituted with terms of reference. The following table provides a record of attendance of board members at all meetings.

Member's Name	Board of Governors	Academic Quality	Audit and Risk	Finance, Commercial and Estates	Health and Safety and Human Resources	Chair's	Carnegie Enterprise	Estates Project Board
D Birkenfield	2/4		1/2				2/4	
B Black	1/3		3/3			3/3		
E Blades	7/7	1/1		4/4				
S Cochrane	6/7	1/1		3/4			6/6	
H Hall	3/4	1/1		2/2	2/2		2/2	3/3
V Ilendo	4/7		1/1		1/3	3/5		
H Logan	1/1			1/1			1/2	3/3
S Magee	5/7					5/5		6/7
T Martin	5/6	1/1	3/3		3/3			
R McGinty	3/3			2/2				
T McPherson	5/5			1/2				
S Olivier	4/7	1/1	0/3					
B Poole	7/7		2/4			4/5		
R Taylor	5/7							6/7
B Thomson	4/7		4/4					
Z Thomson	4/6	1/1			3/3			

J Trail	7/7			4/4		5/5		6/7
A Tucker	2/4	1/1	1/2					
J Walls	5/6		2/3				4/4	
H Wray	7/7	1/1			3/3			

The College's wholly-owned trading subsidiary, Carnegie Enterprise Ltd., Directors 1st August 2016 to 31st July 2017:

- H Hall (appointed 01/03/17)
- J Walls (appointed 01/10/16)
- J Thomson (appointed 29/09/16)
- D Colman (appointed 06/10/16)
- J Trail (appointed 28/06/17)
- S Cochrane
- H Logan (terminated 31/10/16)
- D Miller (terminated 31/08/16)
- D Neilson (appointed 01/11/16, terminated 28/02/17)
- D Birkenfield (terminated 05/04/17)

Senior Management Team of Fife College 1st August 2016 to 31st July 2017:

- Hugh Logan, Principal and Chief Executive (Leaving Date 31st October 2016)
- Hugh Hall, Principal and Chief Executive (Start Date 1st March 2017)
- Dorothée Leslie, Vice Principal, Curriculum and Academic Planning
- David Neilson, Vice Principal Finance and Planning
- Carol Scott, Vice Principal – Organisational Development and Change
- Debbie Miller, Vice Principal, Commercial Development (Leaving Date 31st August 2016)

Non Audit Fees

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

Personal Data Security

The Principal is the Senior Information Risk Owner (SIRO). Day-to-day management of information risks is the responsibility of the Vice Principal Finance & Planning. There have been no breaches of personal data security during 2016-17 (2015-16 nil).

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

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

The Board of Governors is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education (2015) and the 2016-17 Government Financial Reporting Manual (FRoM) issued by the Scottish Government and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council (SFC) and the College's Board of Governors, the Board of Governors, through its designated Principal, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

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 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 and Estates Committee
- an Internal Audit service whose annual programme is reviewed by the Audit and Risk Committee and approved by the Board of Governors, a partner of which provides the Board of Governors with an annual report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control

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

- the implementation of action plans designed to reduce the likelihood and impact of operational and financial risks as recommended by the Code of Good Governance for Scotland’s Colleges

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

Corporate Governance Report – Governance Statement

Introduction

Fife College is committed to exhibiting good practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the 2016 Code of Good Governance for Scotland's Colleges. Its purpose is to help the reader of the financial statements to understand how the principles have been applied.

For the annual accounts of 2016-17, 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 2016.

During January 2017, an externally facilitated review was undertaken by Douglas Mundie which indicated that the College was fully compliant with the Code of Good Governance for Scotland's Colleges. An action plan was drafted taking account of recommendation in the report which focused on the Code and good governance more generally. The report and action plan are published on Fife College's website.

Board of Governors

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

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

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

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

The Board of Governors meets four times per year and received minutes and reports from its Committees, including the;

- Finance, Commercial and Estates Committee
- Chairs Committee
- Audit and Risk Committee
- Health and Safety and Human Resources Committee
- Estates Project Board.

In June 2017, the Academic Quality Committee met for the first time and will run as a pilot during 2017-18 with three meetings scheduled.

The Board annually holds both a strategy day and a development day, together with the Senior Management Team, at which strategic directions, aims and objectives were set for the forthcoming three-year period. This strategic planning process included the identification of significant high-level risks and the incorporation of such risks into the existing strategic risk register, which was in turn reviewed and updated to ensure that it was appropriate and valid. Action plans were put in place to minimise and manage all significant risks. The Audit and Risk Committee then received regular reports identifying progress against the action plans to minimise and manage risks. The Risk Management Policy for Fife College was approved by the Audit and Risk Committee in June 2014 and revised by the Committee in June 2017.

Corporate Governance Report – Governance Statement (Continued)

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 and Estates Committee

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

Chair's Committee

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

Audit and Risk Committee

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

Internal and External Auditors attended relevant meetings of this Committee. 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. The Committee includes a qualified practising accountant who is also a member of the Board of Governors.

Health and Safety and Human Resources Committee

The purpose of the Health and Safety and Human Resources Committee is to assure the Board of Governors that Fife College has in place appropriate policies and procedures to promote and safeguard the health 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.

Corporate Governance Report – Governance Statement (Continued)

Academic Quality Committee

The purpose of the Academic Quality Committee is to assure the Board of Governors that Fife College's learning and teaching strategy meets the needs of all stakeholders and to ensure consistency in the strategic development of learning, teaching, quality and related issues throughout the College.

Risk Management

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

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

Responsibility for Risk Management is assigned as follows:

The Board of Governors

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

The Accounting Officer (the Principal)

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

The Audit and 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

- Identifies key risks to business plan objectives as an integral part of the business planning process
- Ensures that management plans are in place and reviewed to mitigate the key risks identified during the business planning risk assessment process
- Ensures regular receipt and review of risk reports on key business plan objectives within their area of responsibility
- Ensures that risk to business plan objectives is a regular item on the agenda for the Senior Management Team meetings

Corporate Governance Report – Governance Statement (Continued)

Risk Owners

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

Assurance Responsibilities of the Audit and Risk Committee

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

Strategic Risk Management Process

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

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

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

Throughout 2016/17 the key strategic risks were reported to and monitored by the Audit and Risk Committee.

Further work was undertaken to develop the risk management process in April 2017 following on from an internal audit on risk management. This resulted in the policy being updated and approved at the Board meeting in June 2017.

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 11 reviews in 2016/17, none of which identified any major control weakness.

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

Corporate Governance Report – Governance Statement (Continued)

Significant Issues

There are no significant issues to report.

Estates Strategy

Following merger in August 2013, Fife College developed a campus masterplan for the future of the organisation.

In late 2014, the College received the news that £70 million had been awarded for an NPD new build in West Fife. An outline Business Case (OBC) was created, building on the initial Estates Strategy. The College thereafter produced a Full Business Case (FBC) in October 2016. Due to a change in funding model from NPD to capital grant, the FBC was updated and resubmitted in June 2017 and was approved by Scottish Funding Council in July 2017. The College is now awaiting Scottish Government approval to proceed. The FBC approved by SFC plans for the new campus to be open for students at Halbeath Dunfermline in December 2020. This time line is dependent on obtaining Scottish Government approval by October 2017.

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

The 4 campuses will be Dunfermline, St Brycedale (Kirkcaldy), Stenton (Glenrothes) and Levenmouth.

Following the review of delivery across Fife, by 2020 roughly half of all activity will be at Dunfermline, with a quarter at St Brycedale and Stenton and the remainder being delivered at the Levenmouth Campus which opened in August 2016.

Conclusion and Going Concern

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

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

The Board of Governors was of the view that there was an on-going process for identifying, evaluating and managing the College's significant risks, that it had been in place for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts, that it was regularly reviewed by the Board of Governors and that it accords with the 2016 Code of Good Governance for Scotland's Colleges.

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

Remuneration and Staff Report

Remuneration Report

Introduction

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2016-17 Government Financial Reporting Model (FReM) issued by the Scottish Government, which came into force for the period ending 31 July 2017.

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	Year ended 31 July 2017			Year ended 31 July 2016		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Stephen Magee	25-30	0	25-30	20-25	0	20-25
Hugh Hall ¹	60-65	0	60-65	0	0	0
Hugh Logan ²	30-35	-10-0	25-30	130-135	20-25	150-155
Carol Scott	90-95	35-40	130-135	85-90	40-45	130-135
Dorothee Leslie	90-95	120-125	215-220	20-25	15-20	40-45
David Neilson	90-95	5-10	95-100	85-90	30-35	115-120
Debbie Miller ³	10-15	0-5	10-15	80-85	25-30	110-115

¹ Start date 1st March 2017. The incoming Principal has ceased to pay pension contributions into the Superannuation Scheme and the College's contributions to the pension scheme were paid to the incoming Principal as salary on an equivalent basis.

Remuneration and Staff Report (Continued)

² Leaving date 31st October 2016.

³ Leaving date 31st August 2016.

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, the banded remuneration of the highest paid official in the organisation in the financial year 2016-17 was £150-155,000. This includes core salary and a sum equivalent to the College's contribution to the pension scheme, that were together paid to the incoming Principal as salary as the Principal has ceased to pay pension contributions. This was 4.8 times (2015-16 4.7 times) the median remuneration of the workforce which was £31,781 (2015-16 £28,112). Using only the core salary as a comparator (£130-135,000), the figure would be 4.1 times median remuneration of the workforce.

Accrued pension benefits

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

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

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

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 2017	Accrued lump sum at pension age at 31 July 2017	Real increase in pension 1 August 2016 to 31 July 2017	Real increase in lump sum 1 August 2016- to 31 July 2017	CETV at 31 July 2017	CETV at 31 July 2016	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Stephen Magee	0	0	0	0	-	-	-
Hugh Hall	0	0	0	0	-	-	-
Hugh Logan	60-65	185-190	-2.5-0	-2.5-0	1,454	1,485	- 37
Carol Scott	35-40	75-80	0-2.5	0-2.5	860	783	67
Dorothee Leslie	20-25	60-65	5-7.5	12.5-15	422	310	112
David Neilson	15-20	55-60	0-2.5	2.5-5	407	376	15
Debbie Miller	0-5	-	0-2.5	-	63	61	1

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.

Remuneration and Staff Report (Continued)

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

1 employee of the College's wholly owned subsidiary left under compulsory redundancy during the year.

6 employees left under Voluntary Severance during the year.

2 employees left under voluntary exit terms during the year.

The total cost of the above was £277k.

The table below summarises the exit packages by cost band.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	1	-	1
£10,000 - £25,000	-	2	2
£25,000 - £50,000	-	5	5
£50,000 - £100,000	-	1	1
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
Total number of exit packages	1	8	9
Total cost (£'000)	7	270	277

Remuneration and Staff Report (Continued)

Staff Report

Introduction

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

Staff Numbers & Costs

Senior Staff

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

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

Senior Staff Numbers Bands	2017 No	2016 No
£20,001 to £25,000 per annum	0	1
£25,001 to £30,000 per annum	1	0
£30,001 to £35,000 per annum	1	1
£35,001 to £40,000 per annum	0	3
£40,001 to £45,000 per annum	3	1
£45,001 to £50,000 per annum	1	1
£50,001 to £55,000 per annum	1	0
Total	7	7

Total Staff Numbers & Costs

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

	2017	2017	2017	2016
	Directly employed staff	Seconded and agency staff	Total	Total
Wages and salaries	24,339	1,400	25,739	25,786
Social security costs	2,311	91	2,402	2,054
Other pension costs	4,177	156	4,333	4,179
Total	30,827	1,647	32,474	32,019
Average number of FTE	772	89	861	856

The college employed 617 females and 384 males as at 31 July 2017.

Remuneration and Staff Report (Continued)

Sickness absence data

The average number of days lost per full time equivalent (FTE) to sickness absence during the year 2016-17 was 8.88 days, this compares to 9.07 days for the same period during 2015-16.

The following table shows the sickness absence days for the year 2016-17 comparing to the same period during 2015-16.

Days Sickness Absence	2017	2016
	12months	12months
Short Term (Under 20 days)	3,076	4,167
Long Term (Over 20 days)	4,112	5,230
Total	7,188	9,397

Policies in relation to disabled persons

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

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

- **Recruitment and Selection**

Whilst, the figure of 19% of the population of Scotland should be treated with caution in respect of having a disability, there is a pattern emerging where people are choosing not to disclose a disability or not seeing that a condition or impairment is a disability. Whilst this might not be an issue, the College does wish to be a good employer and one of choice so that it can attract the best staff. Part of this includes being positive about disability and supporting people with disabilities through the recruitment and selection process including the provision of any additional support to enable all candidates to participate fairly in the process, which promotes an inclusive culture supported through the College's Vision and Values.

The College also commits to ensuring that posts are advertised in a wide variety of places that attract all people and that the way in which external advertisements are worded is inclusive of all the population. The College has recently joined The Disability Confident Committed Employer scheme and has achieved Level 1. This enables the College to use the Disability Confident Logo and it is recommended that this logo be used on all advertisements. The College will seek to achieve Level 2 in the next academic year 2017-18.

- **Professional Development**

All staff will have the opportunity to participate in development activity that enables them to develop their qualifications and skills. They are also expected to participate in the College's Professional Development Review Scheme and undertake any staff development and training necessary for the full performance of your duties.

Remuneration and Staff Report (Continued)

- **Equal Pay**

The College reaffirms the principle that all members of staff receive equal pay for the same or broadly similar work, for work rated as equivalent and for work of equal value. The College ensures that all pay practice applies equally to all staff and is best practice; communicate pay practice to help members of staff develop understanding of how pay is determined; Undertake equal pay audits in accordance with any legal obligations and in any case at least once every two years; Provide guidance and support to managers where they make decisions on pay and benefits for staff; and work within the National Bargaining Framework for colleges in Scotland including implementation of any agreed job evaluation scheme.

- **Work Life Balance**

The College recognises that members of staff have priorities outside of their employment and that it is important for the well being of all staff that there is balance between work and home life. The College also recognises that members of staff will have differing requirements at differing points in their working life and the range of Family Friendly/Flexible Working Policies and Procedures aims to ensure that an appropriate balance between work and home life can be achieved throughout a member of staff's employment at the College.

- **Conduct**

The College promotes and lives up to the principles within its Equality and Diversity Policy of: Treating people with respect; Encouraging, maintaining and promoting good relations; Applying policies, procedures and processes fairly and with due regard to every individual; Welcoming the differences between each person and value the contribution that they make to the cultural and social wellbeing of the College's working and learning environment.

- **Exit**

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

Expenditure on consultancy

Consultancy expenditure £0k was incurred during 2016-17 (£0k 2015-16).

Parliamentary Accountability Report

Fees and Charges

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

The direct cost of running this contract was £1.7m and income generated was £2.1m.

The Corporate Governance Statement on pages 14 – 18 was approved by the Board of Governors on 20 December 2017 and signed on its behalf by:



Hugh Hall
Principal



Stephen Magee
Chair, Board of Governors

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

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Fife College and its group for the year ended 31 July 2017 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheet, and the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college and its group as at 31 July 2017 and of the college's deficit and the group's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the college and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the college has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Board of Management for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In preparing the financial statements, the Board of Management is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual report and accounts

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on other prescribed matters

We are required by the Auditor General for Scotland to express an opinion on the following matters.

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

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

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

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the college and its environment obtained in the course of the audit, we have not identified material misstatements in the Performance Report or Governance Statement.

We are required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.



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

20 December 2017

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Fife College

Consolidated and College Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated	College	Consolidated Restated	College Restated
		£'000	£'000	£'000	£'000
Income					
SFC Grants	2	36,390	34,790	35,527	33,809
Tuition fees and education contracts	3	8,523	8,523	8,847	8,847
Other income	4	3,317	2,460	3,166	2,131
Investment income	5	2	2	4	4
Donations and endowments	6	64	64	99	99
Total income		48,296	45,839	47,643	44,890
Expenditure					
Staff costs	7	33,815	33,375	32,707	32,202
Restructuring costs	7	315	298	1,450	1,450
Interest and other finance costs	9	926	924	1,045	1,044
Other operating expenses	10	13,548	11,561	13,072	10,893
Depreciation	12	2,749	2,738	3,354	3,339
Charitable Donations		59	59	0	0
Total expenditure		51,412	48,955	51,628	48,928
Surplus/ (Deficit) before other gains losses		(3,116)	(3,116)	(3,985)	(4,038)
Gain/(loss) on disposal of fixed assets		(18)	(18)	0	0
Gain/(loss) on revaluation of fixed assets		0	0	(887)	(887)
Surplus / (Deficit) before other comprehensive income		(3,134)	(3,134)	(4,872)	(4,925)
Other comprehensive income					
Actuarial (loss)/gain in respect of pension schemes	22	(42)	(42)	(4,693)	(4,693)
Unrealised gain/(loss) on revaluation of fixed assets		1,598	1,598	(3,343)	(3,343)
Total comprehensive income for the year		(1,578)	(1,578)	(12,908)	(12,961)
Represented by:					
Restricted comprehensive income for the year	21	0	0	0	0
Unrestricted comprehensive income for the year		(1,578)	(1,578)	(12,908)	(12,961)
		(1,578)	(1,578)	(12,908)	(12,961)
Surplus for the year attributable to:					
Non controlling interest					
College		(3,134)	(3,134)	(4,872)	(4,925)
Total Comprehensive income for the year attributable to					
Non controlling interest					
College		(1,578)	(1,578)	(12,908)	(12,961)

All items of income and expenditure relate to continuing activities

Fife College
Consolidated and College Balance Sheet

	Notes	As at 31 July 2017		As at 31 July 2016	
		Consolidated	College	Consolidated Restated	College Restated
		£'000	£'000	£'000	£'000
Non-current assets					
Tangible Assets	12	68,752	68,730	69,652	69,626
Investments	13	32	2	32	2
Investment in joint venture	13	404	404	404	404
		<u>69,188</u>	<u>69,136</u>	<u>70,088</u>	<u>70,032</u>
Current assets					
Stock	14	148	130	152	135
Trade and other receivables	15	1,950	1,934	2,104	2,072
Cash and cash equivalents	16	3,432	3,385	3,187	3,128
		<u>5,530</u>	<u>5,449</u>	<u>5,443</u>	<u>5,335</u>
Less: Creditors - amounts falling due within one year	17	(7,319)	(7,181)	(6,436)	(6,267)
Net current (liabilities)/assets		<u>(1,789)</u>	<u>(1,732)</u>	<u>(993)</u>	<u>(932)</u>
Total assets less current liabilities		<u>67,399</u>	<u>67,404</u>	<u>69,095</u>	<u>69,100</u>
Creditors: amounts falling due after more than one year	18	(32,668)	(32,668)	(34,710)	(34,710)
Provisions					
Pension provisions	19	(22,866)	(22,866)	(20,878)	(20,878)
Other provisions	20	(3,654)	(3,654)	(3,718)	(3,718)
Total net assets		<u>8,211</u>	<u>8,216</u>	<u>9,789</u>	<u>9,794</u>
Restricted Reserves					
Income and expenditure reserve - endowment reserve	21				
Income and expenditure reserve - restricted reserve	21	0	0	0	0
Unrestricted Reserves					
Income and expenditure reserve - unrestricted	22	(17,793)	(17,756)	(15,274)	(15,237)
Revaluation reserve	23	26,004	25,972	25,063	25,031
		<u>8,211</u>	<u>8,216</u>	<u>9,789</u>	<u>9,794</u>
Non-controlling interest					
Total Reserves		<u>8,211</u>	<u>8,216</u>	<u>9,789</u>	<u>9,794</u>

The financial statements on pages 1 to 46 were approved by the Board of Management on 20 December 2017 and were signed on its behalf on that date by:

Mr Stephen Magee
Chairman



Mr Hugh Hall
Principal



Fife College
Consolidated Statement Cash Flow

	Note	31 July 2017 £'000	31 July 2016 Restated £'000
Cash flow from operating activities			
Surplus / (Deficit) for the year		(3,134)	(4,872)
Adjustment for non-cash items			
Depreciation	12	2,749	3,354
Deferred Government grants released to income	2	(1,001)	(978)
Deferred Non Government grants released to income	4	(427)	(449)
Loss / (Gain) on disposal of assets		10	0
Loss / (Gain) on revaluation of assets		0	887
Loss / (Gain) on disposal of assets-cash cost		(8)	(7)
Decrease/(increase) in stock	14	4	0
Decrease/(increase) in debtors	15	154	(161)
Increase/(decrease) in creditors	17	(301)	55
Pension Costs	26	1,341	688
Increase/(decrease) in other provisions	20	(64)	81
Increase / Decrease in student funds	25	1,178	153
Adjustment for investing or financing activities			
Investment income	5	(2)	(4)
Interest payable	9	926	1,045
Endowment income		0	0
Net cash inflow from operating activities		1,425	(208)
Cash flows from investing activities			
Proceeds from sales of fixed assets		740	0
Investment income	5	2	4
Payments made to acquire fixed assets	12	(993)	(4,969)
Cash flows from financing activities			
Interest paid	9	(255)	(294)
Interest element of finance lease	9	(66)	(73)
New Grants		0	5,612
Repayments of amounts borrowed	17/18	(478)	(400)
Capital element of finance lease and service concession payments	17/18	(130)	(181)
(Decrease)/increase in cash and cash equivalents in the period		245	(509)
Cash and cash equivalents at beginning of the period		3,187	3,696
Cash and cash equivalents at end of the period		3,432	3,187
Increase / (Decrease) in cash		245	(509)

Fife College

Consolidated and College Statement of Changes in Reserves

Year ended 31 July 2017

Consolidated	Income and expenditure account			Revaluation reserve	Total
	Endowment Restated £'000	Restricted Restated £'000	Unrestricted Restated £'000	Restated £'000	Restated £'000
Balance at 1 August 2015	0	0	(6,623)	29,320	22,697
Surplus/(deficit) from the income and expenditure statement			(4,872)	0	(4,872)
Other comprehensive income			(4,693)	(3,343)	(8,036)
Transfers between revaluation and income and expenditure reserve			914	(914)	0
	0	0	(8,651)	(4,257)	(12,908)
Balance at 1 August 2016	0	0	(15,274)	25,063	9,789
Surplus/(deficit) from the income and expenditure statement			(3,134)	0	(3,134)
Other comprehensive income			(42)	1,598	1,556
Transfers between revaluation and income and expenditure reserve			657	(657)	0
Total comprehensive income for the year	0	0	(2,519)	941	(1,578)
Balance at 31 July 2017	0	0	(17,793)	26,004	8,211

College	Income and expenditure account			Revaluation reserve	Total
	Endowment Restated £'000	Restricted Restated £'000	Unrestricted Restated £'000	Restated £'000	Restated £'000
Balance at 1 August 2015	0	0	(6,533)	29,290	22,757
Surplus/(deficit) from the income and expenditure statement			(4,925)		(4,925)
Other comprehensive income			(4,693)	(3,345)	(8,038)
Transfers between revaluation and income and expenditure reserve			914	(914)	0
Release of restricted funds spent in year			0	0	0
	0	0	(8,704)	(4,259)	(12,963)
Balance at 1 August 2016	0	0	(15,237)	25,031	9,794
Surplus/(deficit) from the income and expenditure statement			(3,134)	0	(3,134)
Other comprehensive income			(42)	1,598	1,556
Transfers between revaluation and income and expenditure reserve			657	(657)	0
Release of restricted funds spent in year			0	0	0
Total comprehensive income for the year	0	0	(2,519)	941	(1,578)
Balance at 31 July 2017	0	0	(17,756)	25,972	8,216

1 Statement of Principal Accounting Policies

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

Basis of preparation

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

Where the comparative figures through the report for the financial year end July 2016 have been restated by prior period adjustments, details of these are included within note 28.

Basis of Consolidation

The consolidated financial statements include the College and its subsidiary undertaking, Carnegie Enterprise Limited. Fife 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 2017

Basis of accounting

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

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

Recognition of income

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

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

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

Grant funding

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

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

Donations and endowments

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

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

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

Capital grants

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

Tangible fixed assets

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

Land and buildings

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

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

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

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

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

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

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

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

Equipment

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

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

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

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

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

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

Leased assets

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

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

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

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

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

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

Investments

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

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

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

Stocks

Stocks held are valued at cost.

Cash

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

Taxation

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

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

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

Provisions

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

Agency arrangements

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

Employment benefits

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

Retirement benefits

Fife Council Pension Fund

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

Scottish Teachers' Superannuation Scheme

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

Reserves

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

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

		Year Ended 31 July 2017		Year Ended 31 July 2016	
	Notes	Consolidated £'000	College £'000	Consolidated £'000 Restated	College £'000 Restated
2 SFC Grants					
FE recurrent grant		30,790	30,790	30,289	30,289
Childcare funds	25	1,555		1,677	
Release of deferred capital grants		1,001	1,001	978	978
Other SFC grants	25	2,968	2,923	2,474	2,433
Funding for Merger		76	76	109	109
		36,390	34,790	35,527	33,809
3 Tuition fees and education contracts					
FE fees - UK		150	150	122	122
FE fees - EU				0	0
FE fees - non EU				30	30
HE fees		3,231	3,231	3,172	3,172
SDS Contracts		884	884	1,300	1,300
Education contracts		4,258	4,258	4,223	4,223
Other contracts				0	0
		8,523	8,523	8,847	8,847
4 Other income					
European funds		(72)	(72)	32	32
Release of deferred capital grants		427	427	449	449
Other grants	15	359	359	187	187
Residences and catering				6	6
Other income-generating activities		1,698	826	1,762	760
Other income		905	920	730	697
		3,317	2,460	3,166	2,131
5 Investment income					
Investment income on endowments					
Investment income on restricted reserves					
Other investment income					
Other interest receivable		2	2	4	4
Total net of pension scheme		2	2	4	4
Net return on pension scheme					
		2	2	4	4
6 Donations and endowments					
New endowments	21			0	
Donations with restrictions	21			0	
Unrestricted donations		64	64	99	99
		64	64	99	99

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
7 Staff costs			Restated	Restated
Staff Costs :				
Salaries	25,739	25,350	25,786	25,340
Social security costs	2,402	2,372	2,054	2,018
Other pension costs	4,333	4,312	4,179	4,156
FRS 102 adjustment	1,341	1,341	688	688
Fundamental restructuring costs	315	298	1,450	1,450
Total	34,130	33,673	34,157	33,652
Academic/ Teaching Departments	19,137	19,137	19,465	19,465
Academic/ Teaching Services	6,110	6,110	5,231	5,231
Other Support Services	2,027	2,027	1,840	1,840
Administration and Central Services	2,212	2,212	2,917	2,917
Premises	1,349	1,349	1,186	1,186
Full Cost Activities	1,450	1,010	1,149	644
Other expenditure	189	189	231	231
Pension Charge less contributions paid	1,341	1,341	688	688
Sub-total	33,815	33,375	32,707	32,202
Fundamental restructuring costs	315	298	1,450	1,450
	34,130	33,673	34,157	33,652
Employment costs for staff on permanent contracts	30,807	30,420	30,215	29,748
Employment costs for staff on temporary contracts	1,667	1,614	1,804	1,766
Pension charge less contribution paid	1,341	1,341	688	688
Fundamental restructuring costs	315	298	1,450	1,450
	34,130	33,673	34,157	33,652

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

	2017	2016
Academic/ Teaching Departments	450	457
Academic/ Teaching Services	212	238
Other Support Services	61	21
Administration and Central Services	49	53
Premises	38	36
Catering and Residences		
Full Cost Activities	49	48
Other staff	2	3
	861	856

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 2017 between staff whose emoluments include a voluntary severance (VS) payment and those that do not include a VS payments.

	2017 VS included	2017 No VS	2017 Total No	2016 Total No
£60,001 to £70,000 per annum	1	3	4	9
£70,001 to £80,000 per annum			0	8
£80,001 to £90,000 per annum			0	2
£90,001 to £100,000 per annum	1	3	4	3
£100,001 to £110,000 per annum			0	0
£110,001 to £120,000 per annum			0	0
£120,001 to £130,000 per annum			0	0
£130,001 to £140,000 per annum			0	1
	2	6	8	23

8 Senior post-holders' emoluments

	Outgoing Principal	Incoming Principal	Period ended 31 July 2017	Period ended 31 July 2016
Total emoluments of the Principal including pension contributions	44,976	63,483	108,459	156,814

Included within the emoluments figures are amounts in respect of salary and pension contributions. The Superannuation Scheme in respect of the Principal's pension are paid at the same rates as for other staff. The incoming Principal has ceased to pay pension contributions into the Superannuation Scheme and the College's contributions to the pension scheme were paid to the incoming Principal as salary on an equivalent basis.

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	College £'000	Consolidated £'000 Restated	College £'000 Restated
9 Interest and other finance costs				
On bank loans, overdrafts and other loans:				
Repayable within five years, not by instalments	12	10	21	20
Repayable within five years, by instalments	38	38	46	46
Repayable wholly or partly in more than five years	205	205	227	227
	255	253	294	293
On finance leases	66	66	73	73
Total net of pension charge	321	319	367	366
Net charge on pension scheme	605	605	678	678
	926	924	1,045	1,044
10 Other operating expenses by activity				
Academic/ Teaching Departments	2,135	2,208	1,898	1,896
Academic/ Teaching Services	276	279	334	336
Other Support Services	114	108	107	111
Administration and central services	2,511	2,520	2,265	2,280
Student Funds Overspend	(24)	(24)	22	22
Merger Costs	59	59	163	163
General Education	1,198	1,178	1,201	1,205
Premises costs	4,934	4,959	4,460	4,478
Planned maintenance	122	122	137	137
Interest on early retirement provision	8	8	36	36
Other Expenses	1,717	108	1,847	86
Other income generating activities	531	69	614	155
Residences and catering	(33)	(33)	(12)	(12)
	13,548	11,561	13,072	10,893
Other operating expenses include:				
Auditors' remuneration				
- external audit of these financial statements	34	30	45	40
- internal audit services	28	28	36	36
- other services	9	8	1	
11 Taxation				

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

12 Fixed Assets

	Land and Buildings £'000	Equipment £'000	Total Assets £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation					
At 1 August 2016	67,216	3,213	70,429	5,255	75,684
Additions	6,071	9	6,080	993	7,073
Revaluation	(587)		(587)		(587)
Transfers			0	(6,071)	(6,071)
Disposals	(750)	(672)	(1,422)		(1,422)
At 31 July 2017	71,950	2,550	74,500	177	74,677
Depreciation					
At 1 August 2016	3,029	3,003	6,032	0	6,032
Charge for the year	2,613	136	2,749		2,749
Written back on depreciation			0		0
Revaluation	(2,184)		(2,184)		(2,184)
Disposals		(672)	(672)		(672)
At 31 July 2017	3,458	2,467	5,925	0	5,925
Net book value					
At 1 August 2016	64,187	210	64,397	5,255	69,652
At 31 July 2017	68,492	83	68,575	177	68,752
Fixed Assets (College only)					
	Land and Buildings £'000	Equipment £'000	Total Assets £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation					
At 1 August 2016	67,174	2,831	70,005	5,255	75,260
Additions	6,072		6,072	993	7,065
Revaluation	(586)		(586)		(586)
Transfers			0	(6,071)	(6,071)
Disposals	(750)	(536)	(1,286)		(1,286)
At 31 July 2017	71,910	2,295	74,205	177	74,382
Depreciation					
At 1 August 2016	3,005	2,629	5,634	0	5,634
Charge for the year	2,610	128	2,738		2,738
Written back on depreciation			0		0
Revaluation	(2,184)		(2,184)		(2,184)
Disposals		(536)	(536)		(536)
At 31 July 2017	3,431	2,221	5,652	0	5,652
Net book value					
At 1 August 2016	64,169	202	64,371	5,255	69,626
At 31 July 2017	68,479	74	68,553	177	68,730

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

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

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

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

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

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

Included in the College's tangible fixed assets (land and buildings) is a finance lease asset with a net book value of £1.3 million. The finance lease is for a 25-year period commencing October 2003. Under the terms of the lease the amount payable is reviewed every 5 years.

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	College £'000	Consolidated £'000 Restated	College £'000 Restated
13 Investments				
Investments in Joint Venture companies	404	404	404	404
Investments in subsidiary companies	0	2	0	2
CEL Artworks	32	0	32	0
Total	436	406	436	406
14 Stocks				
Stores	2	2	7	7
Consumables	128	128	128	128
Other	18	0	17	0
	148	130	152	135
15 Trade and other receivables				
Trade debtors - net of provision for doubtful debts	693	632	572	466
European funding	401	401	474	474
Amounts owed by SFC	132	132	254	254
Amounts owed by subsidiaries	0	47	0	139
VAT	0	8	0	0
Prepayments and accrued income	724	714	804	739
	1,950	1,934	2,104	2,072
16 Cash and cash equivalents				
Cash at bank	3,415	3,369	3,174	3,116
Cash in hand	17	16	13	12
	3,432	3,385	3,187	3,128
The College receives certain Funding Council grants on an agency basis. The funds are available solely for students and the College acts only as paying agent. The funds held in trust are reflected on the balance sheet, as both cash at bank and as a current liability. The following agency funds are included in cash at bank and in hand at the year end:				
Bursary Funds	1,419	1,419	259	259
FE Hardship	0	0	53	53
HE Discretionary	0	0	0	0
Childcare	129	129	58	58
EMA	0	0	46	46
	1,548	1,548	416	416
17 Creditors - amounts falling due within one year				
Bank loans and overdrafts	511	511	488	488
Obligations under finance leases	119	119	136	136
Trade creditors	1,128	1,109	1,247	1,232
VAT	18		69	28
Pension	586	583	518	518
Amounts owed to SFC	32	32	154	154
Other taxation and social security	735	728	659	651
Other creditors	54	53	45	45
Accruals and deferred income	2,588	2,498	2,750	2,645
Bursaries and Access funds for future disbursement	1,548	1,548	370	370
	7,319	7,181	6,436	6,267

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
			Restated	Restated
18 Creditors: amounts falling due after more than one year				
Bank loans	5,360	5,360	5,861	5,861
Obligations under finance leases	1,480	1,480	1,593	1,593
Government Grants	25,828	25,828	27,256	27,256
	32,668	32,668	34,710	34,710
19 Pension Provision				
As at 1 August 2016	20,878	20,878	14,819	14,819
Current service cost	3,469	3,469	2,822	2,822
Employer contributions	(2,128)	(2,128)	(2,134)	(2,134)
Interest Charged	605	605	678	678
Transfer to/ (from) income & expenditure	1,946	1,946	1,366	1,366
Actuarial gains/ (losses)	42	42	4,693	4,693
As at 31 July 2017	22,866	22,866	20,878	20,878
20 Other Provisions				
At 1 August 2016	3,718	3,718	3,637	3,637
Expenditure in the period	(217)	(217)	(215)	(215)
Revaluation adjustment	145	145	260	260
Interest charged	8	8	36	36
At 31 July 2017	3,654	3,654	3,718	3,718
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 2017.				
21 Restricted Reserves				
Restricted				
At 1 August 2016				
Donations Received				
Transfer to /from unrestricted reserve				
Donations Issued				
At 31 July 2017	0	0	0	0
22 Income & Expenditure Reserve Unrestricted				
At 1 August 2016	(15,274)	(15,237)	(6,623)	(6,533)
Surplus/ Deficit for the year	(3,134)	(3,134)	(4,872)	(4,925)
Revaluation of Asset				
Transfer from revaluation reserve	657	657	914	914
Transfer (to)/from restricted reserve	0	0		0
Actuarial gain/ (loss) in pension scheme	(42)	(42)	(4,693)	(4,693)
At 31 July 2017	(17,793)	(17,756)	(15,274)	(15,237)
23 Revaluation Reserve				
At 1 August 2016	25,063	25,031	29,320	29,290
Disposal			(3,370)	(3,370)
Revaluation	(586)	(586)	(2,315)	(2,317)
Write back of depreciation on revaluation	2,184	2,184	2,342	2,342
Transfer to Income & expenditure account in respect of:				
Depreciation on revalued assets	(657)	(657)	(914)	(914)
At 31 July 2017	26,004	25,972	25,063	25,031

24 Lease obligations

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

	Land and Buildings £'000	31 July 2017 Plant and Machinery £'000	Total £'000	31 July 2016 Total £'000
Payable during the year	117	2	119	136
Future minimum lease payments due:				
Not later than 1 year	117	2	119	136
Payable within 2 - 5 years			0	1
Payable within 6 - 10 years			0	0
Payable within 11 - 15 years	1,480		1,480	1,592
Payable within 16 - 20 years			0	0
Total lease payments due	<u>1,597</u>	<u>2</u>	<u>1,599</u>	<u>1,729</u>

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

Payable during the year	3	3	8
Future minimum lease payments due:			
Not later than 1 year	3	3	8
Later than 1 year and not later than 5 years			3
Later than 5 years			
Total lease payments due	<u>0</u>	<u>3</u>	<u>11</u>

25 FE Bursary and other Student Support Funds

	FE Bursary £000	FE Hardship £000	EMA's £000	Other £000	Period ended 31 July 2017 Total £000	Period ended 31 July 2016 Total £000
Balance brought forward	259	53	46	0	358	175
Allocation received in year	6,905	478	819	231	8,433	8,775
	<u>7,164</u>	<u>531</u>	<u>865</u>	<u>231</u>	<u>8,791</u>	<u>8,950</u>
Expenditure	(5,486)	(498)	(862)	(242)	(7,088)	(8,563)
Repayable to Funding Council as Clawback	(333)	0	0	0	(333)	(53)
College Contribution to funds	74	(53)	(3)	11	29	24
Virements	0	20	0	0	20	(22)
Balance Carried forward	<u>1,419</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,419</u>	<u>336</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.

Represented by:

Repayable to Funding Council as Clawback	1417	336
Retained by College for Students		
	<u>1417</u>	<u>336</u>

FE Childcare Funds

Balance brought forward	58	45
Allocation received in year	1,749	1,731
	<u>1,807</u>	<u>1,776</u>
Expenditure	(1,600)	(1,718)
Repayable to Funding Council as Clawback		
College Contribution to funds	(58)	0
Virements	(20)	0
Balance Carried forward	<u>129</u>	<u>58</u>

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

26 Pensions and similar obligations

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

The total pension costs for the institution was :

	12 months to 31 July 2017	12 months to 31 July 2016
	£000	£000
Contribution to STSS	2,244	2,343
Contribution to LGPS	1,923	1,813
Norwich Union Scheme	21	23
Total pension cost (Note 7)	4,188	4,179
Contribution rates		
STSS	17.20%	17.20%
LGPS	19.10%	19.10%

Scottish Teachers Superannuation Scheme (STSS)

The STSS is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the 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 2017

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	-0.70%
Rate of return on investments in excess of rate of increase in pensions	4.30%
Market value of the assets as at 31 July 2017	£61,056,000

The following notes are derived from the Actuarial report supplied by Hymans Robertsons LLP dated September 2017 to comply with the reporting requirements of FRS102, as amended

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

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

Reconciliation of Defined Benefit Obligation

Period ended	31 July 2017	31 July 2016
	£000	£000
Opening Defined Benefit Obligation	85,652	71,066
Current Service Cost	3,383	2,784
Interest Cost	2,084	2,616
Contributions by Members	591	568
Actuarial Losses / (Gains)	6,349	8,716
Past Service Costs / (Gains)	22	119
Estimated Unfunded Benefits Paid	(212)	(217)
Estimated Benefits Paid	(1,262)	-
Closing Defined Benefit Obligation	96,607	85,652

Balance Sheet

Period ended	31 July 2017	31 July 2016
	£000	£000
Fair Value of Employer Assets	70,087	61,056
Present Value of Wholly Funded Obligations	(92,953)	(81,934)
Net (Under) Funding in Funding Plans	(22,866)	(20,878)
Unrecognised Past Service Cost	-	-
Net (Liability) held in Balance Sheet	(22,866)	(20,878)

The present value of Unfunded Obligations is £3,654K (was £3,718k in 15/16) 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 2017 £000	31 July 2016 £000
Opening value	61,056	52,610
Interest income on plan assets	1,479	1,938
Expected Return on Assets	6,307	4,023
Contributions by Members	591	568
Contributions by the Employer	1,916	1,917
Contributions in respect of Unfunded Benefits	212	217
Unfunded Benefits Paid	(212)	(217)
Benefits Paid	(1,262)	0
Closing Fair Value of Employer Assets	70,087	61,056

Fair Value of Employer Assets

Period Ended	31 July 2017 £000	31 July 2016 £000
Equities	50,463	42,129
Bonds	9,812	9,769
Properties	5,607	5,495
Cash	4,205	3,663
Total	70,087	61,056

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

	31 July 2017 £000	31 July 2016 £000
Net return/ (Cost) on pension asset/ liability	(605)	(678)
Interest Income on Plan Assets	1,479	1,938
Interest on pension liabilities	(2,084)	(2,616)
Net Interest	(605)	(678)

Analysis of amounts charged to staff costs (Note 7)

	31 July 2017 £000	31 July 2016 £000
Pension Charge less contributions paid	1,341	688
Current service costs	3,447	2,703
Past service costs	22	119
Total operating charge	3,469	2,822
Less Contributions Paid	(2,128)	(2,134)
Pension costs less contributions payable	1,341	688

Actuarial Assumptions

The Actuaries recommended assumptions are summarised below:

Period Ended	31 July 2017 % p.a.	31 July 2016 % p.a.
Rate of increase in salaries	3.70%	3.10%
Rate of increase in pensions	2.50%	1.90%
Expected return on Assets	2.70%	2.40%
Discount rate for liabilities	2.70%	2.40%

The expected return on assets is based on the discount rate

Period Ended	31 July 2017 % p.a.	31 July 2016 % p.a.
Equities	2.70%	2.40%
Bonds	2.70%	2.40%
Property	2.70%	2.40%
Cash	2.70%	2.40%

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)	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Fair value of Employer Assets	70,087	61,056	52,610	45,636	43,661
Present Value of Defined Benefit Obligation	(96,607)	(85,652)	(71,066)	(58,774)	(52,295)
(Deficit)	(26,520)	(24,596)	(18,456)	(13,138)	(8,634)

27 Related Party Transaction

RELATED PARTY TRANSACTIONS

COMPANY	Sales	Purchases	Name	Position in Company
University of Abertay	3,399	80,094	Prof Steve Olivier	Vice Principal
Fife Chamber of Commerce	513	3,840	Ross Taylor	Premier Partner
University of St Andrews	2,044		Beki Thomson	Deputy Director
Totals	5,956	83,934		

28 Prior Year Adjustments

Prior Period Adjustments arise as a result of a change in accounting policy, where a material error was made or it is agreed between auditors and the College to change accounting estimation techniques. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts.

Prior period adjustments have been made to these financial statements, in order to comply with FRS 102 and following agreements with the College auditors, detailed as follows:

Adam Smith Foundation - Prior Period Adjustment

The Adam Smith Foundation is an independent charity from the College therefore should not be consolidated in the College's accounts.

The accounts as at 31 July 2016 had consolidated the Adam Smith Foundation and the College. Following a decision not to consolidate a prior year adjustment was required to correct this for the previous year. This change has resulted in an equal reduction in the income and expenditure of £33k and a reduction in net assets of £158k relating to cash held by Adam Smith foundation relating to 31st of July 2016.

	1st August 2015	31st July 2016
Impact on:	£000	£000
Total Income (Donations and endowments)		(33)
Total Expenditure (Other operating expenses)		33
Total Comprehensive Income for the Year		0
Total Net Assets (Cash and cash equivalents & Less: Creditors - amounts falling due within one year)		(158)
Income and expenditure reserve - restricted reserve	(73)	(103)
Income and expenditure reserve - unrestricted	(55)	(55)

Deferred Grants - Prior Period Adjustment

In preparation for the merger of Fife College on 31st July 2013 all the land and buildings were professionally revalued and the associated deferred grants adjusted in line with the revaluation.

Following this revaluation, an error was made in calculating the opening balances of the deferred grants as at 1st August 2013, which resulted in an over release of deferred capital grants to 31st July 2016. As a result of this, an adjustment has been made to the opening reserves and balance sheet position as at 1st August 2015 and an adjustment has been made to the 2015-16 comparative figures within these accounts to correct the impact of the over release as follows:

	1st August 2015	31st July 2016
Impact on:	£000	£000
Income and expenditure reserve - unrestricted	(288)	
Creditors: amounts falling due after more than one year (Government Grants)	288	144
Total comprehensive income for the year (Release of Deferred Capital Grants)		(144)

Holiday Pay Accrual - Prior Period Adjustment

During the audit of the accounts to 31st July 2017 it was agreed with Ernst & Young, our incoming auditors, to change the method of calculation for the holiday pay accrual for academic staff from that agreed with the College's previous auditors. This change has resulted in a restatement of the total staff expenditure and holiday pay accrual on the balance sheet for the prior year to 31st July 2016 as follows:

	31st July 2016
Impact on:	£000
Total Expenditure (Staff Costs)	210
Creditors - amounts falling due within one year	210

Carnegie Enterprise Subsidiary - Prior Period Adjustment

As at the end of July 2016 Carnegie Enterprise the wholly owned subsidiary of Fife College converted to FRS 102 Section 1A. An prior period adjustment was required for the change in accounting policy relating to holiday pay accruals. The impact of this was an increase in creditors of £13k and reduction reserves of £13k as follows

	31st July 2016
Impact on:	£000
Less: Creditors - amounts falling due within one year	13
Income and expenditure reserve - unrestricted	(13)

Defined Benefit Pension Scheme Liabilities Disclosure - Prior Period Adjustment

During the audit of the accounts to 31st July 2017 it has been agreed with Ernst & Young, our incoming auditors, to make a change to the disclosure regarding the defined benefit pension scheme liabilities asset return agreed with our previous auditors. This change does not impact the total comprehensive income for the year and is a reallocation between total income and actuarial losses/gains in respect of the pension scheme as follows:

	31st July 2016
Impact on:	£000
Total income (Investment income)	(4,023)
Actuarial (loss)/gain in respect of pension schemes	4,023
Total Comprehensive Income for the Year	0

Summary of Prior Period Adjustments

The following summarises the impact of the above prior period adjustments on the total comprehensive income and net assets as at 31st July 2016.

	31st July 2016
Impact on:	£000
Total comprehensive income for the year as previously reported	(9,211)
Adam Smith Foundation	0
Deferred Grants	(144)
Holiday Accrual	(210)
Defined Benefit Pension Scheme Liabilities Disclosure	0
Total comprehensive income for the year restated	<u>(9,565)</u>

	31st July 2016
Impact on:	£000
Total Net Assets as previously reported	10,602
Adam Smith Foundation	(158)
Deferred Grants	(432)
Holiday Accrual	(210)
Sunsiadary Holiday Accrual	(13)
Defined Benefit Pension Scheme Liabilities Disclosure	0
Total Net Assets Restated	<u>9,789</u>

	1st August 2015	31st July 2016
Impact on:	£000	£000
Restricted reserves reported	73	103
Adam Smith Foundation	(73)	(103)
Restricted reserves restated	0	0
Impact on:		
Unrestricted reserves reported	(6,267)	(14,564)
Deferred Grants	(288)	(432)
Adam Smith Foundation	(55)	(55)
Carnegie Enterprise - Holiday accrual	(13)	(13)
Holiday Accrual		(210)
Restricted reserves restated	<u>(6,623)</u>	<u>(15,274)</u>

29 Non-Cash Budget for Depreciation

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

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated	College	Consolidated	College
	£'000	£'000	£'000	£'000
Surplus/(Deficit) Before Other Gains and Losses (FE/HE SORP Basis)	(3,116)	(3,116)	(3,985)	(4,038)
Add Back: Non-Cash Allocation for Depreciation (Net of Deferred Capital Grant)	1,321	1,332	1,927	1,942
Operating Surplus/(Deficit) on Central Government Accounting Basis	<u>(1,795)</u>	<u>(1,784)</u>	<u>(2,058)</u>	<u>(2,096)</u>

Following reclassification, colleges received additional non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. As a result, colleges show a deficit equivalent to net depreciation (where funds are spent on revenue items) in order to meet Government accounting rules and the requirement to spend the entire cash allocation.

Under the FE/HE SORP, the college recorded an operating deficit of £3,116 for the year ended 31 July 2017. After taking account of the Government non-cash budget, the college shows an "adjusted" deficit of £1,795 on a Central Government accounting basis. Further removing the impact of the non-cash pension adjustments and the impact of revenue funding allocated to capital items the below demonstrates that the college is operating sustainably within its funding allocation to 31st of July 2017.

FIFE COLLEGE
Notes to the Financial Statements (Continued)

Financial Statements for the Year Ended 2017

Operating Surplus/(Deficit) on Central Government Accounting Basis	(1,795)	(1,784)	(2,058)	(2,096)
Non-cash pension adjustments	2,099	2,099	1,663	1,663
Exceptional Non-Restructuring Costs	700	700	224	224
Revenue Funding Allocated to Loan Repayments and other capital items	(842)	(842)	(855)	(855)
	<hr/>			
Underlying Operating Surplus/(Deficit)	<u>162</u>	<u>173</u>	<u>(1,026)</u>	<u>(1,064)</u>

2016-17 Accounts direction for Scotland's colleges

1. It is the Scottish Funding Council's direction that colleges comply with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.
2. Colleges must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (for assigned colleges).
3. Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2016-17 (FReM) where applicable.
4. Incorporated colleges are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2017.
5. The annual report and accounts should be signed by the chief executive officer and by the chair, or one other member of the governing body.
6. Incorporated colleges should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
30 June 2017