

Colleges Scotland Financial Statements for the Year Ended 31 July 2016

Charity Number: SC023848
Company Number: SC143210

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Report of the Directors/Trustees for the year ended 31 July 2016

The Directors/Trustees present their report and audited financial statements for the year ended 31 July 2016.

Objectives and Activities

The Company's objectives and principal activities remained throughout 2015-16 to promote the advancement of college education for the public benefit.

The demerger of Colleges Scotland and College Development Network officially took place on Friday 1 August 2014. A board, of all 13 regional chairs, the Chief Executive and four principals, who were elected by their peers, and a board committee structure is in place.

New vision, mission and values statements for the organisation have been set. These are as follows:

Vision

Colleges Scotland aims to be at the heart of a world class college sector that is recognised, valued and available to all.

Mission

Colleges Scotland is the collective voice of the college sector in Scotland; striving to create cohesive and sustainable partnerships, demonstrate positive impact, acting as representatives, and campaigning for the sector.

Values

Do the Right Thing

- We will act with integrity, openness and honesty, promoting ethical standards.
- We will never put self-interest ahead of sector interests and will always respect others in any decision making process.
- We will challenge each other, and openly invite challenge, but when debate concludes and decisions are made, these will be fully respected and supported.

Provide Exceptional Services

- We will strive for excellence, provide effective leadership, understand and respond to members' needs.
- We will not promise what we cannot deliver - but we will deliver what we promise, always being helpful, contributing and seizing opportunities.
- We will make good practice our standard practice and through collaboration improve services.

Build and Sustain Relationships

- We will listen, respect, and value others.
- We will have the right discussions with the right people in the right place, removing barriers for effective collaboration.

Always be Attentive

- We will harness ambition and release potential.
- We will be an advocate for diversity, equality and equity.

A new strategic plan for Colleges Scotland has been developed which sets out our key aims and targets over the period 1 August 2015 – 31 July 2018. It provides the means by which we secure Colleges Scotland's vision and mission.

Colleges Scotland's key objectives are:

- Representing the sector.
- Supporting members' needs and representing member interests.
- Promoting the sector.
- Engaging and influencing.
- Acting as the Employers' Association.

Specific activities include:

- Supporting the Colleges Scotland Board.
- Supporting the College Principals' Group, Employers' Association and other committees of the Board. These arrangements ensure collective consideration of substantive policy issues.
- Developing a range of briefing papers on various issues impacting upon the sector and formal responses to consultations on behalf of the sector.
- Active participation with key stakeholders to influence strategic dialogue.

Achievements and Performance

Colleges Scotland has focused on building relationships with key stakeholders and ensuring it is a key influencer on issues affecting the sector. Key achievements include:

- Worked with Scottish Government and Scottish Funding Council to maintain college budgets, securing a flat-cash settlement for 2015/16.
- Established regular strategic dialogue meeting with Scottish Government, Scottish Funding Council, Ministers and MSPs.
- Implementing government policy by reintroducing National Bargaining to the sector following an absence of over 20 years.
- Negotiating on behalf of the sector with trade unions to secure a pay award for 2015/16 – the first time in over 20 years that a pay offer has been made at a national level.
- Working with the sector and the Scottish Funding Council to establish a 10 year infrastructure investment plan.
- Steering the sector through the challenges that colleges faced as a result of becoming reclassified as public bodies, including on-going discussions on how to incentive the raising of commercial income by the college sector.
- Active members of the Good Governance Steering Group and provided the secretariat to the Scottish Parliament's Cross Party Group on Skills.
- Represented the sector on the Ministerial PACE Partnership, Scottish Teachers' Pension Scheme Advisory Board, Scottish Teachers' Pension Board and DYW Vocational Pathways Early Adopter Reference Group.
- Set up an Apprenticeship Levy Short Life Working Group in June 2016 to demonstrate how colleges can, in relation to apprenticeships, contribute to: effective use of public resources; support plans for skills development; and support the economy.
- Participating in an Education Summit hosted by the First Minister, Nicola Sturgeon MSP, and Deputy First Minister, John Swinney MSP in June 2016 to look at raising attainment.
- Worked with the Scottish Government's Unit for the Prevention of Violence and Extremism on the guidance for the education sector and secured sector representation on the national PREVENT group.
- Held a parliamentary exhibition within the Scottish Parliament in January 2016 to promote the sector to MSPs and parliamentarians.
- Judged the Green Gown Awards in June 2016.

Financial Review

Colleges Scotland has continued to deliver against its objectives and activities during the year. During 2015-16 an operational surplus of £14k was incurred.

However, the net pension liability under FR102 increased by £170k over the year which, when recognised in the SOFA, resulted in an overall deficit of £156k for the year to 31 July 2016.

Principal Funding Sources

Colleges Scotland continued to be funded through college subscriptions during the year at a level sufficient to meet the budgetary requirements agreed by the Board.

From 2016-17 additional funding, over a three-year period, will be provided by the Scottish Funding Council to support the formation of an Employers Association to address the implementation of National Bargaining across the college sector.

Investment Policy

Under the Memorandum and Articles of Association Colleges Scotland has the power to invest in any way the directors think fit. Having regard to the operational liquidity requirements the directors operate a policy of keeping funds required in the short to medium term in interest bearing deposit accounts whilst funds not so required are invested in higher interest bank accounts with average returns in excess of the Bank of England base rate. In all cases risk is minimised to ensure that capital sums invested are not affected by market fluctuations. Treasury management is reviewed informally on at least a monthly basis and formally on a quarterly basis by the Board.

Colleges Scotland investment criteria is set out in a treasury management policy approved by the Board of Directors which adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Codes of Practice (the code), as described in section four of that code.

Reserves Policy

The Board of Directors have established a policy to build unrestricted funds to a level sufficient to cover any unexpected liabilities which cannot be met out of operational income in the year. The level of reserves has therefore been set giving cognisance to the main risks and potential liabilities faced by the group. This lends a degree of financial stability to the business in the event that income sources are lost or reduced to ensure continuity of service provision. This policy will be revisited by the charity's directors in future periods to ensure that an appropriate level of reserves continues to be maintained.

For 2015-16 the main risks and potential liabilities faced are as set out in the risk management section of this report together with fluctuations in pensions liabilities arising under FRS102. The strategy is therefore to maintain reserves at a level sufficient to cover any potential liabilities arising.

The reserves position at 31 July 2016, excluding pensions liabilities, is therefore £694k and including pensions liabilities, a net liability position of £554k. The Directors are aware of the net liability position at the balance sheet date as a result of FRS102 – section 28 accounting for the Falkirk Pension Scheme, and recognise that operational reserves are £694k and are therefore content that the reserves policy has been met.

Plans for Future Periods

The key objective for Colleges Scotland for 2016-17 will be to drive activity forward on behalf of the sector as part of the strategic plan. This will include:

- Promoting the advancement of college education for the public benefit.
- Developing a sector position on the Spending Review and engaging in strategic dialogue in support of this.
- Developing a sector position and contributing to the discussions on the Learner Journey.
- Working with key stakeholders to fully realise the benefits of National Bargaining through Workforce for the Future.
- Working with members in developing key sector policies and positions.

Structure, Governance and Management

Governing Document

Colleges Scotland is a charitable company limited by guarantee and registered as a charity in July 1995. The company was established under a Memorandum of Association which establishes the objects and

powers of the charitable company and is governed under its Articles of Association. In the event of the company being wound up members are required to contribute an amount not exceeding £1. Colleges Scotland is owned by the Regional Colleges and Regional Strategic Bodies.

Legal status

Colleges Scotland is a charitable company limited by guarantee in terms of the Companies Act 2006. There are 13 members – all of the regional colleges and regional strategic bodies in Scotland. The liability of each member is limited to £1.

Recruitment and Appointment of the Board of Directors

The Board of Directors are also charity trustees for the purposes of charity law.

The Board consists of up to eighteen Board members; twelve Ministerially-appointed Regional Chairs of each regional member and the Regional Chair of Highlands and Islands as a University of Highlands and Islands court appointment, the Chair of the College Principals Group, the CEO and up to three Principals drawn from company members.

Under the requirements of the Memorandum and Articles of Association, with the exception of the Chief Executive who continues to hold office until termination of appointment, the Board of Directors are elected to serve for a period of not more than four years after which they may be re-appointed for a further four years provided that no member holds office for more than eight years in aggregate.

Director Induction and Training

New directors are provided with an induction pack briefing them on their legal obligations; their duties as Board Members; the main documents which set out the operational framework for Colleges Scotland; including the Memorandum and Articles, financial performance, relevant policies and procedures and future plans and objectives. The Board are also given opportunities to meet staff and are encouraged to attend training events where these will facilitate the undertaking of their role.

Professional Indemnity and Directors' and Officers' Liability insurance is now included within a 'Combined Liability Insurance' together with Entity Defence. It is no longer possible to separately identify the amounts relating to Professional Indemnity and Directors' and Officers' Liability insurance.

Organisation

The Board meets at least quarterly and formally constituted committees, with remits approved by the Board, are in place covering the following:

- Audit
- Corporate Affairs (agreed to be disbanded by the Board June 2016)
- Learning, Skills and Quality (agreed to be disbanded by the Board June 2016)
- Funding and Finance
- Employment Relations (agreed to be disbanded by the Board June 2016)
- College Principals' Group (agreed as a committee by the Board June 2016) and;
- Employers' Association (newly created by the Board May 2016)

At present there are eighteen members including the Chief Executive. The Chief Executive is appointed by the Board of Directors to manage the day-to-day operations of the company.

A Corporate Governance Code is also in place. This code addresses; protocol for how decisions are made; what decisions are made by trustees; what decisions and delegated; and arrangements for setting pay and remuneration of key management personnel as outlined in the following extract:

1. Leadership

1.1. The Board

Main Principles

Colleges Scotland should be headed by an effective Board, which is collectively responsible for the success of Colleges Scotland.

Supporting Provisions

Role of the Board

The Board is collectively responsible for the success of Colleges Scotland. Its key responsibilities are to:

- provide leadership within a framework of prudent and effective controls which enables risk to be assessed and managed;
- set strategy and structure;
- ensure that the necessary financial and human resources are in place for Colleges Scotland to meet its objectives;
- review management performance;
- ensure, in so far as it can, that arrangements are in place to attract, motivate and retain the best quality personnel;
- set Colleges Scotland values and standards and;
- ensure that Colleges Scotland operates in a way that is consistent with its charitable purposes.

Specific responsibilities reserved for the Board include:

- setting the strategy of Colleges Scotland;
- approving an annual budget;
- approving year end financial statements;
- the identification and management of the principal business risks;
- the oversight of Colleges Scotland operations and control structures to maintain their integrity and effectiveness;
- reviewing regularly operational performance and updated forecasts for the current year;
- approving the main operating policies and procedures for the control of finance activities and receiving regular reports on these activities;
- regularly reviewing and updating where appropriate this Code;
- retaining primary responsibility for the approval of borrowing, granting securities, guarantees or indemnities, major capital expenditure, major contracts and financing arrangements;
- acquisition, disposal or lease of heritable property;
- reviewing at least annually pension fund arrangements;
- reviewing at least annually insurance and risk management programmes;
- reviewing at least annually the environmental and health and safety performance of Colleges Scotland;
- approving appointments to the Board (including the appointment of Chairman and Vice Chairman) and the appointment of the Secretary to the Board;
- approve the appointment, dismissal of and remuneration for the Chief Executive;
- approve the remuneration of the senior management team
- succession planning within the Board and Colleges Scotland (including responsibility for staffing structure in the strategic sense);
- establishing committees and appointments thereto; and
- compliance with legislation.

1.2. Decision taking

Main Principles

All Board members must take decisions objectively in the interests of Colleges Scotland and in pursuance of its charitable objects.

As part of their role as members of the Board, members should constructively challenge and help develop proposals on strategy. Board members should scrutinise the performance of management in meeting agreed

goals and objectives and monitor the reporting of performance. They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

Supporting Provisions

- The Board should meet sufficiently regularly to discharge its duties effectively.
- The Board may delegate such of its functions as it determines to committees of the Board and others as set out the Articles of Association of Colleges Scotland.
- The Board should keep a record of the number of meetings of the Board and committees and individual attendance by members at each.
- Where Board members have concerns which cannot be resolved about the running of Colleges Scotland or a proposed action, they should ensure that their concerns are recorded in the Board minutes. On resignation, a Board member should provide a written statement to the Chair, for circulation to the Board, if they have any such concerns.
- The procedural rules for conduct of Board business are set out in Appendix A to this Code.
- Other than the Chair and the Chief Executive, members of the Board shall not speak publically or make any verbal or written representation to government, shareholders, financial institutions, stakeholders and the community without the prior consent of the Chair or the Chief Executive.

1.3. Division of Responsibilities: Chair, Chief Executive and Secretary to the Board

Main Principle

There should be a clear division of responsibilities at the head of Colleges Scotland between the running of the Board and the executive responsibility for the running of Colleges Scotland day to day operations. No one individual should have unfettered powers of decision.

Supporting Provisions

1.3.1. Role of the Chair

The Chair is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role. Responsibilities include:

- setting the Board agenda, ensuring Board members receive accurate, timely and clear information and of a quality to enable them to discharge their duties;
- ensuring that sufficient time is allowed for discussion of all agenda items, in particular strategic issues;
- promoting a culture of openness and debate by facilitating the effective contribution of Board members and ensuring constructive relations between Board members and management and staff;
- taking the lead in addressing the development and training needs of individual Board members to ensure that they have the skills and knowledge to fulfil their role on the Board and any Board committee;
- ensuring effective communication with members and stakeholders;
- ensuring the performance of the Board as a whole and its committees is evaluated annually;
- evaluating annually the performance of each Board member in his/her role as a Board Member;
- evaluating and appraising annually the performance of the Chief Executive;
- providing input to the Board in relation to the policy for the remuneration of the Chief Executive and other senior management team members;
- holding meetings with the Board members without management or the company secretary present;
- being available to the Chief Executive to advise on matters relating to strategy and operations; and
- in conjunction with the Chief Executive, representing Colleges Scotland to government, shareholders, financial institutions, stakeholders and the community.

1.3.2. Role of the Chief Executive

The Chief Executive is responsible for running the day to day operations of Colleges Scotland and the management and leadership of staff. The Chief Executive acts with the delegated authority of the Board. Responsibilities include:

- developing and implementing Colleges Scotland's Strategic Plan, as determined by the Board, ensuring that strategic and operational objectives set by the Board are achieved;

- reviewing the operational performance and strategic direction of Colleges Scotland and reporting to the Board on a timely basis;
- informing the Board of all relevant factors and developments that may impact on Colleges Scotland and the Board's activities;
- recommending to the Board an annual budget;
- being responsible for allocating and controlling resources within approved budget;
- ensuring a sustainable financial future for Colleges Scotland;
- being accountable to the members of Colleges Scotland proper use of public funds including the review of operational performance and strategic direction;
- managing Colleges Scotland risk management programme including all compliance issues and the environmental, health and safety performance of Colleges Scotland;
- ensuring effective and robust policies and procedures (including financial policies and procedures) are in place and are regularly reviewed;
- approving major contracts in accordance with authority levels delegated and;
- maintaining open and effective communication through agreed representation channels for staff.

1.3.3. Delegation to the Chief Executive

The Board recognises the need to empower the Chief Executive so that he or she can effectively discharge the responsibilities given to that role. The Board therefore delegates to the Chief Executive authority to act on its behalf in relation to operational matters in order to discharge the responsibilities of the role of Chief Executive subject to the following:

- the Chief Executive shall have no authority in relation to any matter reserved to the Board, the Chair or the Secretary by virtue of this Code or to any matter reserved to a committee of the Board under the remit of such committee;
- any action must be consistent with the Board's strategy and objectives or any policy set by the Board;
- any action must be consistent with the budget approved by the Board;
- all expenditure (including the entry into contracts and capital expenditure) with a per item value in excess of £100,000 must be approved by the Board or a committee of the Board with authority so to approve;
- the disposal of assets (with a value in excess of £5,000) must be approved by the Board or a committee of the Board with authority so to approve;
- the commencement or settlement of any litigation or claim with a value in excess of £5,000 must be approved by the Board or a committee of the Board with authority so to approve;
- any action must be consistent with the charitable purposes of Colleges Scotland and;
- any action which has financial (with a value in excess of £100,000), reputational, strategic or operational risk for the Board or Colleges Scotland must be dealt with by the Board.

Notwithstanding the above delegation the Chief Executive reports to the Board and is accountable to the Board for his or her actions. The Chief Executive shall therefore act at all times in a way that is in the best interests of the Board and Colleges Scotland.

The Board shall review this scheme of delegation on an annual basis and may expand or restrict the delegated authority as it deems appropriate.

1.3.4. Role of the Secretary to the Board

The Secretary to the Board has the responsibility for guiding the Board in the execution of its tasks. Responsibilities include:

- ensuring the smooth running of the Board and the Board committees by helping set agendas, preparing and presenting papers to the Board and where applicable, to Board committees (some CS Board Committees have separate secretariat support and this is set out in the Committee remit);
- ensuring good information flows within the Board and its committees and between senior management and Board members;
- advising on Board procedures and ensuring that the Board follows them;
- acting as a primary point of contact and source of advice and guidance for, in particular, Board members as regards Colleges Scotland;
- keeping under close review, all legislative, regulatory and governance developments that might affect Colleges Scotland's operations and ensuring that the Board is briefed on these;

- facilitating the induction of new Board members into Colleges Scotland and their roles and responsibilities and assisting in the ongoing training and development of Board members and;
- All Board members should have access to the advice and services of the Secretary to the Board.

1.4. Information

Main Principle

The Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

Supporting Provision

Management has an obligation to provide relevant information but Board members should seek clarification or amplification where necessary. Information and data that are important to the Board's understanding of the business and any agenda items will be distributed to the Board before it meets, with sufficient time to allow Board members to give such materials appropriate attention. If the subject matter is too sensitive, the information will be discussed at the meeting.

2. Remuneration

2.1. The Level and Make-up of Remuneration

Main Principle

Levels of remuneration should be sufficient to attract, retain and motivate senior managers of the quality required to run Colleges Scotland successfully; the Board should avoid paying more than is necessary for this purpose.

Supporting Provisions

- Comparisons should be used with caution.
- Performance-related elements of remuneration should be stretching and designed to promote the long term success of Colleges Scotland.
- Sensitivity should be had to pay and employment conditions elsewhere in the organisation especially when determining annual salary increases.

2.2. Procedure

Main Principle

There should be a formal and transparent procedure for developing policy on remuneration and for fixing the remuneration package of the Chief Executive and the senior management team. No member of senior management should be involved in deciding his or her own remuneration.

Supporting Provisions

- Board members (with the exception of the Chief Executive who is paid for his/her role as Chief Executive) shall not be remunerated for performing the office of Board member but shall be entitled to reasonable out of pocket expenses on basis of an expenses policy determined by the Board from time to time.
- The Board has responsibility for setting remuneration for the Chief Executive and other senior managers. Remuneration includes pension rights and any compensation payments.

Related Parties

Due to the nature of the organisation, its membership and the composition of the board it is inevitable that transactions will take place with company members, including organisations in which a member of the Board may have an interest. However, all transactions involving company members or organisations in which a member of the board may have an interest are conducted at arm's length and in accordance with the organisation's financial regulations. Board members are not permitted to participate in discussions, decisions or transactions involving their related business.

Risk Management

A review of the major strategic, business and operational risks to which the company is exposed is conducted on a quarterly basis at a minimum and reported to the Board. There is a standing agenda item in relation to risk and regulatory updates at quarterly Board meetings. Risk management policy and procedures are in place to support the risk management process and mitigate risks identified and internal control procedures are in place to minimise internal risks.

The key risks faced by Colleges Scotland during the year were in relation to:

- Member expectations are not met and members giving notice to leave CS
- Membership subscription uncertainty for 2016-17
- Unaware of sector issues which could cause reputational damage to both the sector and the sector agency
- Ineffective relationships with other key stakeholders' including SDS, Education Scotland, Audit Scotland, MSPs/Political Parties, NUS Scotland, Trade Unions, Universities Scotland etc.
- Failure to manage CS brand message to external stakeholders
- Difficulty in retaining, motivating & recruiting staff
- Risk of cyberattack on Colleges Scotland data and information

These risks have been mitigated by effective engagement with the sector and key stakeholders; a robust staff recruitment process; and a vision and strategic plan developed and agreed with the Colleges Scotland Board.

Reference and Administrative Information

Company Number:	SC143210
Registered Charity Number:	SC023848
Registered Office:	Argyll Court Castle Business Park Stirling FK9 4TY
External Auditor:	Scott Moncrieff Exchange Place 3 Semple Street Edinburgh EH3 8BL
Solicitors:	Thorntons LLP Whitehall House 33 Yeaman Shore Dundee DD1 4BJ
Bankers:	Bank of Scotland plc 1 Munro Road Springkerse Stirling FK7 7SY

Directors and Trustees

The Directors/Trustees of the Company during the year were:

Hugh Hall (Chair)	Regional Chair, Forth Valley College
Liz McIntyre (Vice Chair)	Principal, Borders College
Margaret Cook (Appointed 1 February 2016)	Chair, Glasgow Colleges' Regional Board
Sue Cook (Appointed 22 February 2016) (Resigned 27 June 2016)	Acting Regional Chair, West Lothian College
Audrey Cumberland	Principal, West of Scotland College
Michael Foxley	Regional Chair, Highlands & Islands
Alison Jarvis (Resigned 1 February 2016)	Regional Chair, Glasgow Colleges' Regional Board
Tony Jakimciw	Regional Chair, Borders College
Brian Johnstone	Regional Chair, Dumfries & Galloway College
Alex Linkston (Appointed 27 June 2016)	Regional Chair, West Lothian College
Willie Mackie	Regional Chair, Ayr College
Stephen Magee	Regional Chair, Fife College
Angela McCusker	Regional Chair, Dundee & Angus College
Ian McKay	Regional Chair, Edinburgh College
Keith McKellar	Regional Chair, West of Scotland
Linda McTavish	Regional Chair, The Lanarkshire Board
Ken Milroy	Regional Chair, North East Scotland College
Lydia Rohmer (Appointed 7 September 2015)	Principal, West Highland College, UHI
Shona Struthers	Chief Executive
Rob Wallen	Principal, North East Scotland College
Shona Struthers (Appointed 1 March 2016)	Company Secretary
Gayle Watson (Resigned 29 February 2016)	Company Secretary

No directors held any shares in the company at any time during the year.

Committees of the Board of Management

The Board has the following formally constituted committees with remits are in place:

- **Audit Committee:**

Brian Johnstone (Chair), Liz McIntyre (Vice-Chair), Willie Mackie, Sue Cook* (appointed 22 February 2016; resigned 27 June 2016)

- **Corporate Affairs Committee (agreed to be disbanded by the Board June 2016):**

Ken Milroy (Chair), Audrey Cumberland (Vice-Chair), Keith McKellar, Hugh Hall, Stephen Magee, Angela McCusker, Shona Struthers

- **Funding & Finance Committee:**

Tony Jakimciw (Chair), Carol Turnbull (Vice-Chair)*, Willie Mackie, Angela McCusker, Michael Foxley, Annette Bruton*, Iain Macmillan*, Martin McGuire*, Ken Thomson*, Susan Walsh*, Tracy Elliott*, Deborah Lally (appointed 23 March 2016), Gillian Hamilton (resigned 9 December 2015)*

- **Learning, Skills & Quality Committee (agreed to be disbanded by the Board June 2016):**

Linda McTavish (Chair), Rob Wallen (Vice-Chair), Tony Jakimciw, Ken Milroy, Michael Foxley, Hugh Hall, Brian Johnstone, Paul Little*, Ken Thomson*, Mhairi Harrington*, Margaret Munckton*, Stewart McKillop

- **Employment Relations Committee (agreed to be disbanded by the Board June 2016):**

Keith McKellar (Chair), Liz McIntyre (Vice-Chair), Ian McKay, Rob Wallen, Audrey Cumberland, Margaret Munckton*, Susan Bald*, Debbie Kerr*, Judy Keir*, Helen Archibald

- **College Principals' Group (agreed as a committee by the Board June 2016):**

Liz McIntyre (Chair), Audrey Cumberland (Vice-Chair), Annette Bruton, Heather Dunk, Fraser Durie, Mhairi Harrington, David James, Paul Little, Hugh Logan, Donald MacBeath, Iain Macmillan, Martin McGuire, Stewart McKillop, Margaret Munckton, David Patterson, Diane Rawlinson, Grant Ritchie, Boyd Robertson, Lydia Rohmer, Bill Ross, Irene Peterson, Alan Sherry, Ann Southwood, Ken Thomson, Carol Turnbull, Rob Wallen, Susan Walsh

- **Employers' Association Committee (newly created by the Board May 2016):**

Ian McKay (Chair), Liz McIntyre (Vice-Chair), David Alexander, Heather Dunk, Brian Gilchrist, Mhairi Harrington, Elaine Hart, Andrew Lawson, Paul Little, Donald MacBeath, Iain Macmillan, Stewart McKillop, Grant Myles, David Patterson, Diane Rawlinson, Grant Ritchie, Carol Scott, Alan Sherry, Carol Turnbull, Susan Walsh

*Co-optees

By order of the Board:



Hugh Hall
Chair of the Board

Date: 26 OCTOBER 2016

Directors' Responsibilities in Relation to the Financial Statements

The directors (who are also trustees of Colleges Scotland for the purpose of charity law) are responsible for preparing the Trustees' and Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standard (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the incoming resources and application of resources, including the income and expenditure, of the company for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Charities SORP.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue its activities.

The directors are responsible for maintaining adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the company and hence to take reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditor

In so far as the directors are aware:

- There is no relevant information of which the company's auditor is unaware.
- They have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company website. Legislation in the United Kingdom governing the preparation as dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

In accordance with the Company's Articles, the auditor of the company will be appointed at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015), and in accordance with the provisions applicable to companies subject to small companies' regime of the Companies Act 2006.

Corporate Governance Statement

Colleges Scotland is committed to exhibiting best practice in all aspects of corporate governance.

The Board of Directors is responsible for the systems of internal control and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board of Directors is of the view that there is an ongoing process for identifying, evaluating and managing significant risks faced by Colleges Scotland and that this process has been in place during the reporting period. This process is reviewed at least quarterly by the Board of Directors.

The Board of Directors meets at least quarterly and has delegated authority to the following committees with remits:

- Audit Committee
- Corporate Affairs Committee (agreed to be disbanded by the Board June 2016)
- Funding and Finance Committee
- Learning, Skills and Quality Committee (agreed to be disbanded by the Board June 2016)
- Employment Relations Committee (agreed to be disbanded by the Board June 2016)
- College Principals' Group (agreed as a committee by the Board June 2016)
- Employers' Association Committee (newly created by the Board May 2016)

In respect of its strategic and development responsibilities, the Board of Directors receives recommendations and advice from the Chief Executive.

The Corporate Affairs Committee *inter alia* recommends to the Board of Directors the annual budget and monitors performance in relation to approved budgets on a quarterly basis. In an HR capacity it ensures that Health & Safety policies and procedures and HR strategies, policies and processes are in place and are managed effectively. The Committee also has a remit to develop and propose profile raising activities for Colleges Scotland. Following the Board's decision to disband the Corporate Affairs Committee as of June 2016, all the above business is now dealt with by the Board.

The Audit Committee meets, as a minimum, twice a year but may meet with the external auditors in attendance if requested. The committee considers detailed reports together with recommendations for the improvement of the systems of internal control and management's responses and implementation plans. An Annual Report is presented to the Board by the Audit Committee expressing an opinion on whether it believes that the company has effective systems and processes in place regarding risk management, governance and financial control.

The CEO receives reports setting out information on key performance and risk management and considers possible control issues therein. The Board of Directors receives reports from the CEO and the Audit Committee regarding risk and control issues and how it is planned to address these issues. The Audit Committee's role is confined to a high level review of arrangements for internal control. The overall emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

The Funding and Finance, Learning, Skills and Quality, Employment Relations, College Principals' Group and Employers' Association are sector-facing groups established to consider issues impacting the sector and help shape the policy agenda in these areas. In addition, the Employers' Association is responsible for establishing and agreeing a mandate for the Management side negotiating position.

Independent Auditor's Report to the Directors/Trustees and Members of Colleges Scotland

We have audited the financial statements of Colleges Scotland for the year ended 31 July 2016 which comprise the Statement of Financial Activities, Balance Sheet, Statement of Cash Flows and related notes. 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 the Republic of Ireland'.

This report is made exclusively to the members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the members and the charitable company's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Directors' Responsibilities in Relation to the Financial Statements set out on page 13, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2016 and of its incoming resources and application of resources, including its income and expenditure, 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' and Directors' Report for the financial year 31 July 2016 for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the charitable company has not kept proper and adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies exemption in preparing the Trustee's and Directors' Report; or
- the trustees were not exempt from the requirement to prepare a strategic report.

Signature:

Michael Harkness

**Senior Statutory Auditor:
Michael Harkness**

**For and on behalf of Scott-Moncrieff, Statutory Auditor
Chartered Accountants
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL**

26 OCTOBER 2016

		2016 £'000	2016 £'000	2015 £'000	2015 £'000
	Notes	Unrestricted Funds	Total Funds	Unrestricted Funds	Total Funds
Income and endowments from:					
Charitable activities	4	780	780	833	833
Investments		9	9	-	-
Other		-	-	12	12
Total		789	789	845	845
Expenditure on:					
Charitable activities	5	841	841	878	878
Total		841	841	878	878
Net expenditure		(52)	(52)	(33)	(33)
Other recognised losses:					
Loss on defined benefit pension scheme	18	(104)	(104)	(102)	(102)
Net movement in funds		(156)	(156)	(135)	(135)
Reconciliation of funds:					
Total funds brought forward		(398)	(398)	(263)	(263)
Total funds carried forward		(554)	(554)	(398)	(398)

The statement of financial activities includes all gains and losses recognised in the year. All incoming resources and resources expended derive from continuing activities in the above two periods.

Balance Sheet as at 31 July 2016

	Notes	2016 £'000	2015 £'000
Current assets:			
Debtors	11	783	813
Cash at bank and in hand	12	792	761
		1,575	1,574
Liabilities:			
Creditors: Amounts falling due within one year	13	(878)	(894)
Net current assets		697	680
Total assets less current liabilities		697	680
Creditors: Amounts falling due after more than one year – dilapidations provision	15	(3)	-
Net assets excluding pension liability		694	680
Pension liabilities	18	(1,248)	(1,078)
Total net liabilities		(554)	(398)
The funds of the charity:			
Unrestricted funds:			
General funds	19	694	680
Designated funds:			
Pension liability	19	(1,248)	(1,078)
Total charity funds		(554)	(398)

These financial statements are prepared in accordance with the special provisions of Part 15 of the Companies Act 2006.

Approved and authorised for issue by the Board of Directors and signed on its behalf by:

Shona Struthers

Shona Struthers, Chief Executive

Hugh Hall

Hugh Hall, Director

26 OCTOBER 2016

Date

Colleges Scotland
 Company Number: SC143210
 Charity Number: SC023848

Statement of Cash Flows for the year ended 31 July 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities:			
Net cash provided by operating activities	20	22	90
Cash flows from investing activities			
Interest received		9	-
Cash provided by investing activities		9	-
Change in cash and cash equivalents in the year			
Cash and cash equivalents at the beginning of the year		761	671
Cash and cash equivalents at the end of the year	12	792	761

Notes to the Financial Statements for the Year Ended 31 July 2016

1. Accounting Policies

(a) General Information

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the company's transactions are denominated. They comprise the financial statements of the charitable company drawn up for the year ended 31 July 2016.

The continuing activities of Colleges Scotland is to promote the advancement of college education for the public benefit.

Colleges Scotland is a charitable company limited by guarantee and is incorporated in Scotland. The charitable company's registered charity number is SC023848 and its registered company number is SC143210.

The address of the charitable company's registered office is Argyll Court, Castle Business Park, Stirling, FK9 4TY.

(b) Basis of accounting

The financial statements have been prepared in accordance with the Financial Reporting Standard 102 as issued by the Financial Reporting Council, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)", the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended).

Colleges Scotland meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transition value unless otherwise stated in the relevant accounting policy.

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charity's transactions are denominated.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires trustees to exercise their judgements in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Before 2015 the financial statements were prepared in accordance with UK GAAP applicable prior to the adoption of FRS 102, as issued by the Financial Reporting Council, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities", the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006, and referred to as "previous UK GAAP". The financial effects of the transition to FRS 102 are set out in note 2 below.

(c) Going concern

The Board is of the view that it would be reasonable to assume that Colleges Scotland will continue to operate for the foreseeable future and, accordingly, the financial statements have been prepared on the going concern basis. The directors are aware of the net liability balance at the year end, this relates to the FRS 102 accounting for the FCPF pension scheme. Colleges Scotland is able to meet all cash obligations using its current working capital.

(d) Fund accounting

All funds are classified as follows:

- Unrestricted funds are available for use at the discretion of the Board of Directors in

furtherance of the general objectives of the company.

- Designated funds are unrestricted funds earmarked by the Board of Directors for particular purposes.

(e) Income recognition

All incoming resources are included in the Statement of Financial Activities when the charitable company is entitled to the income, receipt is probable and the amount can be reliably measured.

- Subscription income is recognised in the period in which the charity provides the services and so is entitled to the income, receipt is probable and the amount can be measured reliably.
- Grants and donations are recognised when the charity is entitled to the income, receipt is probable and the amount can be measured reliably. Where there are terms or performance related conditions attached, income is recognised to the extent that the conditions have been met.
- Incoming resources from charitable trading activities are accounted for when earned.

(f) Resources expended

Resources expended are included in the Statement of Financial Activities (SOFA) on an accruals basis and are recognised when there is a legal or constructive obligation to pay for expenditure. All costs have been directly attributed to one of the functional categories of resources expended in the SOFA and include any VAT which cannot be recovered.

- Costs of generating funds comprise the costs associated with attracting voluntary income.
- Charitable expenditure comprises those costs incurred by Colleges Scotland in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those of an indirect nature necessary to support them.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of Colleges Scotland and include costs linked with strategic management.
- Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources.

(g) Taxation

The company is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 466 to 493 of Corporation Tax Act 2010 to the extent that such income or gains are applied to exclusively charitable purposes.

Non-recoverable Value Added Tax arising from expenditure on activities is charged to the income and expenditure account in the year in which it is incurred.

(h) Debtors

Trade debtors are amounts due from members for membership services and sponsorship. Trade debtors are recognised at the undiscounted amount of cash receivable, which is normally the invoiced amount, less any allowance for doubtful debts.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks which are readily convertible, being those with maturities of three months or fewer from inception.

Cash and cash equivalents are measured at amortised cost.

(j) Creditors

Trade creditors are obligations to pay for goods or services that have been acquired. Accounts payable are classified as creditors falling due within one year if payment is due within one year or less. If not, they are presented as creditors falling due after one year.

Trade creditors are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

(k) Financial assets and liabilities

Financial instruments are recognised in the statement of financial position when the charitable company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price. Subsequent to initial recognition, they are accounted for as set out below.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS 102.

At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest method.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the charitable company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

(I) Pensions

Retirement benefits to the employees of the company are provided by Falkirk Council (FCPF) and Scottish Equitable. FCPF is a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses arising from experience adjustments and changes in assumptions are recognised immediately in other comprehensive income. All costs related to the defined benefit plan are recognised in the income statement within employee benefit costs.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting is limited to the present value of available refunds or reductions in future contributions to the plan.

The company also participates in a defined contribution scheme with Scottish Equitable. The assets of the scheme are held separately from those of the company in an independently administered fund. Pension costs charged to the income and expenditure account represent the contributions payable by the company in the year.

2. Transition to FRS 102

These financial statements for the year ended 31 July 2016 are the charity's first financial statements that comply with the FRS 102. The charity's date of transition to FRS 102 is 1 August 2014. The charity's last financial statements prepared in accordance with previous UK GAAP were for the year ended 31 July 2015.

The transition to FRS 102 has resulted in a number of changes in the charity's accounting policies compared to those used when applying previous UK GAAP.

The following explanatory notes to the financial statements describe the differences between the funds and income and expenditure presented under the previous UK GAAP and the newly presented amounts under FRS 102 for the reporting period ended at 31 July 2015 (ie comparative information), as well as the funds presented in the opening statement of balance sheet (ie at 1 August 2014). It also describes the changes in accounting policies made on first-time adoption of FRS 102.

In the table below, funds determined in accordance with the FRS 102 is reconciled to funds determined in accordance with previous UK GAAP at both 1 August 2014 (the date of transition to FRS 102) and 31 July 2015.

Reconciliation of net movement in funds for the year ended 31 July 2015

Notes	Previous UK GAAP £'000	Effect of transition £'000	FRS 102 £'000
Income and endowments from:			
	833	-	833
Charitable activities			
	12	-	12
Other			
Total	845	-	845
Expenditure on:			
Charitable activities	858	20	878
Total	858	20	878
	(13)	(20)	(33)
Net incomes/(expenditure)			
Other recognised losses:			
Loss on defined benefit pension scheme	(122)	20	(102)
Net movement in funds	(135)	-	(135)

(a) Recognition of the adjustments to the defined benefit pension scheme have been restated under FRS 102.

3. Critical judgements and estimates

In preparing the financial statements trustees make estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Critical judgements are made in the application of income recognition accounting policies, and the timing of the recognition of income in accordance with the Charities SORP (FRS 102).

4. Income from charitable activities

	2016 £'000	2016 £'000	2015 £'000
	Unrestricted	Total	Total
Subscriptions	771	771	771
Contracts and support services	9	9	62
Total	780	780	833

5. Expenditure on charitable activities

	Basis of allocation £'000	Sector support £'000	Internal Support Costs £'000	2016 Total £'000	2015 Total £'000
Staffing costs	Direct	496	-	496	479
Other costs associated with support to colleges	Direct	126	-	126	152
SLA support costs (see note 6)	Direct	-	203	203	232
Governance costs (see note 6)	Direct	-	16	16	15
Total Resources Expended		622	219	841	878

6. Analysis of Support and Governance costs

	Basis of allocation £'000	Support Costs £'000	Governance £'000	2016 Total £'000	2015 Total £'000
Staffing costs	Headcount	108	-	108	124
Board meeting Costs	Direct	-	9	9	4
Audit fees	Direct	-	7	7	11
Overheads	Headcount	95	-	95	108
Total		203	16	219	247

7. Board remuneration

The emoluments of key management, including the Chief Executive, are disclosed in note 9. No other member of the Board either received or waived any emoluments during the year (2015: £nil).

Out of pocket expenses relating to travel and subsistence costs were reimbursed to Board members as follows:

	2016 No.	2015 No.	2016 £'000	2015 £'000
Travel	2	4	2	3

8. Staff costs

	2016 £'000	2015 £'000
Core Staff		
Wages and salaries	343	243
Social security costs	30	24
Other pension costs	34	41
FRS 102 defined benefit adjustments	27	9
Short-term and temporary staff		
Consultants	62	153
Agency staffing	-	9
Total	496	479

The average monthly headcount was 9 staff (2015: 6 staff). The number of full-time equivalent employees including consultants, during the year was 9.7 (2015: 9.4).

The number of staff including the Chief Executive and senior post-holders who received emoluments within the following ranges was:

	2016	2015
£80,000 - £89,999	1	1

There were no key management personnel of the charitable company other than Shona Struthers who is also a trustee as described at note 9.

9. Trustees Remuneration

	2016 £'000	2015 £'000
Salary	81	80
Benefits in Kind	1	1
Pension Contributions	9	16
Total Emoluments	91	97

As authorised by the charitable company's Articles of Association, the above noted remuneration to Shona Struthers is for her role in the day to day running of the charitable company.

10. Net outgoing resources for the year

	2016 £'000	2015 £'000
This is stated after charging:		
External Auditor's remuneration		
- Audit	7	5
- Non-audit	1	1
Internal Auditor's remuneration	-	5
	8	11

11. Debtors	2016	2015
	£'000	£'000
Trade debtors	775	789
Prepayments and accrued income	8	24
Total	783	813

12. Cash and cash equivalents	2016	2015
	£'000	£'000
Cash at bank and in hand	792	761
Total	792	761

13. Creditors	2016	2015
	£'000	£'000
Trade creditors	46	87
Taxes and social security costs	10	-
Accruals and other creditors	51	36
Deferred income (note 14)	771	771
Total	878	894

14. Deferred income	2016	2015
	£'000	£'000
Balance as at 1 August 2015	771	771
Contractual income released to income earned	(771)	(771)
Contractual income deferred	771	771
Balance as at 31 July 2016	771	771

Deferred income relates to subscriptions receivable by Colleges Scotland in relation to 2016/2017 and will be released in the next financial year.

15. Provisions	2016	2015
	£'000	£'000
Balance at 1 August 2015	-	-
Additions	3	-
Balance at 31 July 2016	3	-

The above dilapidations provision has been recognised in relation to the lease of the office premises expiring in 2021. The amount recognised in 2016 relates to the annual charge of Colleges Scotland's share of the anticipated cost due at the end of the lease period.

16. Financial assets and liabilities

	2016 £'000	2015 £'000
Financial assets at amortised cost through the statement of financial activities	1,567	1,550
Financial liabilities at amortised cost through the statement of financial activities	97	(123)
	1,664	1,427

Financial assets held at amortised cost comprise trade debtors and cash and cash equivalents.

Financial liabilities held at amortised cost due within one year comprise trade creditors, accruals and other creditors.

17. Lease commitments

Future minimum lease payments falling due under non-cancellable operating leases are:

	2016 £'000	2015 £'000
In less than 1 year	162	110
Within 2-5 years	567	648
Over 5 years	-	81
Total	729	839

18. Pension costs

Colleges Scotland is a member of the Falkirk Council Pension Fund (FCPF) and operates the Scottish Equitable scheme (SE). Colleges Scotland also contribute into a personal pension plan for employees on request.

The total employer's pension cost for the period was as follows:

	2016 £'000	2015 £'000
Contribution to FCPF	26	34
Contribution to SE scheme	8	5
Contribution to personal scheme	-	2
Total pension cost	34	41

Contributions outstanding at the year-end were £4,074 (2015: £888).

Falkirk Council Pension Fund (FCPF)

The FCPF is a funded defined benefit scheme where the assets are held in a separate, trustee-administered fund. The fund is open to all Colleges Scotland staff above an agreed grade, all other members of staff are able to join the Scottish Equitable Scheme.

Colleges Scotland paid contributions of 10% of pensionable pay plus £4,967 for the period from 1 August 2015 to 31 July 2016.

Actuarial valuations determine the level of employer contribution to the scheme and are as follows:

From 1 April 2015	10% of pensionable pay plus £4,900
From 1 April 2016	10% of pensionable pay plus £5,100
From 1 April 2017	10% of pensionable pay plus £5,300

Anticipated employer contributions to the scheme for the year ended 31 July 2017 will be approximately £30,000.

Employees' contribution rate is calculated on a tiered contribution basis dependant on pensionable salary.

The following information is based upon a full actuarial valuation of the Fund at 31 March 2014 updated to 31 July 2016 by a qualified independent actuary, Hymans Robertson LLP.

Financial Assumptions

	At 31 July 2016	At 31 July 2015
Rate of increase on salaries	3.4%	4.0%
Rate of increase on pensions	1.9%	2.6%
Discount rate for liabilities	2.4%	3.6%

Major categories of plan assets as a percentage of total plan assets

	At 31 July 2016	At 31 July 2015
Equities	65%	63%
Bonds	24%	24%
Property	7%	8%
Cash	4%	5%

Mortality

	At 31 July 2016 Males	At 31 July 2016 Females	At 31 July 2015 Males	At 31 July 2015 Females
Current Pensioners	22.1 years	23.8 years	22.1 years	23.8 years
Future Pensioners	24.3 years	26.3 years	24.4 years	26.3 years

The fair value of scheme assets attributed to Colleges Scotland, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of scheme liabilities attributed to Colleges Scotland which are derived from cash flow projections over a long period and thus inherently uncertain, were:

	Value at 31 July 2016 £'000	Value at 31 July 2015 £'000
Total Fair Value of assets	1,246	1,110
Present Value of scheme liabilities	(2,494)	(2,188)
Net liabilities	(1,248)	(1,078)

Analysis of amount charged to other financial income

	2016 £'000	2015 £'000
Service cost	56	42
Total operating charge	56	42

Analysis of net return on pension scheme

	2016 £'000	2015 £'000
Expected return on pension scheme assets	40	48
Interest on pension liabilities	(79)	(85)
Net return	(39)	(37)

Analysis of amount recognised in statement of financial activities

	2016 £'000	2015 £'000
Current service cost	56	42
Contributions	(29)	(33)
Interest Cost	79	85
Interest Income on plan assets	(40)	(68)
Total included in statement of financial activities	66	26

Movement in deficit during the year

	2016 £'000	2015 £'000
Deficit in scheme at beginning of year	(1,078)	(930)
Current service cost	(56)	(42)
Contributions paid	29	33
Actuarial loss	(104)	(102)
Net return on assets	(39)	(37)
Deficit in the scheme at end of year	(1,248)	(1,078)

Reconciliation of defined benefit obligation

	2016 £'000	2015 £'000
Opening Defined Benefit Obligation	2,188	2,138
Current service cost	56	42
Interest cost	79	85
Contributions by members	20	13
Actuarial losses/(gains)	209	(33)
Estimated unfunded benefits paid	(58)	(57)
Closing Defined Benefit Obligation	2,494	2,188

Reconciliation of fair value of employer assets

	2016 £'000	2015 £'000
Opening Fair Value of Employer Assets	1,110	1,208
Expected return on assets	40	48
Contributions by members	20	13
Contributions by employers	29	33
Actuarial gains/(losses)	105	(135)
Benefits paid	(58)	(57)
Closing Fair Value of Employer Assets	1,246	1,110

The Scottish Equitable Scheme

The Scottish Equitable scheme is a defined contribution scheme, open to all staff in Colleges Scotland. Pension costs charged to the income and expenditure account represent the contributions payable by the company in the year and are based upon a fixed percentage of employee salary aligned to salary band.

19. Analysis of Unrestricted Funds

	Balance at 01 August 2015 £'000	Income (inc. gains) £'000	Expenditure £'000	Recognised gain/(loss) £'000	Balance at 31 July 2016 £'000
General funds	680	789	(775)	-	694
Designated funds:					
Pension liability	(1,078)	-	(66)	(104)	(1,248)
Total	(398)	789	(841)	(104)	(554)

The Pension Liability Fund is designed to meet potential pension liabilities under section 28 of FRS 102.

20. Reconciliation of net expenditure to net cash flow from operating activities

	2016 £'000	2015 £'000
Net expenditure for the reporting period	(52)	(33)
Adjustment for:		
Interest received	(9)	-
Decrease in debtors	30	24
(Decrease)/Increase in creditors	(16)	53
Dilapidations Provision	3	-
Defined benefit pension scheme	66	46
Net cash flows from operating activities	22	90

21. Related parties

There have been no related party transactions during the year that require disclosure.