



# Financial Statements 2017/18

Twelve months to **31 July 2018**

**GLASGOW CLYDE COLLEGE  
REPORT AND FINANCIAL STATEMENTS – FOR FINANCIAL PERIOD 2017/18**

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## **OVERVIEW**

The purpose of the Overview Report for academic year 2018/19 is to provide summary information in respect of the College, its objectives, strategies and the risks that it faces. This section includes a statement from the Principal providing their perspective on the performance of the College over the period and provides a high level summary of College performance during the year, this is analysed in further detail in the Performance Analysis section of the report.

## **PRINCIPAL'S REPORT**

The 2017/18 academic year was my first as Principal and Chief Executive of Glasgow Clyde College. Prior to my arrival at the College I had served in various roles in the college sector in England. During the past twelve months I have been profoundly struck by the commitment of members of staff throughout the College to transform the lives of those individuals who chose to study with us. Glasgow Clyde College has a well-established reputation as one of Scotland's leading colleges and its determination to act as a catalyst for the growth of our regional and national economy through realising the potential of our students is at the heart of everything we do.

The College Vision is "Glasgow Clyde College will contribute to the prosperity and well-being of Scotland through exceptional achievement". It is this vision which shapes and drives everything we do and shall continue to do so. It is through deploying the unique skills, talents and capability of our talented members of staff, working with the huge potential of our students, that we will contribute to achieving the aspirations of the Glasgow City Region and beyond.

The Board of Management have been highly effective in supporting senior leaders to deliver the ambitions contained in the College Development Plan Clyde Connects 2016-2020. In so doing the Board have offered challenge, scrutiny and encouragement to ensure our plans are robust and our targets achieved.

Like all colleges across Scotland Glasgow Clyde College is facing a number of significant challenges to ensure that it continues to meet the needs of our communities while operating in a way which is financially sustainable over the long term. Financial planning for a five-year period has been undertaken and reported to the Board with some significant cost pressures in that period and workforce planning is being completed to equip our staff for the future shape of the sector.

It is critical that the College is proactive in developing, pursuing and delivering strategies to ensure that the College is at the forefront of new developments and opportunities. However, in order to realise this ambition we will need to be innovative, flexible, agile and prepared to challenge long standing conventions. Central to the College's future prosperity will be the development of a new organisational culture which will act as a binding narrative across this large, diverse and vibrant organisation.

However, Glasgow Clyde College cannot achieve its goals and strategic objectives alone. It is only with the support of our exceptional partner organisations that we will realise our full potential and create the fertile environment for others to do so. Our desire to work alongside organisations who share our values and ambitions shapes the nature and extent of our partnerships which will positively impact on the lives of our students and the community in which they live.

Unique to Glasgow is our approach to regional collaboration between the three colleges and our umbrella body Glasgow Colleges Regional Board. Glasgow Clyde College is fully committed to working closely with our partner colleges Glasgow Kelvin College and City of Glasgow College to realise the ambitions of GCRB and support the achievement of regional and national priorities.

Learning and teaching continues to be at the heart of everything we do and Glasgow Clyde College is committed to providing opportunities for all members of our local communities. Our portfolio of courses is built on a robust evidence base, shaped by extensive consultation with our partners and delivered by dedicated and experienced staff. Continuous reflection, analysis and refinements to the courses and services provided has ensured that once again, as evidenced by a student satisfaction rate of 95.9%, we have met learners' needs.

The strength and impact of our partnership working with an extensive range of employers and other partners across almost all curriculum areas, has been recognised in a number of award nominations. The recent awards include:

- Winner of the SQA Star Award for Promoting Inclusion (the Assistive Technologies project)
- Recognised at the CDN Annual Awards, being Highly Commended in the Essential Skills and Inclusive College Award categories (Tackling the Textiles Skills Gap through work with Future Textiles and the Assistive Technologies project) as well as being Commended in the Developing a Regional Curriculum category (on behalf of the Glasgow Region)
- Finalist at the Herald Inspiring City Awards, in the Education Category for the EVIP partnership with Glasgow Kelvin College and Glasgow City Council
- Finalist at the Herald Global Game Changer Awards in the Innovating in STEM Education / Training for the Community Learning and Development Family Learning in Science project
- Winner of the Herald Society Awards Education Initiative Award for the Community Learning and Development Family Learning in Science project
- The College's Marketing department was also recognised at the annual CDN Marketing Awards, receiving Gold in the Gold in the Market Research Category (Saturday classes research) and Gold in the Student Award for Website category, voted for by students
- Winner of the Herald Higher Education Awards Outstanding Contribution to the Local Community Award, for the Complementary Therapies for Clinical Practice course. The College was also recognised as a Finalist in the Outstanding Employer Engagement in Colleges category for the development of the online PDA Rehabilitation Technologies course
- Winner of the South Community Champion Award for Public Services for the work of the Community Learning and Development Team

Developing Scotland's Young Workforce is a key element of the College's delivery and through an extensive range of School/College partnership courses for Glasgow City Council, East Renfrewshire Council and East Dunbartonshire Council. The College has provided courses for over 1,000 learners and we have worked relentlessly to meet the Scottish Government's objectives in this initiative.

Glasgow Clyde College has highly dedicated staff who are supported by a dynamic Student Association that gives strong commitment and support to students and colleagues alike. I look forward to working with these teams to continue to build on the many success realised in 2017/18 and provide an exceptional learning experience for all our students and partners in the future.

## **PERFORMANCE REPORT**

### **ORGANISATION PURPOSE AND ACTIVITIES**

#### **Legal and Charitable Status**

Glasgow Clyde College is a freestanding corporate body under the provisions of the Further and Higher Education (Scotland) Act 1992, and was created from formerly the host entity of Cardonald College merging with Anniesland College and Langside College as at 1 August 2013. The College is governed by a Board of Management and the majority of its funding is from the Scottish Funding Council (SFC) which is then allocated to the College by the Glasgow Colleges Regional Board (GCRB). The College is listed on the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a charity registered in Scotland.

#### **Scope of the Financial Statements**

The financial statements cover all activities of the College for the twelve-month period ended 31 July 2018. Where information is included regarding the College plans for future years, the College's view has been based on the information available at the time of compiling these financial statements.

#### **Business Context**

Following the Scottish Government's regionalisation programme for further education, Glasgow Clyde College operates within the Glasgow multi college Region. The Glasgow Colleges Regional Board (GCRB) has been in place since 1<sup>st</sup> August 2014 and it achieved fundable body status in April 2017. The three assigned Glasgow Colleges of Glasgow Clyde College, City of Glasgow College, and Glasgow Kelvin College, work together through the Glasgow Colleges Group and in conjunction with the GCRB to develop and set the direction of the overall curriculum and business strategy for the Glasgow Region. The key document for regional planning is the Regional Outcome Agreement (ROA) for Glasgow which was first developed for 2013/14 and is now prepared annually and agreed with the Scottish Funding Council. Through the Glasgow ROA the three assigned Colleges have the responsibility for jointly achieving the targets set.

Glasgow Clyde College offers a wide range of Further and Higher Education provision. It delivers vocational education and training for its communities - mainly in the south and west of Glasgow, as well as learners and employers beyond this immediate area who choose the College for its broad based curriculum or for one of its well-recognised specialisms.

The Board of Management views the role of Glasgow Clyde College as enhancing learning opportunities for individuals and employers whilst supporting the achievement of local, regional and national priorities, and building a strong foundation for the long term sustainability of the College's activities. The College aims to raise aspiration and improve skill levels within its communities, and to widen participation in learning. The Board also considers that, in order to optimise its contribution to the communities it serves, Glasgow Clyde College should maintain a balance between its broad-based curriculum and the excellent specialist and advanced provision it has built up over the years.

The College aims to provide the most appropriate and relevant skills to enhance economic prosperity in its local area, and to contribute to economic development at regional, national and international levels. This complements the role of enhancing opportunities for individuals.

Glasgow Clyde College operates from its three main campuses in Anniesland, Cardonald and Langside. In addition the College also provides activity through accessing a range of partner outreach locations.

### **Glasgow Clyde College's Development Plan**

The College's current Development Plan covers the period from 2016 to 2020. The main elements of the plan are noted below.

**Glasgow Clyde College Vision:** Glasgow Clyde College will contribute to the prosperity and wellbeing of Scotland through exceptional achievement.

**Glasgow Clyde College Mission:** Seeing Potential, Finding Solutions, Achieving More.

**Glasgow Clyde College Values:** The College's values are:

- Students First
- Aspiration
- Excellence through Leadership
- Innovation
- High Quality
- Accountability
- Integrity
- Respect

The Development Plan for Glasgow Clyde College has four overarching goals as follows:

- **Goal 1:** Delivering exceptional learning opportunities.
- **Goal 2:** Growing exceptional partnerships.
- **Goal 3:** Contributing to the local, regional and national economy.
- **Goal 4:** Ensuring operational effectiveness and efficiency.

For the goal of ensuring operational effectiveness and efficiency the College has the following key objectives:

- Promoting governance practices that support innovative leadership and guide management behaviours;
- Investing in a high quality, efficient and sustainable Estates and ICT infrastructure capable of adapting to changing curriculum and business needs;
- Managing the College's resources to deliver continued financial security and long term sustainability;
- Embedding an ethos of risk-based decision making throughout the College;
- Embracing and developing digital business transformation processes to improve business efficiency and
- Supporting and empowering staff to achieve their maximum potential.

The College has a series of nine main strategies, to support the implementation of the Development Plan. The areas covered by the strategies are as follows:

Learning and Teaching; Access and Inclusion; People; Financial Sustainability; Business Development; Procurement; Digital; Estates; and Marketing.

These strategies cover the period from 2016 to 2020 and each strategy has a range of key themes for development which are being progressed by the College over this period.

### **Progress on National Priorities**

During financial period 2017/18 Glasgow Clyde College continued to support the Scottish Government's five strategic objectives and supporting strategies. The College's contributions to these objectives were as follows:

- **Wealthier and Fairer Scotland:** The College contributes to provide a more skilled workforce and to develop its portfolio in line with sector and employer needs.
- **Smarter Scotland:** The College provides a flexible portfolio to enable access and progression through learning in ways, times and places that meet individuals' needs.

- Healthier Scotland:** The College has a strong base in education and training opportunities for health practitioners across a range of its portfolio delivery and placement arrangements. Glasgow Clyde College has the biggest healthcare provision in Glasgow and has recently grown Foundation Apprenticeships and part time provision at Level 7 in Midwifery and in Care and Administrative Practice. In addition the College holds the Healthy Working Lives Gold Award and promotes health and wellbeing to staff and students. The College is also undertaking a significant innovative project in the area of mental health wellbeing for students and associated training for staff, and is the first Mentally Healthy College in Scotland.
- Safer and Stronger Scotland:** Through our significant involvement in Community Planning Partnerships, the College contributes to the development, and where appropriate, the implementation of local actions with partners to support this objective.
- Greener Scotland:** The College is committed to an environmentally sustainable Scotland through its own actions as an organisation and through the development and delivery of programmes to support the renewables and utilities sectors. The College is party to the Universities and Colleges' Climate Commitment for Scotland and the College has a Carbon Management Plan.

**STAKEHOLDER RELATIONSHIPS**

Glasgow Clyde College strongly values partnership working and recognises that the creation and maintenance of effective partnerships is essential in allowing the College to optimise its contribution to local, national and international objectives. The approach of Glasgow Clyde College to its stakeholder relationships is summarised below: -

Students	The College works to meet the individual and economic aspirations of our learners by delivering high quality and innovative learning and teaching. We engage closely with students, specifically the Glasgow Clyde College Student Association involving them in those decisions impacting most directly on them.
Staff	The College fully recognises the value of its staff. There has been ongoing engagement with unions and staff representatives during 2017/18 to seek to achieve involvement of staff in the decisions that affect them. The College complies with the sector Staff Governance Standard and during 2017/18 a new Staff Voice group was created which is staff led with representation across the College. There are also a range of briefing, and consultation arrangements in place to support effective communication.



Glasgow Colleges Regional Board (GCRB)	The College operates as part of the multi College Glasgow Region. The Glasgow Colleges' Regional Board allocates the activity and funding to the three Glasgow Colleges of Glasgow Clyde College, City of Glasgow College, and Glasgow Kelvin College.
Scottish Funding Council	The College receives a substantial proportion of its funding from the Scottish Funding Council (which is now allocated through GCRB) and consistently meets its target level of teaching delivery which it needs to meet for its SFC grant funding.
Colleges Scotland	The College is an active member of Colleges Scotland which is the sector representative body.
Colleges Scotland Employers Association	The College is an active member of the Colleges Scotland Employers Association which carries out national collective bargaining on behalf of the sector.
Employers and Industry Bodies	The College has strong productive relationships with relevant local, regional and national employers and sector organisations to support the development and implementation of the curriculum.
Local, National and International Agencies	The College works closely and well with a range of relevant agencies e.g. Skills Development Scotland, Jobs and Business Glasgow, Glasgow Chamber of Commerce, and Scottish Council for Development in Industry.
Local Authorities and Agencies	The College has excellent partnerships with Glasgow City Council, East Renfrewshire Council and East Dunbartonshire Council.
Universities	The College has developed very effective relationships with a wide range of universities resulting in a number of articulation agreements.

## **COMMITMENT TO QUALITY**

Quality is central to the ethos of the College and the Board of Management has in place a policy that the College will, having regard to the availability of resources, seek to achieve the optimum level of quality in all aspects of its activities. This is achieved by placing the quality of the student experience at the centre of all activities; active involvement of the Board and all staff in an on-going process of self-evaluation to achieve continuous quality improvement; setting standards which reflect best practice; and aiming to achieve the highest possible standards of learning and teaching.

## PERFORMANCE ANALYSIS

### MEASURING PERFORMANCE

The College delivered 130,030 Credits in the academic year August 2017 to July 2018 which is 1,347 credits (1.0%) over its target of 128,683 credits as set by the Glasgow Colleges Regional Board for academic year 2017/18. This target includes 121,364 core activity credits and 7,319 credits for the on-going SFC administered European Social Fund (ESF) project.

On a headcount basis, the College provided Further and Higher Education to 16,680 students in the period from August 2017 to July 2018 of which 6,933 were full time students and 9,747 were part-time students. There were 20,056 course enrolments in the period, of which 4,587 were advanced level and 15,469 were non-advanced level.

To monitor performance the College uses a range of performance indicators, which are reviewed by members of the Senior Management Team on a regular basis. The College's performance against key performance indicators for academic year 2017/18 is shown below and is compared to target and to the preceding academic year:

Key Performance Indicator	Purpose	16/17 Actual	16/17 Target	17/18 Actual	17/18 Target
<b>EFFECTIVENESS<sup>1</sup></b>					
Successful outcome for Full Time FE enrolments on recognised qualifications	Measures Full Time FE student success	62.2%	66.5%	66.0%	66.5%
Successful outcome for Part Time FE enrolments on recognised qualifications	Measures Part Time FE student success	68.3%	71.0%	72.2%	71.0%
Successful outcome for Full Time HE enrolments on recognised qualifications	Measures Full Time HE student success	73.5%	75.1%	74.8%	75.1%
Successful outcome for Part Time HE enrolments on recognised qualifications	Measures Part Time HE student success	82.5%	84.5%	77.4%	82.5%
1: Effectiveness measures are based on latest recommended methodology from SFC, reflecting number of successful students divided by number of students initially enrolled and who attended at least one session. 2017/18 targets are based on Glasgow Regional Outcome Agreement targets.					

<b>Key Performance Indicator</b>	<b>Purpose</b>	<b>16/17 Actual</b>	<b>16/17 Target</b>	<b>17/18 Actual</b>	<b>17/18 Target</b>
<b>EFFICIENCY</b>					
Performance against Credits activity target	Measures performance against GCRB target	+1.3%	0.0%	+1.0%	0.0%
Working days lost through sickness absence	Measures lost staff time	3.9%	4.1%	3.7%	4.1%
Permanent Staff Turnover	Measures level of staff changes	4.6%	< 6.0%	2.8%	<6.0%
<b>FINANCIAL</b>					
Adjusted Operating surplus as % of total income	Measures level of operating surplus generated before key adjustments	0%	0%	0%	0%
Non SFC Income as percentage of total income	Measures reliance on SFC income source	28.3%	25.0%	26.8%	25.0%
Current Assets: current liabilities (excl deferred capital grants)	Measures short term assets to liabilities	1.3	1.2	1.3	1.2
Gearing	Measures level of debt	0.0	0.0	0.0	0.0
Days cash	Measures level of cash	24	20	22	20

The table above shows that, for the academic session 2017/18, the college improved its performance in three of the four categories in which it measures student success. Significant work was put in to ensuring that both retention and attainment were improved in the year. Work is underway to identify why one of the categories (Part-time HE) suffered a decrease in attainment when compared to the previous year.

The College's portfolio is broadly split into 65% of activity at FE level and 35% at HE level. Performance at FE level was slightly below the sector average in 2016/17 and we do not yet know the sector figures for 2017/18. Traditionally, FE courses attract a number of students with little or no academic qualifications, being furthest from the labour market so improving performance in this area is key for the College and its students.

Conversely, at HE level the College tends to outperform the sector averages and the slight improvement in the full-time success rate is welcomed. As outlined above, the fall in success rate for part-time HE provision has been analysed and was attributable to poor performance in only a couple of courses. The number of students in the part time HE category is relatively small and therefore small drops in success rates can produce large percentage swings.

A significant focus has been placed on the improvement of all of these KPIs and the College has introduced a number of new mechanisms in the year 2017/18, which requires a systematic examination of success measures at all levels by a wide range of staff.

In relation to these effectiveness performance indicators in the above table, the College annually analyses and reviews performance indicators at course, school, faculty and College level during the self-evaluation process, and actions for improvement are identified and progressed, including amendments to the portfolio where required. The introduction of a new Education Scotland quality framework has placed greater emphasis on detailed analysis of success and progression opportunities for all students, including all protected characteristics. Training with staff to support understanding and application of this new framework has taken place.

## **CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE**

### **Curriculum Summary**

The college plays a key part in supporting economic and social regeneration within Glasgow and beyond. Glasgow Clyde College offers a broad range of course opportunities across a wide range of curricular areas. In order to meet the needs of local communities and individuals programmes are offered ranging from Access level through to Honours degrees. Courses are delivered through the college's four Faculties and the curriculum offer in the Faculties is outlined below. During 2017/18 programmes were offered in the following areas:

#### **Faculty of Business, Creative and Digital Industries**

Business  
Fashion, Textiles and Design  
Media and Performing Arts

#### **Faculty of Engineering, Computing and the Built Environment**

Construction and Land Based Industries  
Computing  
Energy and Building Services  
Engineering

#### **Faculty of Health and Wellbeing**

Early Years and Social Care  
Health and Life Sciences  
Sport, Tourism and Hospitality  
Hair, Beauty and Complementary Therapies

#### **Faculty of Access and Continuing Learning**

English for Speakers of Other Languages  
Employability Skills  
Additional Support for Learning  
Humanities and General Education

Programmes are delivered through full time, part time, work-based and flexible study, with community outreach also provided.

The College has a very strong school/college partnership programme in place with Glasgow City Council, East Renfrewshire Council and East Dunbartonshire Council Education Departments, and this work continues to be a focus for the College. Additionally, the College has very successful progression routes and articulation links with a range of HE providers for a significant number of its programmes. We have introduced degree level provision in the digital media and design area and will review further options to introduce degree provision where we have specialist skills.

2017/18 saw the introduction of a new range of provision funded through the Flexible Workforce Development Fund, a new initiative which allowed the College to work with employers to upskill their workforce. Although introduced later than expected the College has performed well in this initiative and will continue to do so in the year 2018/19.

The intention, during and beyond the period of the Development Plan, and within the context of the agreed Glasgow Region curriculum is to:

- continue to deliver as broad a range of curriculum areas as resources allow and demand justifies;
- introduce new areas where there is a proven demand and realign provision to reflect decreased skills need or demand;
- continue to offer routes for students to progress from introductory, pre-vocational/access level provision through to HND programmes within the College in key areas, and where this is not possible, to support progression routes to advanced provision elsewhere within the Region;
- where appropriate, seek to increase degree provision in specialist areas;
- in conjunction with Local Authority Education Departments provide appropriate programmes including Foundation Apprenticeships to meet identified sustainable local demand for school/college provision in line with Developing the Young Workforce;
- work with the Glasgow South and North West Community Planning Partnerships to ensure provision is delivered to support the Local Authority's Single Outcome Agreement and identified local needs;
- develop further customised provision and support for young people not in education, employment or training, or at risk of dropping out of education or training;
- promote and enhance the niche areas within the broad-based curriculum where the College has national recognition as a provider;
- build on existing recognition as a major curriculum leader and training provider in the Glasgow region;
- meet the potential growth in demand within Glasgow for training in the health and life sciences sectors;

- increase the scale of e-learning content development and delivery across the curriculum to better meet with learners expectations;
- continue to grow the qualified childcare workforce in line with the Scottish Government's plans to increase the number of hours of childcare provision;
- maximise the synergies between mainstream curriculum and employer needs; and
- develop commercial programmes and services both nationally and internationally.

Glasgow Clyde College's curriculum serves a number of specialist employment sectors and national markets, and has national recognition as a provider of education in the areas of textiles, design, fashion, dance, TV production, stringed instruments, journalism, health and care, and water operations. The College is the only provider of land-based courses in the Glasgow Region.

The relationship between the curriculum and the budget planning process ensures full consideration is given to the overall financial viability of the portfolio.

The College is part of the Glasgow Region Colleges structure and as such is assigned to the Glasgow Colleges Regional Board. The College works with its two partner colleges in Glasgow as part of the Glasgow Colleges Group on a wide range of curriculum and related areas and on financial sustainability issues. The three colleges work in partnership and individually to keep the portfolio under continuous review to ensure it meets student, market, legislative and employer demands. Curriculum Hubs are in place across arrange of economic sectors to ensure the alignment of the curricular offering with the needs of the local and National economies.

As the Glasgow Colleges Regional Board achieved fundable body status in April 2017, the allocation of teaching activity and funding to each of the three assigned Colleges in Glasgow is now the responsibility of GCRB. During 2017/18 discussions were held at the Glasgow Colleges Group Sustainability Group and the Principals' Group on the GCRB's Regional revenue funding model for 2018/19.

## **College Developments During 2017/18**

Notable developments and achievements in the College were as follows:

- New Principal for the College who started in September 2017;
- Completion of the new Landscaping and Horticulture Teaching Building at the Langside campus;
- Implementation of a new College Website;
- Implementation of a new finance system;
- Achievement of key Regional Outcome Agreement targets with greater than target student numbers in Social Inclusion Multiple Deprivation Index 10, Developing the Young Workforce and Science technology and Maths Provision;
- Introduction of the first HNC in Counselling Course in the UK;
- Innovative project on Student Mental Health Wellbeing and becoming the first Mentally Healthy College in Scotland; and
- New employers engaged in the delivery of the Flexible Workforce Development Fund.

## **Glasgow Clyde College Student Association**

In session 2016/17 the Board of Management approved a proposal to engage a GCCSA Development Officer (1FTE) and GCCSA Administrator (0.5 FTE) on a permanent basis. The planning, delivery and impact of the student association has seen significant improvement as a result of this change. Experienced and highly capable individuals were recruited to the posts and they have been able to drive and support the sabbatical team to increase student engagement and promote the internal and external profile of GCCSA.

The continuity that these posts have afforded has proved invaluable with the election of 3 new sabbatical Vice Presidents for session 2018/19. A number of systems have been enhanced within GCCSA and improved workflow planning and delivery have been implemented to ensure that GCCSA is focusing upon student engagement with a particular priority of engagement in relation to learning and teaching. Increasing student representation is a priority for the GCCSA and impact of this change will be monitoring during session 2018/19.

## **Future College Developments**

SFC funding allocations are now made to the College by the GCRB. The Regional Revenue funding model and Regional Capital funding model for each year will be discussed at the Glasgow Colleges Group with the final decisions being the responsibility of the GCRB. As a further future funding development, there are considerations of the funding model at a sector level to return to a price and volume based model with a lengthened transition period, and Glasgow as a Region remains underfunded during this period within the model.

The teaching activity target for the Region for 2017/18 was set by SFC and the teaching activity targets for each of the three Glasgow Colleges were agreed within the Regional Outcome Agreement for Glasgow. SFC have prepared a broad five-year plan for activity targets across the sector, and there is a Funding Group reviewing the impacts of the various elements of the SFC funding model at a sector level.

For 2018/19, Glasgow Clyde College will deliver an allocated volume of 126,859 credits as part of the wider Glasgow Region agreed credits target with the Scottish Funding Council, comprising 120,556 core credits of activity plus an additional allocation of 6,303 ESF credits.

Within the College merger process and through the creation of the Glasgow Region, the College undertook a comprehensive review of its curriculum, which was reflected in a series of curriculum papers setting out the future direction of the Glasgow Clyde College portfolio and the proposed curriculum principles. Through this period there has been a significant level of formal work carried out within the Glasgow Colleges Group in conjunction with SFC to ensure a coherent curriculum provision across the Glasgow Region. A plan was developed through the Glasgow Curriculum and Estates Review and this has been implemented over a period of several years with some transfer of activity between the three assigned Colleges in the earlier years. This Curriculum and Estates Review was designed to cover the period from 2015/16 to 2017/18 and the next phase of the Curriculum Plan across the Glasgow Region is being developed from 2018/19.

### **2017/18 Estates Development and Capital Investment**

The two main principles of the College's estates strategy are to maintain and further develop a high quality estate which facilitates an appropriate learner experience for students and an effective working environment for staff, and to provide an estate which matches the needs of the curriculum and evolves based on known drivers of curriculum change locally, regionally and nationally.

The purpose of the College's Estates Strategy is to enable the College to:

- have suitable fit for purpose accommodation which is compliant with all relevant legislation;
- maintain and enhance the student experience;
- use available space efficiently;
- identify the need for rationalisation or reorganisation of space;
- ensure the value of the estate is maintained;
- minimise the impact the College and its activities have on the environment including the College's carbon footprint; and
- consider existing or alternative uses of the estate and identify opportunities for innovation and collaboration to meet future needs.



The College's estates strategy is evidence based and the capital master plan is informed by an estates condition survey prepared for the whole College estate in April 2014. The condition of the College's estate is largely good or very good. There are however some parts of the Cardonald campus which need some significant capital development within the forthcoming years due to the older age of the Tower Building of that campus. This is reflected in the College's capital master plan as detailed in the estates condition survey. The first phase of these works have been completed commencing from the summer of 2017 and through 2017/18 in to 2018/19 with works on the Lifts Replacement, Heating and Ventilation works and Mechanical and Electrical works at the Cardonald campus. This project has been funded by the Glasgow Clyde Education Foundation (GCEF).

Another significant estates development in 2017/18 was the completion of the new teaching facilities for Landscaping and Horticulture which were opened in October 2017. This is a new build modern teaching facility with new workshops for this teaching area for which Glasgow Clyde College is the only College provider in the Glasgow Region. This project which was a £1.8M new build project was funded by the Glasgow Clyde Education Foundation (GCEF).

In relation to SFC capital funding for 2017/18, within the Glasgow Region there was a specific GCRB capital funding allocation policy which allocated 50% of the total for the Region based on credits and 50% based on representation of need with a bidding process for the majority of the second 50% proportion. Glasgow Clyde College was successful in two of the four bids it submitted for that part and was able to progress with Local Area Network Upgrade at the Anniesland campus and Upgraded Interactive Whiteboard installations. The additional allocation stage through GCRB will make capital allocations less predictable for future capital planning purposes.

### **Future Development of the College Estate**

Until March 2014 the College funded its capital expenditure from SFC capital formula funding and from its reserves which it had built up for investment purposes. Since reclassification to a public body in April 2014 the College continues to progress its Capital Master plan based on life cycle maintenance needs, investment needs and affordability, which has been done both through use of SFC capital funding and through applications for funding to the Glasgow Clyde Education Foundation.

For 2018/19 SFC provided capital funding to meet the very high priority needs of Colleges as reflected in the estates condition survey which SFC had completed for the sector. SFC provided an initial allocation of this funding to GCRB who then allocated it across the Region. Glasgow Clyde College has received an allocation of £1.9Million of these funds in total which it is using to address these high priority needs which are mainly at its Cardonald campus with the greatest of them being refurbishment of the significantly damaged Car Park which had very poor drainage. A range of other high priority projects are also being progressed.

The Glasgow Clyde Education Foundation has also approved a bid from the College for £50k to complete an Estates Strategy Review for the College which will be completed by the beginning of 2019.

## **Resources**

Glasgow Clyde College is committed to achieving best value from its available resources and this underpins its ongoing decision making in procurement and other areas. The College has various resources it can deploy in pursuit of its strategic objectives.

## **Land and Buildings**

Tangible resources include buildings and grounds at the three main campuses at Hatfield Drive in Anniesland, Mosspark Drive in Cardonald and Prospecthill Road in Langside.

## **Sustainability and Climate Change Reporting**

The Climate Change (Scotland) Act 2009 set out a statutory framework for greenhouse gas emissions reductions in Scotland with an ambitious target to reduce Scotland's emissions by at least 80% by 2050.

The College is a signatory to the Universities and Colleges Climate Change Commitment for Scotland and the College has a Carbon Management Plan in place. There are two primary objectives of the College's Carbon Management Plan which are to achieve a reduction in carbon emissions and to embed carbon management within the culture of the organisation. The target in the College Carbon Management Plan is to reduce the College's annual carbon footprint by 15% by the end of financial year 2020 (with 2013/14 as the baseline year).

In 2015 the Scottish Government introduced an Order requiring all public bodies to submit an annual report to Sustainable Scotland Network (SSN), detailing their compliance with the climate change duties. The College has complied with the reporting requirements for 2017/18 by submitting its report by the deadline of 30 November 2018.

# **PRINCIPAL RISKS AND UNCERTAINTIES**

Glasgow Clyde College's Risk Management Policy as approved by the Board is as follows:

It is the policy of the Board of Management to ensure that the College's system of internal control is effective in managing risks. This system will include consideration of the following factors:

- the nature and extent of the risks facing the College;
- the extent and categories of risk which the Board regards as acceptable for the College to bear;
- the likelihood of the risks concerned materialising;
- the College's ability to reduce the incidence and impact on the business of risks that do materialise; and
- the costs of operating particular controls relative to the benefit thereby obtained in managing the related risks.

The Senior Leadership Team (the designated risk management group) supports, advises on, and implements this Risk Management Policy. The Vice Principal Resources and College Development is the lead officer in respect of this.

The Board of Management first set the College Risk Appetite across key risk activity areas in October 2016, with the overall College Risk Appetite assessment at that stage being agreed as cautious. The Board of Management considered the College Risk Appetite again in December 2017, and the updated overall College Risk Appetite assessment was agreed as open (where open is defined as being willing as an organisation to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward). The Risk Appetite was assessed again in December 2018 and the Board of Management agreed it would remain as open.

The College has an on-going process to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation. This work is reviewed by the Audit Committee on a regular basis.

Based on the College's on-going activity and planned developments, the Senior Leadership Team reviews and updates the College's Risk Register on a regular basis. The College Strategic Risk Register as at the end of the twelve-month financial period to July 2018 had twelve key risks identified and each risk is ranked based on assessment of impact and probability. Each risk is owned by a member of the Senior Leadership Team who identifies mitigating actions against each risk which are in place to manage these risks.

Of the twelve risks at the financial period end, three were financial, six were organisational, and three were governance related risks. The three highest assessed risks from the College risk register as at 31 July 2018 are shown below:

- Adverse funding changes (SFC/SDS/ESF);
- Negative impact on employee relations (e.g. national bargaining, industrial action, local consultation); and
- Failure of College operational processes/systems /ICT infrastructure (including risk of fraud).

## REVIEW OF FINANCIAL PERFORMANCE

Overall for the twelve month period from August 2017 to July 2018, Glasgow Clyde College is reporting a deficit of £496k (2016/17 surplus: £39k). Actuarial gains/(losses) on Defined Benefit Pension Plans for the period were £11,273k (2016/17: £1,076k). There was an Unrealised Deficit on Revaluation of Land and Buildings of £169k (2016/17: unrealised surplus £18,526k). Therefore, the Total Comprehensive Income for the period is reported as £10,608k (2016/17:19,641k).

The Statement of Comprehensive Income presents the financial performance during the accounting period in accordance with the FE/HE SORP. The adjusted operating position is intended to reflect the financial performance of the College after allowing for non-cash adjustments and other material one-off or distorting items required by the SORP. The adjusted operating position is therefore designed to smooth any volatility in reported results arising from FRS 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the College. This should give a better indication of the College's cash generating capacity.

The adjusted operating position is outlined in the table below and explanatory notes are provided where appropriate.

<b>Adjusted Operating Position</b>	<b>2017-18 £'000</b>	<b>2016-17 £'000</b>
<b>Surplus/(deficit) before other gains and losses</b>	<b>(496)</b>	<b>39</b>
<b>Add back:</b>		
Depreciation (net of deferred capital grant release) on both government funded and privately funded assets including NPD assets (Note 1)	1,705	921
Non-cash pension adjustment - Net service cost (Note 2)	1,448	1,120
Non-cash pension adjustment - Net interest cost (Note 3)	283	241
Non-cash pension adjustment - Early retirement provision (Note 4)	(288)	(37)
<b>Deduct:</b>		
Non-Govt capital grants (e.g. ALF capital grant) (Note 5)	(2,527)	(2,084)
<b>Adjusted operating surplus/(deficit)</b>	<b>125</b>	<b>200</b>

Note 1: Depreciation is a non-cash item and is therefore excluded when calculating the adjusted cash operating position.

Note 2: The adjustments to the pensions charge represent the non-cash element of service cost (i.e. including the present value of projected benefits resulting from employee service in the current year) less cash contributions paid.

Note 3: The net interest cost is the interest accumulated on the pension liability and this is offset against the current year's interest earned on pension assets. These are non-cash adjustments.

Note 4: The early retirement provision adjustment relates to the gain arising from the actuarial valuation during the year and other non-cash movements (if charged to staff costs / other operating costs).

Note 5: Capital grants were received from Glasgow Clyde Education Foundation during the year. This income is not matched by expenditure as it has been used to fund capital assets which will be depreciated over the life of the asset.

The adjusted operating surplus for 2017/18 represents a balance of ring fenced cash for budget priorities which was not fully utilised in academic year 2017/18. It should be noted that the full amount of such cash is fully utilised by the College in the April to March fiscal year cycle in line with government budgeting requirements and, as such, this balance has been ring fenced to support expenditure in fiscal year 2018/19.

The College's income was £49.2million for the period to 31 July 2018 (2016/17: £48.0million).

Commercial income, although continuing to perform well in 2017/18, still operates within a very difficult economic background, with on-going risks around the maintenance of some of these income areas. The College achieved just under £3Million of commercial income in 2017/18 with a broad base of continuing activity and the College has been successful in securing replacement activity where any planned income has not materialised.

At 31 July 2018, the College has accumulated reserves including pension liability of £8.2million (2016/17 : (£3.2million) ) and a cash balance of £2.6million (2016/17: £2.9million). Of the overall cash balance held as at 31 July 2018, £0.9million (2016/17: £1.5million) relates to cash held for the Lennartz liability due to HMRC. This balance will continue to reduce over time until the Lennartz liability is settled in full in 2019/20.

Tangible fixed asset additions during 2017/18 amounted to £3.3million across all asset categories. These additions consisted of ICT Equipment, Infrastructure Improvements, a new Landscape and Horticulture Facility and Major Plant Upgrades which will support energy efficiency initiatives.

Glasgow Clyde College has £69.0million (2016/17: £58.3million) of net assets as at 31 July 2018 after allowing for a calculated net pension liability for the Strathclyde Pension Fund of £0.2million (2016/17: £9.8million). No debt was held by the College. The College is in receipt of SFC main teaching and fee waiver grant funding and also generates income from its commercial activities through provision of professional qualifications and vocational training to its customers.

### **Spend of Cash Budget for Priorities**

The College is required to comply with Central Government budgeting rules. In addressing the impact of these budgeting rules, Scottish Government and SFC committed to providing the cash budget previously earmarked for depreciation for use on specified priorities.

Colleges have now each been given a fixed cash budget for priorities which must be spent on agreed government priorities as outlined in the table below. Spend of the College's cash budget for priorities, and impact on the operating position for the academic year, is detailed below. As outlined earlier in this report the adjusted operating surplus for 2017/18 represents a balance of ring fenced cash for budget priorities which was not fully utilised in academic year 2017/18. The full amount of such cash is fully utilised by the College in the April to March fiscal year cycle in line with government budgeting requirements.

<b>Table of cash budget for priorities spend</b>		
<b>Revenue Priorities</b>	<b>2017-18 £'000</b>	<b>2016-17 £'000</b>
2015-16 Pay award	300	300
Early Retirals: Pre 1 Apr14 Provision	183	0
<b>Total impact on operating position</b>	<b>483</b>	<b>300</b>

### **Financial Year Resource Position 2017/18**

The College is required to comply with government accounting and budgeting rules on a fiscal 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 fiscal year basis. The resource budgets and final outturn for 2017/18 are outlined below:

	<b>RDEL £'000</b>	<b>CDEL £'000</b>
Resource budget for year ended 31 March 2018	40,129	1,269
Expenditure against resource budget	39,946	1,269
Net underspend/(overspend) against budget	183	0

The 2017/18 resource outturn indicates an RDEL underspend of £183k. This occurred due to the College utilising £183k of the RDEL cash allocation to pay down a pre-March 2014 Early Retirals Provision which has no impact on the RDEL budget.

In addition, the college received a non-cash budget from the government to cover depreciation costs.

**Taxation Status**

Glasgow Clyde College is within the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue and Customs as a charity for the purposes of section 467, Income and Corporation Taxes Act 2010 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

**Treasury Policies and Objectives**

Glasgow Clyde College has a Treasury Management policy in place which recognises that effective treasury management supports the achievement of its business and service objectives. The College is committed to the principles of achieving value for money and to effectively managing its cash resources.

**Cash Flows**

Cash flow projections are prepared annually, broken down on a monthly basis to ensure that cash levels are sufficient to meet the needs of the College. Cash flow movements in the period resulted in a net decrease of £0.3million due to payments made in respect of Lennartz and other movements in working capital.

**Liquidity**

The College used two key ratios to assess liquidity which are:

- a) Current assets : Current liabilities; and
- b) Days cash : Total expenditure excluding depreciation and transfer to arms-length foundation

At the end of July 2018 the ratio of current assets: current liabilities excluding deferred capital grants was 1.3 (July 2017: 1.3) and the days cash: expenditure excluding depreciation was 22 (July 2017: 24).

**Creditor Payment Policy**

The College complies with the Confederation of British Industry (CBI) Prompt Payment Code and has a policy of paying its suppliers on a net monthly basis unless supplier payment terms are different then payment is made in accordance with those terms. Any invoices in dispute are handled as quickly as possible. There are no matters to disclose under the Late Payment of Commercial Debts (Interest) Act 1998 during the period.

## **Modern Slavery and Human Trafficking Statement**

Modern slavery is a crime and a violation of fundamental human rights. It takes various forms, such as slavery, servitude, forced and compulsory labour and human trafficking, all of which have in common the deprivation of a person's liberty by another in order to exploit them for personal or commercial gain.

The College publishes an annual Modern Slavery and Human Trafficking Statement on its website which is designed to satisfy the requirements of Part 6 of the Modern Slavery Act 2015, by informing our students, staff and the public about Glasgow Clyde College and its procedures with respect to modern slavery, human trafficking, forced and bonded labour and labour rights violations in its supply chains.

The College's statement can be found at  
<https://www.glasgowclyde.ac.uk/Slavery%20Act%20Statement>

## **Anti-Bribery, Fraud and Corruption Policy**

The College has an Anti-Bribery, Fraud and Corruption Policy which states that it is the policy of the Board of Management to provide a high standard of service and accountability to protect against bribery, fraud and corruption within the College and from external sources. The key elements of this policy are:

- adequate preventative measures, systems and procedures, which incorporate internal controls, including adequate separation of duties to ensure that, as far as possible, errors, fraud and corruption are prevented;
- systems for detection and investigation, including policy guidance and the Fraud Response Plan;
- understanding and awareness within the College of the College's agreed policies and procedures e.g. Financial Regulations;
- an open, honest and transparent culture; and
- the adoption of a policy for Unethical Behaviour and Whistleblowing.

This policy has been developed with due regard to all relevant legislation including the Bribery Act 2010.

**The Performance Report is approved by the Principal on 12 December 2018:**

**Jon Vincent  
Principal**



## ACCOUNTABILITY REPORT

### CORPORATE GOVERNANCE REPORT

### BOARD OF MANAGEMENT REPORT

The membership of the Board of Management and the related Committees during the financial period 2017/18 is outlined below: -

#### a) Members who are not staff or students of the College:

Mr D Newall, Chair	Former University Secretary, University of Glasgow
Ms S Heidinger	Director of Human Resources, University of Strathclyde
Mr G McGuinness	Head of Industries and Enterprise Networks at Skills Development Scotland
Mr D Watt	Former Director, KPMG LLP
Mr K Rosser	Director of Screening and Compliance Service, Reed International
Mr R Fraser	Director of Finance, University of Glasgow
Mr G Whiteford	Head of Early Careers and Skills, BAE Systems Naval Ships
Ms C Davidson	Strategic Programme Manager, Renfrewshire Council
Ms M Docherty	Former Head of Education, North Ayrshire Council
Ms F Godsman	Chief Executive, Scottish Institute for Enterprise
Mr S Cooley (to January 2018)	Senior Design Engineer, EDF Energy
Mr M Payne (from December 2017)	Portfolio Actuarial & Operations Director, Regulations & Legacy Portfolio, Prudential

None of the above Board members receive any remuneration. Expenses may be claimed for attendance at meetings.

**b) Members who are staff or students of the College:**

Mr J Vincent	Principal & Chief Executive Officer, Glasgow Clyde College (from 24 September 2017)
Mr B Hughes	Acting Principal & Chief Executive Officer, Glasgow Clyde College (to 23 September 2017)
Mr S Henson	Teaching Member
Ms C Walker	Support Staff Member
Ms K Gasiorowska	Students' Association President
Mr D Perez (to July 2018)	Students' Association Vice President
Ms F Robinson (from July 2018)	Students' Association Vice President

**Board Attendance**

Attendance at all meetings is routinely monitored. In the period of 1 August 2017 to 31 July 2018 the attendance of Board members at Board of Management meetings was as shown.

<b>NAME</b>	<b>NUMBER OF POSSIBLE MEETINGS</b>	<b>NUMBER OF MEETINGS ATTENDED</b>	<b>PERCENTAGE ATTENDED</b>
D Newall	5	5	100%
S Heidinger	5	5	100%
S Cooley	3	1	33%
C Davidson	5	4	80%
M Docherty	5	5	100%
R Fraser	5	2	40%
F Godsman	5	5	100%
K Gasiorowska	5	4	80%
S Henson	5	4	80%
B Hughes (as Acting Principal)	1	1	100%
G McGuinness	5	5	100%
M Payne	2	2	100%
D Perez	4	3	75%
K Rosser	5	2	40%
J Vincent	4	4	100%
C Walker	5	3	60%
D Watt	5	4	80%
G Whiteford	5	4	80%

**Board Committees**

The Board has five standing committees; a Remuneration Committee, an Audit Committee, a Finance and Resources Committee, a Learning and Teaching Committee, and an Organisational Development Committee. A Nominations Committee was created and has met once in 2018 to take forward succession planning and board member recruitment. The Committee takes due regard of the Public Sector Equality Duty, guidance on Board diversity, and aims to recruit where possible to reflect the communities which the three College campuses serve. Recruitment processes are agreed to support the broad aims in these areas and to take account of the current Board Skills Matrix.

Members of the undernoted committees during the financial period 2017/18 were as follows:

**Audit Committee**

Mr D Watt Chair (from August 2017)  
Mr K Rosser  
Ms C Walker  
Mr D Perez (to June 2018)  
Ms F Robinson (from July 2018)  
Mr M Payne (from February 2018)

**Finance and Resources Committee**

Mr R Fraser, Chair  
Mr J Vincent, Principal (from 24 September 2017)  
Mr B Hughes, Acting Principal (to 23 September 2017)  
Mr S Henson  
Mr D Newall  
Ms K Gasiorowska  
Mr S Cooley (to January 2018)

**Learning and Teaching Committee**

Mr G McGuinness, Chair  
Mr J Vincent, Principal (from 24 September 2017)  
Mr B Hughes, Acting Principal (to 23 September 2017)  
Mr S Henson  
Ms C Davidson  
Ms F Godsman  
Ms K Gasiorowska

**Organisational Development Committee**

Ms S Heidinger, Chair  
Mr J Vincent, Principal (from 24 September 2017)  
Mr B Hughes, Acting Principal (to 23 September 2017)  
Ms C Walker  
Ms M Docherty  
Mr G Whiteford  
Ms F Robinson (from July 2018)

**Remuneration Committee**

Ms S Heidinger, Chair  
Mr D Newall  
Mr G McGuinness  
Mr D Watt  
Mr R Fraser

**Nominations Committee**

Mr D Newall, Chair  
Ms C Davidson  
Ms F Godsman  
Mr K Rosser  
Mr G Whiteford

**The Register of Interests for the Board of Management members who served from 1<sup>st</sup> August 2017 onwards can be found at [https://www.glasgowclyde.ac.uk/assets/000/004/577/Register of Interests 2018-19\\_071118. final pdf original.pdf](https://www.glasgowclyde.ac.uk/assets/000/004/577/Register_of_Interests_2018-19_071118_final_pdf_original.pdf)**

**EXECUTIVE MANAGEMENT TEAM**

Mr J Vincent, Principal and Chief Executive (from 24 September 2017)  
Mr B Hughes, Vice Principal, Curriculum & External Relations (Acting Principal to 23 September 2017)  
Ms J Thomson, Vice Principal, Resources & College Development  
Mr E Brownlie, Acting Vice Principal, Curriculum & External Relations (to 23 September 2017)

**The Register of Interests for the Executive Management Team can be found at [https://www.glasgowclyde.ac.uk/assets/000/004/598/Executive Management Team - Register of Interests 2018-19 original.pdf?1543330299](https://www.glasgowclyde.ac.uk/assets/000/004/598/Executive_Management_Team_-_Register_of_Interests_2018-19_original.pdf?1543330299)**

**DATA SECURITY**

There were no personal data-related incidents reported to the Information Commissioners Office during the 2017/18 financial period.

**OPENNESS AND FREEDOM OF INFORMATION**

All processing of information within the College during the financial period 2017/18 complies with the appropriate legislation including the General Data Protection Regulation (GDPR), Data Protection Act 2018 and the Freedom of Information (Scotland) Act 2002.

## **ACCOUNTING POLICIES**

The Accounting Policies applied by the College are set out in pages 45 to 50. Financial Reporting Standard 102 – Employee Benefits, sets out the treatment of on-going pension obligations and the basis on which provisions have been made. The Board notes that the period end liabilities are sensitive to the underlying assumptions made by the College’s representative actuaries.

## **COLLEGE DEVELOPMENT PLAN**

Details in respect of the College’s Development Plan are outlined in the Performance Report section. The full document can be found at <https://www.glasgowclyde.ac.uk/about-us/development-plan-2016-2010>

## **ESTATES STRATEGY**

Details in respect of the College’s Estates Strategy are outlined in the Performance Report section.

## **DISCLOSURE OF INFORMATION TO AUDITORS**

The members who hold office at the date of approval of this report confirm that, so far as the Board of Management is aware, there is no relevant audit information of which the College’s auditors are unaware; and the Board of Management has taken all the steps that it ought to have taken as a Board of Management to make itself aware of any relevant audit information and to establish that the College’s auditors are aware of that information.

## **STATEMENT OF ACCOUNTABLE OFFICER’S RESPONSIBILITIES**

The Accountable Officer of Glasgow Clyde College is the Principal. The Principal confirms that:

- (a) as far as he is aware, there is no relevant audit information of which the entity’s auditors are unaware;
- (b) the Accountable Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity’s auditors are aware of that information;
- (c) the annual report and accounts as a whole is fair, balanced and understandable;
- (d) he takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

## **CORPORATE GOVERNANCE STATEMENT**

The purpose of this Corporate Governance Statement is to help the reader of the financial statements understand how the principles have been applied for the period of the financial statements and for the future of the College going forward.

The Scottish Funding Council (SFC) Financial Memorandum applied to the College from August 2016 to March 2017. The Glasgow Colleges Regional Board (GCRB) achieved fundable body status from April 2017 and, as a result, the GCRB Financial Memorandum applies to the College from April 2017 onwards.

It is a condition of the Financial Memorandum with the Scottish Funding Council and GCRB that governing bodies comply with the principles of good governance set out in the 2016 Code of Good Governance for Scotland's Colleges. The Board of Management of Glasgow Clyde College is committed to exhibiting best practice in all aspects of Corporate Governance.

The College complies with all the principles of the 2016 Code of Good Governance for Scottish Colleges, and it has complied throughout the year ended 31 July 2018.

### **Board of Management and Committee Meetings for the period 1 August 2017 to 31 July 2018**

The Board of Management met five times during the period 1 August 2017 to 31 July 2018. All of the meetings were planned with no requirement for any Extraordinary Board meetings.

The Board has five standing committees; a Remuneration Committee, an Audit Committee, a Finance and Resources Committee, a Learning and Teaching Committee, and an Organisational Development Committee. In addition, a Nominations Committee held its first meeting during 2017/18 and a further meeting is anticipated during this academic year. Terms of Reference for all Committees have been updated during the 2017/18 year and these can be found within the new and revised Board Handbook. A Board member recruitment exercise was carried out over February to March 2018, and new channels of communication and advertising were utilised in efforts to improve the diversity of the Board and to better reflect the communities it serves. Despite interviewing, it proved not to be possible to make an appropriate appointment in this phase.

All of the Committees are formally constituted and comprise of members of the Board of Management which includes the Principal, two Student Members and two Staff members. Each Committee has delegated to it a specific list of functions as per the Committee remits, and the primary function of the Board Committees is to support the Board by addressing those specific functions and advising the Board upon related matters.

The Audit Committee met four times during the twelve-month period ending 31 July 2018 with the College's external and internal auditors in attendance as appropriate. The Committee considers detailed reports together with recommendations for improvements of the College's systems of internal control and management's responses and implementation plans. It also considers reports from Audit Scotland as they affect the College's business and monitors adherence to the regulatory requirements. Whilst senior executives of the College attend meetings of the Audit Committee as necessary, they are not members of the Committee.

The Finance and Resources Committee met three times during the twelve month period ending 31 July 2018. Four meetings were planned but the February 2018 meeting was cancelled due to the adverse weather conditions. This Committee, inter alia, recommends to the Board of Management the annual revenue and capital budgets and monitors the College's financial performance in relation to the approved budgets, including estates and resources implications.

The Learning and Teaching Committee met three times during the twelve-month period ending 31 July 2018. This Committee considers all aspects relating to the learning experience and identifies any related improvements that can be made. The Committee also formulates the Board's strategy in relation to the future educational direction of the College and actions all matters pertaining to student affairs, including welfare and discipline and student appeals.

The Organisational Development Committee met three times during the twelve-month period ending 31 July 2018. This Committee considers all policy aspects relating to staffing including equality and diversity issues, human resource issues, staff governance, staff well-being and health and safety matters.

The Remuneration Committee determines the remuneration of the most senior staff, including the Principal. The Remuneration Committee met once during the twelve month period ending 31 July 2018.

### **Governance Framework**

The Board Governance Framework includes an annual self-evaluation which is carried out July / August each year. This self-evaluation is utilised when agreeing the Board Development Plan in October of each year. The current evaluation was completed by all Board members in August 2018. In addition the Chair meets with individual Board members to agree personal development goals and assess performance. A 360-degree appraisal is carried out for the Chair and he meets with the Vice-Chair to discuss performance and future development needs and goals. All annual appraisals were completed in July and August 2018.

To ensure the Board are well informed regular briefings and updates are issued and papers of interest, guidance or policy are regularly circulated and monitored. In addition, all Board members have access to the College Development Network

Governance area of its website containing a wealth of learning and guidance and members are offered a calendar of training opportunities.

During the period 2017-18, the Board have taken cognisance of the recommendations of the Internal Audit Corporate Governance Report of July 2017 and all actions have been partially or fully implemented during this period.

### **Risk Management**

The Board of Management is of the view there is a satisfactory process in place for identifying, evaluating and managing the significant risks faced by the College. The risk management process is regularly reviewed by the Board of Management. The risk register was updated quarterly at Board meetings to reflect the risk scorings impacts of these matters as assessed at each review. Further information in respect of Principal Risks and Uncertainties is outlined in the Performance Report section.

### **Statement On System Of Internal Financial Control**

The College's Board of Management is responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is 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 College has an approved Risk Management Policy which was approved by the Board of Management in 2013. There is also a Risk Register for the College and each identified risk has a member of the Senior Leadership Team identified as the risk owner. The owner is responsible for ensuring that the mitigating counter measures are implemented for each risk, and for reviewing and updating the commentary and rating of each risk on an on-going basis. The Risk Register is reviewed regularly by the Senior Leadership Team and is presented quarterly to the Board of Management.

The Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units.

The College has a dedicated Clerk to the Board resource who reports to the Chair of the Board.

The Board of Management considers that the College has adequate resources to continue in operational existence for the foreseeable future.



**STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES**

In accordance with the College's Articles of Governance, the Board of Management of Glasgow Clyde College is responsible for the administration and management of the affairs of the College, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial period.

The Board of Management is responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the Constitution, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions, the 2017/18 Government Financial Reporting Manual (FReM) issued by the Scottish Government (FReM 2.2.14) where applicable, and other relevant accounting standards. It is the duty of the Board of Management, through its designated office holder, to prepare financial statements for each financial period which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that period.

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- the 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 Management has a responsibility to:**

- ensure that funds from the Glasgow Colleges Regional Board are used only for the purposes for which they have been given and in accordance with the Further and Higher Education (Scotland) Act 1992, the College's Financial Memorandum with the Funding Council, and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and hence to take reasonable steps to prevent and detect fraud;
- ensure reasonable steps have been taken to secure the economical, efficient and effective management of the College's resources and expenditure; and

- ensure sound corporate governance and the proper conduct of the College's operations.

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic faculties and schools and heads of support and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the College and the Board of Management;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Board of Management; and
- a professional Internal Audit team whose annual programme is agreed by the Audit Committee and endorsed by the Board of Management and whose head provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control. Any systems of internal financial control can however, only provide reasonable, but not absolute assurance against material misstatement or loss.

#### **Statement of disclosure to Auditors**

- so far as the Board of Management is aware, there is no relevant audit information of which the College's auditors are unaware; and
- it has taken all the steps that it ought to have taken as a Board of Management to make itself aware of any relevant audit information and to establish that the College's auditors are aware of that information.

## **REMUNERATION AND STAFF REPORT**

### **Introduction**

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2017/18 Government Financial Reporting Model (FReM) issued by the Scottish Government, for the period ending 31 July 2018.

### **Remuneration Policy**

The Remuneration Committee recommends to the Board the salaries and conditions of service of the Principal and members of Senior Management, within the Budget approved by the Board of Management, whilst being sensitive to pay and employment conditions elsewhere in the sector, especially when determining annual salary increases. The Committee meets a minimum of once a year. The members of the Committee during 2017/18 were:

- Ms S Heidinger (Chair)
- Mr D Newall
- Mr G McGuinness
- Mr D Watt
- Mr R Fraser

### **Remuneration including salary and pension entitlements**

#### **Salary entitlements**

The following table provides detail of the remuneration and pension interests of senior management.

<b>Name</b>	<b>Year ended 31 July 2018</b>			<b>Year ended 31 July 2017</b>		
	<b>Salary £'000</b>	<b>Pension Benefit £'000</b>	<b>Total £'000</b>	<b>Salary and Related Contractual Payments £'000</b>	<b>Pension Benefit £'000</b>	<b>Total £'000</b>
Jon Vincent	105-110	20-25	130-135	-	-	-
Susan Walsh	-	-	-	195-200	5-10	205-210
Eleanor Harris	-	-	-	75-80	0-5	80-85
Brian Hughes	100-105	0-5	100-105	95-100	15-20	115-120
Janet Thomson	85-90	40-45	130-135	85-90	30-35	120-125
Eric Brownlie (for the period in the acting VP role)	10-15	0-5	10-15	25-30	5-10	35-40

The information reported in the above tables is calculated based on methodologies provided by the relevant pension agencies. Four members of the senior management above are members of the Scottish Teachers Superannuation Scheme and one is a member of the Strathclyde Pension Fund.

The total annual equivalent salary for each member of the senior management team during 2017/18 is as follows:

<b>Name</b>	<b>Position</b>	<b>£'000</b>
Jon Vincent	Principal (Appointed 24 <sup>th</sup> September 2017)	125-130
Brian Hughes	Acting Principal (1 <sup>st</sup> August 2017 – 23 <sup>rd</sup> September 2017)	115-120
	Vice Principal (24 <sup>th</sup> September 2017– 31 <sup>st</sup> July 2018)	85-90
Janet Thomson	Vice Principal	85-90
Eric Brownlie	Acting Vice Principal (1 <sup>st</sup> August 2017 – 23 <sup>rd</sup> September 2017)	85-90

### **Median Remuneration**

Colleges are required by the FReM to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce.

Based on the 12 month equivalent figures above, the banded remuneration of the highest paid official in the organisation in the financial year 2017-18 was £125,000 - £130,000 (2016-17 £145,000-£150,000). This was 3.4 times (2016-17 3.9 times) the median remuneration of the workforce which was £37,426 (2016-17 £37,835). The range of remuneration was lowest £15,642 to highest £129,100.

### **Accrued Pension Benefits**

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

Both STSS and LGPS Funds are defined benefit pension schemes which changed from final salary schemes to career average schemes from 1 April 2015 and are contracted out of the State Earnings-Related Pension Fund.

The schemes' normal retirement age is 65.

Contribution rates are set annually for all employees and can be found in note 20.

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 Officials Pension

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

<b>Name</b>	<b>Accrued pension at pension age at 31 July 2018</b>	<b>Accrued lump sum at pension age at 31 July 2018</b>	<b>Real increase in pension 1 Aug 2017 to 31 July 2018</b>	<b>Real increase in lump sum 1 Aug 2017 to 31 July 2018</b>	<b>CETV at 31 July 2018</b>	<b>CETV at 31 July 2017</b>	<b>Real increase in CETV</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Jon Vincent</b>	0 – 5	0 – 5	0 - 2.5	0 - 2.5	0	21	8
<b>Brian Hughes</b>	45 - 50	145 - 150	0 - 2.5	0 – 2.5	1,133	1,125	0
<b>Janet Thomson</b>	20 - 25	15 - 20	2.5 - 5	0 – 2.5	295	264	39
<b>Eric Brownlie</b>	25 - 30	75 - 80	0 – 2.5	0 – 2.5	512	514	0

Jon Vincent was appointed as Principal on 24 September 2017. The information above includes his pension benefits from the date of appointment.

Brian Hughes was Acting Principal from 1 August 2017 to 23 September 2017. During this time as Acting Principal, an allowance was provided for the additional responsibilities, which has not been included in the pensions benefit calculation above but is included in the total salary in the salary entitlements table.

Janet Thomson was Acting Depute Principal from 1 August 2017 to 23 September 2017 and received an allowance for the additional responsibilities, which has not been included in the pensions benefit calculation above but is included in the total salary in the salary entitlements table.

Eric Brownlie was Acting Vice Principal during the financial period 2017/18 from 1 August 2017 to 23 September 2017. The information above includes his salary entitlements and pension benefits for his role in the Executive Management Team for this time.

## Cash equivalent Transfer Value (CETV)

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

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

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

- (i) the figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
- (ii) the accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

**Real increase in CETV**

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

**Compensation for loss of office**

No employees left under voluntary exit terms during the year.

**Glasgow Clyde College Workforce**

The College employed 700 people in 2017/18 (2016/17: 717) expressed in full time equivalents of whom 391 (56%) were teaching staff.

For the year to 31 July 2018, in headcount terms the College employed 781 permanent members of staff (2016/17: 783) and 389 temporary staff members (2016/17: 391). For the same period the college employed in headcount terms 746 females (2016/17: 731) and 424 males (2016/17: 443). The senior management team consisted of 4 females and 8 males.

**Salaries and Related Costs of the College Workforce**

	<b>12 months ended 31 July 2018</b>	<b>12 months ended 31 July 2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Directly employed staff</b>		
Wages and salaries	25,252	24,279
Social security costs	2,503	2,372
Other pension costs	3,935	4,004
Other staff costs	0	0
<b>Sub total</b>	<b>31,690</b>	<b>30,655</b>
Seconded and agency staff	229	195
<b>Total</b>	<b>31,919</b>	<b>30,850</b>
Average number of FTE	700	717

## **Pension Arrangements**

The College participates in two separate defined pension schemes, which are the Strathclyde Pension Fund (SPF) for support staff, the Scottish Teachers Superannuation Scheme (STSS) for teaching staff.

The College accounts for the SPF in accordance with the requirements of FRS102. The College's share of the scheme deficit as at 31 July 2018 was £0.2m (2017; £9.8m) and is included within the reserves. The College treats the STSS Scheme as a defined contribution scheme as the scheme is not able to calculate the individual employers' share of the overall deficit. Further details in regard to the pension arrangements for the College can be found in Note 20 to the Financial Statements including contribution rates payable.

## **Equal Opportunities**

The College has an Equal Opportunities Policy in place, with the aim of ensuring that all staff, students and customers are treated equally regardless of protected characteristic. All Colleges policies and procedures will undergo an equality impact assessment.

Glasgow Clyde College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that their employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion to disabled staff which are, as far as possible, identical to those for other employees. The College holds the Positive About Disabled Kitemark.

## **Health, safety and well-being**

The College has a Health and Safety Committee which assesses the workplace regularly to ensure that our staff work in a safe environment which supports their well-being.

There was a decrease in staff absence sickness rates in 2017-18: the 12-month rolling absence figure for Glasgow Clyde College was 3.65% as at 31 July 2018 (as at 31 July 2017: 3.9%) which is 0.45% lower than the target set for the academic year.

## **Staff relations**

The College recognises the importance of good industrial relations and effective communication with our staff. There is a Joint Consultation and Negotiation Committee (JCNC) and Management Union Information Exchange Committee (MUIE), which meets regularly, and involves members of our Senior Leadership Team (SLT) and representatives from our staff trade unions, EIS, GMB & Unison. Through this we share information, discuss issues of mutual concern, consult and, where appropriate negotiate.

The College also have a health and safety committee which includes union representatives to help ensure the safety and wellbeing of staff.

**Facility Time**

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the college provided the following support through paid facility time for union officials working at the College during the year ended 31 July 2018.

**Relevant Union Officials**

Number of employees who were relevant union officials during the relevant period:	Full-Time equivalent employee number:
25	25

**Percentage of time spent on facility time**

Percentage:	Number of employees:
0%	0
1%-50%	25
51%-99%	0
100%	0

**Percentage of pay bill spend on facility time**

Total cost of facility time:	£78,410
Total pay bill:	£30,853,021
Percentage of the total pay bill spent on facility time:	0.254%

**Paid trade union activities**

Time spent on trade union activities as a percentage of total paid facility time hours:	4.07%
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**The Accountability Report is approved by order of the members of the Board of Management on 12 December 2018 and signed on its behalf by:**

**David Newall**  
Chair of Board of Management

**Jon Vincent**  
Principal



**PROFESSIONAL ADVISORS**

The College's professional advisors are as below:

Audit Scotland appointed Scott Moncrieff as Glasgow Clyde College's external auditors from 2016/17 to 2020/21. Henderson Loggie were appointed internal auditors by the College during 2015/16 and were subsequently reappointed in August 2017 for a period of three years as a result of a tender exercise.

Bankers: Royal Bank of Scotland, 139 St Vincent Street, Glasgow G2 5FY  
Barclays Bank plc, 120 Bothwell Street, Glasgow G2 7JT

External Auditors: Scott Moncrieff, Exchange Place, 3 Semple Street, Edinburgh EH3 8BL

Solicitors (Employment Matters): Anderson Strathern, 50 George Square, Glasgow G2 1EH

Solicitors (Property Matters) Thorntons Law, Whitehall House, 33 Yeaman Shore, Dundee DD1 4BJ

Internal Auditors: Henderson Loggie, The Vision Building, 20 Greenmarket Place, Dundee DD1 4QB

**Independent auditor's report to the members of the Board of Management of Glasgow Clyde 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 Glasgow Clyde College for the year ended 31 July 2018 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 Statement of Comprehensive Income and Expenditure, Balance Sheet, Statement of Changes in Reserves and Statement of Cash Flows 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 college's affairs as at 31 July 2018 and of its surplus 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 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.

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](http://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, the audited part of the remuneration and staff report, 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 matters prescribed by the Auditor General for Scotland**

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

- 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**

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.

Signed \_\_\_\_\_

Gary Devlin, (for and on behalf of Scott-Moncrieff)

Scott-Moncrieff

Exchange Place 3

Semple Street

Edinburgh

EH3 8BL

Date \_\_\_\_\_

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

**STATEMENT OF ACCOUNTING POLICIES**

**BASIS OF PREPARATION**

The College is a freestanding corporate body under the provisions of the Further and Higher Education (Scotland) Act 1992. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) 2015: Accounting for Further and Higher Education and in accordance with Financial Reporting Standards FRS 102. Where applicable, the Report and Financial Statements also comply with the 2017-18 Government Financial Report Model (FReM) issued by the Scottish Government. The financial statements conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

The College is a public benefit entity and has applied the relevant public benefit requirements of FRS102. The financial statements also conform to guidance published by the Scottish Funding Council.

The preparation of financial statements in compliance with FRS 102 requires the use of certain material accounting estimates. It also requires the Board of Management to exercise judgement in applying the College’s accounting policies as described below.

**ACCOUNTING POLICIES & BASIS OF ACCOUNTING**

The financial statements are prepared in accordance with the historic cost convention, modified by the revaluation of certain fixed assets. The presentation currency is pound sterling and the financial statements are rounded to the nearest thousand.

**JUDGEMENTS IN APPLYING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In preparing the financial statements, the Board of Management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with 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.

The Board of Management are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

<b>Estimate</b>	<b>Basis of estimation</b>
Valuation of buildings	College buildings are of a specialist nature and are valued on the depreciated replacement cost basis.
Useful economic lives of buildings and plant/equipment	Buildings are depreciated over their expected remaining useful economic life as assessed by an independent, qualified valuer. Buildings owned by the College are split into components and each component is valued and depreciated separately. The economic lives currently in use are in the range of 10 to 60 years. The estimated useful life of plant and equipment is 4 to 10 years.

The obligations under the Strathclyde Pension Scheme (SPF)

The Board of Management uses actuarial assumptions determined in conjunction with the Scheme's qualified actuaries which are considered reasonable and appropriate.

## **GOING CONCERN**

The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future. For this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

The College has a medium term Financial Strategy in place, in line with Audit Scotland recommendations for the sector, which seeks to anticipate the likely challenges ahead. If the full pension deficit is not met from other sources of income, it will be funded by future Grant in Aid from the SFC. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such income may not be paid in advance of need. The Board of Glasgow Clyde College has no reason to believe that either the SFC financial support or future Ministerial approval will not be forthcoming or will only provide a reduced support to Glasgow Clyde College. Given the above, it has accordingly been considered appropriate to adopt a going concern basis for the preparation of these accounts.

## **REVENUE RECOGNITION**

Income from grants, contracts and other services rendered is recognised in the Statement of Comprehensive Income and Expenditure in proportion to the extent of completion of the contract or service concerned. The main annual recurring allocation from the Scottish Funding Council is intended to meet recurrent costs, and is credited direct to the Statement of Comprehensive Income and Expenditure and related costs are reported to the relevant period.

Tuition fees are credited to the Statement of Comprehensive Income and Expenditure account in the period in which they are due to be received.

For Bursary, Discretionary and Education Maintenance Allowance funds, the grants are excluded from the Statement of Comprehensive Income and Expenditure of the College as these grants are available solely for students, with the College acting as paying agent. Childcare funds from the SFC and Glasgow Colleges Regional Board are included in the College Statement of Comprehensive Income and Expenditure.

## **GOVERNMENT GRANTS**

Government revenue grants including the Glasgow Colleges Regional Board funding council block grant are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate.

Where a capital grant is received from government sources, the income is recognised over the life asset.

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.

## **NON EXCHANGE TRANSACTIONS**

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.

## **ACCOUNTING FOR RETIREMENT BENEFITS**

The College participates in the Strathclyde Pension Fund (SPF) and the Scottish Teachers Superannuation Scheme (STSS).

The Scottish Teachers Superannuation Scheme is administered by the Scottish Public Pensions Agency. It is a multi-employer defined pension scheme, however, the College is unable to identify its share of the underlying assets and liabilities on a consistent and reliable basis and, therefore, as required by FRS 102 accounts for its participation in the STSS as if it were a defined contribution scheme. As a result, contributions are charged to the Statement of Comprehensive Income and Expenditure as they arise.

This is expected to result in the pension cost being a substantially level percentage of current and future pensionable payrolls. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit basis.

The Strathclyde Pension Fund is administered by Glasgow City Council and requires contributions to be made to its Number 1 fund. The Fund is a defined benefit pension scheme which changed from a final salary scheme to a career average scheme from 1 April 2015 and is contracted out of the State Earnings-Related Pension Fund. Assets and liabilities of the funds are held separately from those of the College. Fund assets are measured using market values. Fund 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 Strathclyde Pension Fund are calculated so as to spread the cost of pension 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. The actuaries also review the progress of the scheme in each of the intervening years. Variations from regular cost are spread over the expected average remaining working lifetime of members of the Fund, after making allowances for future withdrawals.

The expected cost of providing staff pensions to employees contributing to the Fund is recognised in the Statement of Comprehensive Income and Expenditure on a systematic basis over the expected average remaining lives of members of the funds in accordance with FRS 102 and recognises retirement benefits as the benefits are earned and not when they are due to be paid.



**SHORT TERM 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.

**FINANCE LEASES**

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.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**OPERATING LEASES**

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.

**TANGIBLE FIXED ASSETS****LAND AND BUILDINGS**

Land and buildings in operational use have been included in the balance sheet at valuation which, due to their specialised nature in being used as a College, is stated at depreciated replacement cost. The college does not depreciate land.

Values are stated as at the latest interim valuation for 31 March 2017, based on the valuation report with reference to that date as prepared by Ryden. The only exception is the recently constructed Horticulture Facility at the Langside Campus which was valued in May 2018 at the request of external auditors. The College has a policy of undertaking a full revaluation at least every five years, with an interim valuation carried out after three years, such that the market value is not materially different to the current value.

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.

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.

Depreciation on buildings is provided in the Statement of Comprehensive Income and Expenditure on opening valuation or cost with an equivalent amount being transferred from the revaluation reserve and included in the Statement of Comprehensive Income and Expenditure.

## **PLANT AND EQUIPMENT**

Individual items of plant and equipment or groups of items costing more than £10,000 have been capitalised at cost and are depreciated over their useful economic life. All other plant and equipment is written off to the Statement of Comprehensive Income and Expenditure in the period of acquisition.

Plant and 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 plant and equipment as it is common for such assets to reduce in value, rather than increase, as they are utilised by the College.

## **MAINTENANCE OF PREMISES**

The cost of maintenance is charged to the Statement of Comprehensive Income and Expenditure in the period in which it is incurred.

## **STOCK**

Stock is stated at the lower of cost and net realisable value.

## **PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

The College has made provision for the enhanced pensions paid to former employees who have taken early retirement for which it is liable. This provision is valued based on an annual actuarial report carried out by an independent actuary. The annual cost is funded from the provision and the provision level is maintained by an annual charge in the Statement of Comprehensive Income and Expenditure.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

## **FINANCIAL INSTRUMENTS**

Financial instruments are recognised in the Balance sheet when the College becomes party to the contractual provisions of the instrument. All of the College's financial instruments are classified as 'basic' in accordance with Chapter 11 of FRS102. All of the College's financial instruments are measured at transaction price.

Financial assets are derecognised when the contractual rights to the cash flows from asset to expire, or when the College 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.

## **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents includes cash in hand, deposits repayable on demand and overdrafts and other highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

## **TAXATION**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and, therefore, it meets the definition of a charitable body for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

## **EVENTS AFTER THE REPORTING PERIOD**

Institutions are required to identify events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue and make adjustments or disclosures where these are material to the understanding of the financial statements.

Two types of events can be identified:

- adjusting events are those that provide evidence of conditions that existed at the end of the reporting period, for example information that indicates an asset was impaired at the period end; and
- non-adjusting events are those that indicate conditions that arose after the end of the reporting period, for example a decline in the market value of investments between the period end and the date when the financial statements are authorised for issue.

Whilst adjusting events will result in changes to assets or liabilities included in the financial statements, non-adjusting events only result in disclosure.

**STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE  
YEAR ENDED 31 JULY 2018**

	<u>Note</u>	<u>Year to 31 July 2018</u>	<u>Year to 31 July 2017</u>
		£'000	£'000
<b>INCOME</b>			
Funding Council Grants	1	36,011	34,438
SFC Exceptional restructuring income	1	0	4
Tuition Fees and Education Contracts	2	7,124	7,538
Other Grant Income	3	1,629	1,729
Other Operating Income	4	4,430	4,287
Investment Income	5	1	7
<b>Total Income</b>		<b>49,195</b>	<b>48,003</b>
<b>EXPENDITURE</b>			
Staff Costs	6	33,138	31,775
Exceptional restructuring costs	6	0	4
Other Operating Expenses	8	11,075	11,552
Depreciation	11	5,195	4,392
Donation to Arm's-Length Foundation		0	0
Interest Payable	9	283	241
<b>Total Expenditure</b>		<b>49,691</b>	<b>47,964</b>
Surplus/(deficit) on Continuing Operations before tax		<b>(496)</b>	<b>39</b>
Taxation	10	<b>0</b>	<b>0</b>
<b>Surplus/(deficit) on Continuing Operations after tax</b>		<b>(496)</b>	<b>39</b>
Unrealised surplus/(deficit) on revaluation of land and buildings		<b>(169)</b>	<b>18,526</b>
Actuarial gains/(losses) on defined benefit pension plans	20	<b>11,273</b>	<b>1,076</b>
<b>Total Unrestricted Comprehensive Income for the year</b>		<b>10,608</b>	<b>19,641</b>

The Statement of Comprehensive Income is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect the non-cash budget for depreciation in the Statement of Comprehensive Income. Note 27 provides details of the adjusted operating position on a Central Government accounting basis.

**STATEMENT OF CHANGES IN RESERVES  
YEAR ENDED 31 JULY 2018**

	<b>Income and Expenditure Reserve £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Total</b>
<b>Balance at 1 August 2017</b>	<b>(3,226)</b>	<b>61,583</b>	<b>58,357</b>
Deficit from income and expenditure statement	(496)		(496)
Actuarial Adjustment	11,273		11,273
Transfer to/from Revaluation Reserve	646	(646)	0
Revaluation of Buildings in year	0	(169)	(169)
Total comprehensive income for the year	11,423	(815)	10,608
<b>Balance at 31 July 2018</b>	<b>8,197</b>	<b>60,768</b>	<b>68,965</b>
<b>Balance at 1 August 2016</b>	<b>(5,149)</b>	<b>43,865</b>	<b>38,716</b>
Surplus from income and expenditure statement	39		39
Actuarial Adjustment	1,076		1,076
Transfer to/from Revaluation Reserve	808	(808)	0
Revaluation of Buildings in year		18,526	18,526
Total comprehensive income for the year	1,923	17,718	19,641
<b>Balance at 31 July 2017</b>	<b>(3,226)</b>	<b>61,583</b>	<b>58,357</b>

**BALANCE SHEET  
YEAR ENDED 31 JULY 2018**

	<u>Note</u>	<u>31 July</u> <u>2018</u> £'000	<u>31 July</u> <u>2017</u> £'000
<b>FIXED ASSETS</b>			
Tangible Fixed Assets	11	158,975	161,021
<b>Total Fixed Assets</b>		<u>158,975</u>	<u>161,021</u>
<b>CURRENT ASSETS</b>			
Stocks	12	24	19
Debtors	13	1,812	2,410
Cash at Bank and in Hand	17	2,632	2,913
<b>Total Current Assets</b>		<u>4,468</u>	<u>5,342</u>
<b>Less: Creditors – amounts due within one year</b>	14	(6,935)	(7,460)
<b>NET CURRENT ASSETS</b>		<u>(2,467)</u>	<u>(2,118)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>156,508</b>	<b>158,903</b>
Less: Creditors – amounts due after more than one year	15	(84,270)	(87,443)
<b>NET ASSETS BEFORE PENSION ASSET/LIABILITY</b>		<b>72,238</b>	<b>71,460</b>
Funded Pension Provision	20	(222)	(9,764)
Unfunded Pension Provision	16	(3,051)	(3,339)
<b>NET ASSETS AFTER PENSION LIABILITY</b>		<u>68,965</u>	<u>58,357</u>
<b>UNRESTRICTED RESERVES</b>			
Income and expenditure – unrestricted		8,197	(3,226)
Revaluation Reserve		60,768	61,583
<b>TOTAL</b>		<u>68,965</u>	<u>58,357</u>

The financial statements on pages 51 to 53 were approved by the Board of Management on 12 December 2018 and signed on its behalf by:

\_\_\_\_\_  
David Newall,  
Chair, Glasgow Clyde College

\_\_\_\_\_  
Jon Vincent  
Principal,  
Glasgow Clyde College

**STATEMENT OF CASH FLOWS  
YEAR ENDED 31 JULY 2018**

	<u>Year to 31 July 2018</u>	<u>Year to 31 July 2017</u>
	£'000	£'000
<b>Cash (out)/inflow from operating activities</b>		
Surplus/(deficit) for the year	(496)	39
<b>Adjustment for non-cash items;</b>		
Depreciation	5,195	4,392
Decrease/(increase) in stock	(5)	3
Decrease/(increase) in debtors	598	(338)
Increase/(decrease) in creditors	(3,698)	(2,960)
Increase/(decrease) in pension provision	1,731	1,361
Increase/(decrease) in other provision	(288)	(37)
<b>Adjustment for investing or financing activities;</b>		
Investment income	(1)	(7)
Payments to acquire fixed assets	(3,318)	(4,421)
<b>Net cash (outflow)/inflow from operating activities</b>	(282)	(1,968)
<b>Cash flows from investing activities;</b>		
Investment Income	1	7
<b>(Decrease)/increase in cash and cash equivalents in the year</b>	(281)	(1,961)
Cash and cash equivalents at beginning of the year	2,913	4,874
Movement in net funds for the period	(281)	(1,961)
Cash and cash equivalents at the end of the year	<u>2,632</u>	<u>2,913</u>

**NOTES TO THE FINANCIAL STATEMENTS**
**1. SFC/RSB GRANTS**

	<u>Year to</u> <u>31 July</u> <u>2018</u> £'000	<u>Year to</u> <u>31 July</u> <u>2017</u> £'000
FE Recurrent Grant (including fee waiver)	28,770	27,991
Childcare funds	1,648	1,504
Release of SFC deferred capital grants	3,066	2,981
Other SFC grants	2,527	1,962
	<hr/> 36,011	<hr/> 34,438
Exceptional Restructuring Income	0	4
Total	<hr/> <hr/> 36,011	<hr/> <hr/> 34,442

**2. TUITION FEES AND EDUCATION CONTRACTS**

	<u>Year to</u> <u>31 July</u> <u>2018</u> £'000	<u>Year to</u> <u>31 July</u> <u>2017</u> £'000
FE Fees – UK & EU	355	265
Fees – Non EU	22	8
HE Fees	3,719	3,827
SDS Contracts	613	618
Other Contracts	2,415	2,820
Total	<hr/> 7,124	<hr/> 7,538

**3. OTHER GRANT INCOME**

	<u>Year to</u> <u>31 July</u> <u>2018</u> £'000	<u>Year to</u> <u>31 July</u> <u>2017</u> £'000
European Funds	84	114
Other Grant Income	1,121	1,125
Release of Non SFC Government Capital Grants	424	490
	<hr/> 1,629	<hr/> 1,729

**4. OTHER OPERATING INCOME**

	<u>Year to</u> <u>31 July</u> <u>2018</u> £'000	<u>Year to</u> <u>31 July</u> <u>2017</u> £'000
Glasgow Clyde Education Foundation revenue projects	179	489
Glasgow Clyde Education Foundation Capital Projects	2,527	2,084
Catering Income	604	628
Other Income Generating Activities	738	637
Other Income	382	449
	<hr/> 4,430	<hr/> 4,287



**5. INVESTMENT INCOME**

	<u>Year to</u> <u>31 July</u> <u>2018</u> £'000	<u>Year to</u> <u>31 July</u> <u>2017</u> £'000
Other Interest Receivable	1	7
	<u>1</u>	<u>7</u>

**6. STAFF COSTS**

**6.01 Staff Costs:**

	<u>Year to</u> <u>31 July</u> <u>2018</u> £'000	<u>Year to</u> <u>31 July</u> <u>2017</u> £'000
Wages and salaries	25,252	24,279
Social security costs	2,503	2,372
Other pension costs (excluding FRS102 Adjustment)	3,935	4,004
Restructuring Costs	0	4
FRS 102 pension adjustment	1,448	1,120
Total Staff Costs	<u>33,138</u>	<u>31,779</u>

	<u>Year to</u> <u>31 July</u> <u>2018</u>	<u>Year to</u> <u>31 July</u> <u>2017</u>
Executive Management	370	620
Academic/Teaching Departments	21,012	19,793
Academic/Teaching Support Services	4,105	3,939
Administration and Central Services	4,839	4,766
Premises	1,140	1,101
Catering	330	286
Sub-total Wages & Salaries	<u>31,796</u>	<u>30,505</u>
Unfunded Pension Costs	(106)	150
Exceptional restructuring costs	0	4
Funded Pensions FRS102 adjustment	1,448	1,120
Total Wages and Salaries (including exceptional restructuring costs)	<u>33,138</u>	<u>31,779</u>

**6.02 Staff Numbers;**

The average number of persons (including senior post holders) employed by the College during the period, expressed as full-time equivalents (FTE) was:

	<u>Year to 31</u> <u>July 2018</u>	<u>Year to 31</u> <u>July 2017</u>
Executive Management	3	4
Academic/Teaching Departments	423	421
Academic/Teaching Support Services	101	115
Administration and Central Services	125	131
Premises	36	35
Catering	12	11
<b>TOTAL</b>	<u>700</u>	<u>717</u>

Through the National Bargaining process, the following pay awards were implemented during academic year 2017/18.

As instructed by Colleges Scotland Employers Association, the migration from the current salary scales to the new National Pay Scale commenced in order to generate a notional salary for April 2019. Harmonisation of Teaching salaries began in April 2017 in which 25% of the difference between the current and the notional was added to the annual salary, with a further 25% a year later and the final 50% added to the annual salary to complete the harmonisation in April 2019. In April 2019, the actual salary paid will be the notional salary identified in the migration process.

In line with an instruction from the Colleges Scotland Employers Association, a non-consolidated payment of £100 per FTE was made to teaching and support staff in May 2018.

Agreement was reached by Colleges Scotland Employers Association and Support Unions in October 2018 which results in a pay award for support staff for period April 2018 to March 2019 as follows: 3% on salary points < or equal to £36,500, 2% on salary points > £36,500, minimum payment of £650 (FTE), maximum payment of £1600 (FTE) for those earning £80k or more and within scope of the NRPA. The related costs for period April 2018 to July 2018 have been included in the financial statements.

The Senior Management Team, which is not covered by National Bargaining, received a pay award of 1.5% for period April 2018 to March 2019. Where appropriate the related award was capped at £1,600 per FTE, in line with public sector pay policy.

The number of staff, including senior post-holders and the Principal, who received emoluments in the following ranges were:

	<u>Year to 31 July 2018</u>	<u>Year to 31 July 2017</u>
£60,001 to £70,000 per annum	8	8
£70,001 to £80,000 per annum	1	*2
£80,001 to £90,000 per annum	*1	*1
£90,001 to £100,000 per annum	0	*1
£100,001 to £110,000 per annum	*2	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	0
£140,001 to £150,000 per annum	0	0
£150,001 and over	0	*1
<b>TOTAL</b>	12	13

\*Senior post holders

Payments in respect of compensation for loss of office are provided in the accounts in the period when severance is approved. Aggregate compensation for loss of office for staff whose earnings were more than £50,000 per annum or where the costs of all of the elements of a proposed arrangement amount to more than £75,000 comprised:

	<u>Year to 31 July 2018</u> £'000	<u>Year to 31 July 2017</u> £'000
Severance	0	0
Payment in lieu of notice	0	76
Pension Payments	0	0
<b>TOTAL</b>	0	76

## 7. SENIOR POST HOLDERS EMOLUMENTS

	<u>Year to 31 July 2018</u> Number	<u>Year to 31 July 2017</u> Number
The number of senior post-holders including the Principal was:	3	4

	Cost £'000	Cost £'000
Senior post-holders annual emoluments are made up as follows:		

Salaries and related contractual payments	313	490
Benefits in Kind	0	0
Employers Pension Contributions	56	67
<b>Total Emoluments</b>	369	557

The above emoluments include amounts payable to the Principal during the financial reporting period (who is also the highest paid Senior Post Holder) were:

	£'000	£'000
Salary and related contractual payments	109	195
Employers Pension Contributions	19	15
	128	210

In the Principal's absence an Acting Principal was appointed and the related emoluments for the Acting Principal post were as follows:

	£'000	£'000
Salary	20	98
Employers Pension Contributions	3	16
	23	114

The Principal is an ordinary member of the Scottish Teachers Superannuation Scheme. The College's contributions to the scheme were paid at the same rate as for other members of academic staff.

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

## **8. OTHER OPERATING EXPENSES**

	<u>Year to</u> <u>31 July</u> <u>2018</u>	<u>Year to</u> <u>31 July</u> <u>2017</u>
	£'000	£'000
Teaching Departments	2,362	2,719
Administration and Central Services	2,174	2,124
Premises Costs	2,892	3,172
Catering Costs	451	402
Childcare	1,648	1,504
Other	1,319	1,436
Lennartz Adjustment	0	0
Agency Staff Costs	229	195
<b>Total</b>	<b>11,075</b>	<b>11,552</b>

Other Operating Expenses include:

	£'000	£'000
<b>Auditor's remuneration</b>		
External audit – non-audit services	21	0
External audit of Financial Statements	35	38
Internal audit Services	23	19

Hire of other assets – Operating lease	5	10
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**9. INTEREST PAYABLE**

	<u>Year to</u> <u>31 July</u> <u>2018</u> £'000	<u>Year to</u> <u>31 July</u> <u>2017</u> £'000
Unfunded Pension finance costs	0	0
FRS102 Net Interest Charge	283	241
	<u>283</u>	<u>241</u>

**10. TAXATION**

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

**11. TANGIBLE FIXED ASSETS**

	<b>Land &amp; Buildings</b>	<b>Plant &amp; Equipment</b>	<b>Assets in the course of construction</b>	<b>Total</b>
<b>COST/VALUATION</b>	£'000	£'000	£'000	£'000
<b>As at 1 August 2017</b>	159,243	9,985	1,183	170,411
Additions	19	620	2,679	3,318
Disposals/Adjustments	0	0	0	0
Transfers	2,854	0	(2,854)	0
Revaluation	(169)	0	0	(169)
<b>As at 31 July 2018</b>	<b>161,947</b>	<b>10,605</b>	<b>1,008</b>	<b>173,560</b>
<b>DEPRECIATION</b>				
<b>As at 1 August 2017</b>	1,522	7,868	0	9,390
Provided during period	4,589	606	0	5,195
Disposals/Adjustments	0	0	0	0
Revaluation	0	0	0	0
<b>As at 31 July 2018</b>	<b>6,111</b>	<b>8,474</b>	<b>0</b>	<b>14,585</b>
<b>NET BOOK VALUE</b>				
As at 1 August 2017	157,721	2,117	1,183	161,021
As at 31 July 2018	<b>155,836</b>	<b>2,131</b>	<b>1,008</b>	<b>158,975</b>
At valuation	54,794	0	0	54,794
Financed by Capital Grant	97,516	2,131	1,008	100,655
Inherited/Other	3,526	0	0	3,526
<b>Total as at 31 July 2018</b>	<b>155,836</b>	<b>2,131</b>	<b>1,008</b>	<b>158,975</b>

The land and buildings of the College have been included in the balance sheet on the basis of a valuation conducted by Ryden as at 31 March 2017. The only exception is the recently constructed Horticulture Facility at the Langside Campus which was valued in May 2018. Fixed asset values have been subsequently adjusted for capital spend and other adjustments.

The land and buildings owned and occupied by the College at 31 March 2017 comprise property, which may not be disposed of, without prior approval of the Scottish Funding Council as follows:

- Hatfield Drive, Anniesland Campus – education and administration
- Mossspark Drive, Cardonald Campus – education and administration
- Prospecthill Road, Langside Campus – education and administration

Should publicly funded assets be sold, the College may be liable to surrender the proceeds under the terms of the Financial Memorandum with the Scottish Funding Council.

If fixed assets had not been re-valued, they would have been included at the following amounts:

	<b>2018</b>
	<b>£'000</b>
Cost	116,992
Aggregate depreciation based on cost	20,306
<b>Net book value based on cost</b>	<b><u>96,686</u></b>

<b>12. STOCKS</b>	<b><u>Year to 31</u></b>	<b><u>Year to</u></b>
	<b><u>July 2018</u></b>	<b><u>31 July</u></b>
		<b><u>2017</u></b>
	£'0 00	£'000
Goods for Resale	24	19

<b>13. TRADE AND OTHER RECEIVABLES</b>	<b><u>Year to 31</u></b>	<b><u>Year to</u></b>
	<b><u>July 2018</u></b>	<b><u>31 July</u></b>
		<b><u>2017</u></b>
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Trade Debtors – net of provision for doubtful debts	295	400
Debts due from students - net of provision for doubtful debts	69	76
European Funding	0	0
Prepayments and Accrued Income	1,448	1,934
	<u>1,812</u>	<u>2,410</u>

<b>14. CURRENT TRADE AND OTHER PAYABLES</b>	<b><u>Year to 31</u></b>	<b><u>Year to</u></b>
	<b><u>July 2018</u></b>	<b><u>31 July</u></b>
		<b><u>2017</u></b>
	£'000	£'000
Payments received in advance	178	181
Trade Creditors	306	369
Deferred Income	173	338
Deferred Capital Grants	3,490	3,471
Other Taxation (PAYE) and Social Security (NI)	624	588
VAT accumulated under the Lennartz Principle	532	581
VAT	125	162
Accruals	858	1,190
Other Creditors	649	580
	<u>6,935</u>	<u>7,460</u>

15. NON CURRENT TRADE AND OTHER PAYABLES

	<u>Year to 31 July 2018</u> £'000	<u>Year to 31 July 2017</u> £'000
Deferred Capital Income	83,901	86,542
VAT accumulated under the Lennartz Principle	369	901
	<u>84,270</u>	<u>87,443</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>31 July 2018</u>	<u>31 July 2017</u>
	<b>Unfunded pension</b>	<b>Total</b>
	£'000	£'000
<b>At 1 August</b>	£'000	£'000
Balance at 1 August as previously stated	3,339	3,376
Payments made in period	(182)	(187)
Provision adjustment required in period	(106)	150
<b>Balance at end of period</b>	<u>3,051</u>	<u>3,339</u>

The unfunded pension liability is in respect of future pension liabilities arising from early retirals. The valuation of the College's liabilities relating to the unfunded early retirement provision has been undertaken by an independent firm of actuaries.

17. ANALYSIS OF CHANGES IN NET FUNDS

	<b>At 31 July 2017</b>	Cash Flows	<b>At 31 July 2018</b>
	£'000	£'000	£'000
Cash	2,913	(281)	2,632
Investments	0	0	0
<b>TOTAL</b>	<u>2,913</u>	<u>(281)</u>	<u>2,632</u>



**18. RETURN ON INVESTMENTS AND SERVICING OF FINANCE**

	<u>Note</u>	<u>Year to</u> <u>31 July</u> <u>2018</u> £'000	<u>Year to</u> <u>31 July</u> <u>2017</u> £'000
Interest received – bank	5	1	7
Net cash inflow from returns on investments and servicing of finance		<u>1</u>	<u>7</u>

**19. FINANCIAL COMMITMENTS**

	Land & Buildings	Plant & Machinery	Other Leases	<u>Year to</u> <u>July</u> <u>2018</u> £'000	<u>Year to</u> <u>July</u> <u>2017</u> £'000
Payable during the year	0	0	5	5	10
Future minimum lease payment due:					
Not later than 1 year	0	0	0	0	10
Later than 1 year and not later than 5 years	0	0	0	0	0
Later than 5 years	0	0	0	0	0
<b>Total lease payments due</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10</b>

**20. PENSIONS AND SIMILAR OBLIGATIONS**

The College's employees belong to one of two principal pension schemes, The Strathclyde Pension Fund (SPF) and the Scottish Teachers' Superannuation Scheme (STSS):

**The total pension cost for the College was:**

	<u>Year to 31</u> <u>July 2018</u> £000s	<u>Year to 31</u> <u>July 2017</u> £000s
Contribution to STSS	2,605	2,487
Contribution to SPF	1,437	1,367
<b>Total Pension Cost for period</b>	<u>4,042</u>	<u>3,854</u>
Contribution rates:		
STSS	17.20%	17.20%
SPF	19.30%	19.30%

**Scottish Teachers Superannuation Scheme (STSS)**

Under the definitions set out in Financial Reporting Standard 102, the Scottish Teachers Superannuation Scheme is a multi-employer pension scheme, however the College is unable to identify its share of the underlying assets and liabilities of the scheme, therefore FRS102 allows the college to account for contributions from this scheme as if it were a defined contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

A full actuarial valuation was carried out at 31 March 2016. Contributions were payable to the STSS at a rate of 7.15% of pensionable pay as from 1 April 2002, 7.4% from April 2003, 12.5% from 1 October 2003, 13.5% from 1 April 2007 and 14.9% from 1 April 2009. Contributions payable increased to 17.2% as from September 2015.

The provisional valuation results as at 31 March 2016 for the Scottish Teachers' Pension Scheme, based on the draft amending directions issued by HM Treasury (HMT) on 6 September 2018, are:

- The cost cap cost of the scheme is 8.7%, which is 3.7% lower than the employer cost cap of 12.4% set in the 2012 valuation, and so breaches the 2% cost cap margin.
- The employer contribution rate required over the implementation period of 1 April 2019 – 31 March 2023 is 19.2% of pay, before any adjustment to member benefits or contributions to rectify the breach. This compares with the current employer contribution rate of 17.2%.
- An employer contribution rate required over the implementation period of 22.4%, after the 'default rectification' adjustment to scheme benefits.
- Balance sheet deficit of £1.3bn.

As a result of the above, the employer pension contribution is estimated to increase by 5.2% to 22.4% from April 2019.

Employer rates are reviewed every five years following a scheme valuation by the Government Actuary.

**FRS102**

Under the definitions set out in Financial Reporting Standard 102 (FRS 102) Section 28 Employee Benefits, the STSS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the Scheme.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information on the scheme and the implications for the College in terms of the anticipated contribution rates.

**Strathclyde Pension Fund**

The Strathclyde Pension Fund is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the period ended 31 July 2018 was £1,888,634 of which employer's contributions totalled £1,436,571 and employee's contributions totalled £452,063.

**Reconciliation of opening and closing balances;**

	<b>Year ended 31 July 2018 £000's</b>	<b>Year ended 31 July 2017 £000's</b>
Present Value of funded defined benefit obligations	(64,751)	(68,863)
Fair value of Plan Assets	64,529	59,099
Net over/(under) funding in funded plans	<u>(222)</u>	<u>(9,764)</u>
Net Liability	<u>(222)</u>	<u>(9,764)</u>

**Principal Actuarial Assumptions**

Major assumption used:	<b>As at 31 July 2018</b>	<b>As at 31 July 2017</b>
Pension increases	2.40%	2.50%
Rate of increase in salaries	3.60%	4.50%
Expected return on assets	2.80%	2.70%
Discount rate for liabilities	2.80%	2.70%

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

Period Ended:	<b>As at 31 July 2018</b>	<b>As at 31 July 2017</b>
Equities	64%	71%
Bonds	22%	14%
Property	11%	11%
Cash	3%	4%

Mortality has been assumed as future life expectancies at age 65 of:

	Males	Females
Current pensioners	21.4	23.7
Future pensioners	23.4	25.8

	<b>As at 31 July 2018</b>	<b>As at 31 July 2017</b>
<b>Analysis of the amount shown in the balance sheet</b>		
Fair value of plan assets	64,529	59,099
Present value of funded liabilities	(64,751)	(68,863)
Deficit in the scheme – net pension liability recorded within pension provisions	<b>(222)</b>	<b>(9,764)</b>

<b>Analysis of the amount charged to staff costs;</b>		
Current service cost	(2,881)	(2,479)
Past service cost	0	0
Total service costs	<b>(2,881)</b>	<b>(2,479)</b>

<b>Analysis of the amount charged to pension interest;</b>		
Interest cost	(1,888)	(1,482)
Interest income on planned assets	1,605	1,241
Net interest	<b>(283)</b>	<b>(241)</b>

<b>Analysis of other comprehensive income;</b>		
Return on assets	3,028	5,776
Other experience	3,002	0
Changes in financial assumptions	5,150	(4,700)
Changes in demographic assumptions	93	0
	<b>11,273</b>	<b>1,076</b>

<b>Analysis of the movement in deficit during the year;</b>		
Deficit in scheme at start of the year	(9,764)	(9,479)
Current service costs	(2,881)	(2,479)
Employer contributions	1,433	1,359
Net interest costs	(283)	(241)
Actuarial Gain/(Loss)	11,273	1,076
Deficit in scheme at end of year	<b>(222)</b>	<b>(9,764)</b>

	<b>As at 31 July 2018</b>	<b>As at 31 July 2017</b>
<b>Asset and Liability Reconciliation</b>	<b>£'000</b>	<b>£'000</b>
<b>Amount charged to Comprehensive Income and Expenditure;</b>		
Employer service cost (net of employee contribution)	(1,448)	(1,120)
Interest on obligation	(283)	(241)
Actuarial loss on scheme assets	11,273	1,076
	<b>9,542</b>	<b>(285)</b>

**Changes in the fair value of scheme assets;**

Opening fair value of scheme assets	59,099	51,407
Net Interest	1,605	1,241
Plan participants contributions	452	425
Contributions by the employer	1,433	1,359
Benefits paid	(1,088)	(1,109)
Expected return on assets	3,028	5,776
	<b>64,529</b>	<b>59,099</b>

**Changes in the present value of the designed benefit obligation;**

Opening defined benefit obligation	68,863	60,886
Current service costs	2,881	2,479
Past service costs	0	0
Interest cost	1,888	1,482
Plan participants contribution	452	425
Benefits paid	(1,088)	(1,109)
Actuarial Loss/gain	(8,245)	4,700
<b>Closing defined benefit obligation</b>	<b>64,751</b>	<b>68,863</b>

<b>Closing position as at 31 July</b>	<b>(222)</b>	<b>(9,764)</b>
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## **21. RELATED PARTY TRANSACTIONS**

The Board of Management of Glasgow Clyde College is a body incorporated under the Post-16 Education (Scotland) Act 2013 which is a modification of the Further and Higher Education (Scotland) Acts 1992 and 2005 and is funded by the Glasgow Colleges Regional Board.

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

College board member David Watt is an external member of the Audit and Risk Committee at the University of Glasgow and is a Trustee Director of Quarriers'. College board member Robert Fraser is the Director of Finance at the University of Glasgow. In 2017/18 the College recognised income of £66,135 from the University of Glasgow for training provision and income of £2,235 from Quarriers.

Sandra Heidinger, Vice Chair of the College Board of Management, is Director of Human Resources of University of Strathclyde. In 2017/18 the College recognised income of £84,220 mainly for Training Academy work in year and expenditure of £10,625 with the university. As at 31 July 2018 there was a debtor balance held of £1,510.

College board members Keith Rosser and Fiona Godsman are members of the board of Glasgow Clyde Education Foundation which is as required in the Foundation's constitution. In 2017/18 the College recognised income of £2,705,751 from the Foundation mainly for approved capital works and as at 31 July 2018, there was a debtor balance of £113,016.

Mr Rosser is also a Director of Screening and Compliance Services at REED. In 2017/18 the College recognised expenditure of £101,512 with REED for short term staff appointments and as at 31 July 2018 there was a creditor balance of £1,367.

College board member Gordon McGuinness is Director of Industries and Enterprise of Skills Development Scotland (SDS). In 2017/18 the College recognised income of £683,223 from SDS for a range of different training provision including Apprenticeships. As at 31 July 2018 there was a debtor balance held of £27,449. Mr McGuinness is also a member of the Scottish Qualifications Authority (SQA) Advisory Council. In 2017/18 the College recognised income of £6,566 and expenditure of £738,252 with SQA mainly for registration fees for all advanced and non-advanced courses. As at 31 July 2018 there was a creditor balance held of £22,807.

College board member Graeme Whiteford is Head of Early Careers and Skills at BAE Systems. In 2017/18 the college recognised income of £99,508 with BAE systems for training provision largely for Apprentices and as at 31 July 2018 there was a debtor balance of £96,578.

Janet Thomson, Vice Principal Resources and College Development, is a member of the board of Advanced Procurement for Universities and Colleges (APUC). In 2017/18 the College recognised expenditure of £58,798 with APUC for the procurement service received and for shared services from APUC.

Brian Hughes, Vice Principal Curriculum and External Relations, is a member of the board of West of Scotland Colleges' Partnership (WoSCoP). In 2017/18 the College recognised expenditure of £35,300 with WoSCoP as partnership fees to be in that organisation.

22. FE BURSARY AND OTHER STUDENT SUPPORT FUNDS

	FE Bursary	FE Hardship	HE Hardship	Other: EMA	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance b/fwd</b>	5	0	28	0	33	4
Opening SFC Debtor	0	0	0	(36)	(36)	(86)
Allocation received in year	7,168	871	317	394	8,750	8,496
Closing SFC Debtor	0	0	0	14	14	36
	<u>7,173</u>	<u>871</u>	<u>345</u>	<u>372</u>	<u>8,761</u>	<u>8,450</u>
Expenditure Repaid as clawback	(7,181)	(607)	(308)	(372)	(8,468)	(8,342)
Virements	(5)	0	(28)	0	(33)	(4)
	121	(264)	0	0	(143)	(71)
<b>Balance c/fwd</b>	<u>108</u>	<u>0</u>	<u>9</u>	<u>0</u>	<u>117</u>	<u>33</u>
<b>Represented by:</b>						
Retained by College for students	0	0	0	0	0	0
Repayable as Clawback	108	0	9	0	117	33
	<u>108</u>	<u>0</u>	<u>9</u>	<u>0</u>	<u>117</u>	<u>33</u>

All Bursary and Student Support Grants are available solely for students, the College acting only as paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income and Expenditure.



**23. FE CHILDCARE FUNDS**

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Balance b/fwd	0	0
Allocation received in period	1,505	1,433
	<hr/> 1,505	<hr/> 1,433
Expenditure	(1,648)	(1,504)
Repaid to SFC as clawback	0	0
Virements	143	71
<b>Balance c/fwd</b>	<hr/> 0	<hr/> 0
<b>Represented by:-</b>		
Repayable to Funding Council as clawback	0	0
Retained by College for students	0	0
	<hr/> 0	<hr/> 0

Further Education Childcare Fund transactions are included within the College Statement of Comprehensive Income and Expenditure in accordance with Accounts Direction issued by the Scottish Funding Council.

**24. CAPITAL COMMITMENTS**

	<u>Year to 31</u> <u>July 2018</u> £'000	<u>Year to 31</u> <u>July 2017</u> £'000
Contracted for at end of period	<hr/> 1,103	<hr/> 3,756

**25. CONTINGENT LIABILITIES**

The College had no material contingent liabilities at 31 July 2018.

**26. FINANCIAL INSTRUMENTS**

	<u>Year ended 31 July 2018</u> £'000	<u>Year ended 31 July 2017</u> £'000
<b>Financial Assets</b>		
Financial assets measured at transaction price	4,232	5,051
<b>Financial Liabilities</b>		
Financial liabilities measured at transaction price	1,814	2,139

Financial assets measured at transaction price comprise cash and cash equivalents, trade debtors and other debtors (excluding VAT debtor).

Financial liabilities measured at transaction price comprise trade creditors, other creditors (excluding VAT creditor) and accruals.

**27. NON-CASH ALLOCATION**

	<u>Year to 31 July 2018</u> £'000	<u>Year to 31 July 2017</u> restated £'000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis) for academic year	(496)	39
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	1,654	902
Operating surplus/(deficit) on Central Government accounting basis for academic year	<b>1,158</b>	<b>941</b>

Following reclassification, colleges received a non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. Colleges may show a deficit equivalent to net depreciation as a result of having 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 £496k for the year ended 31 July 2018. After adjusting for the non-cash allocation provided under government rules, the college shows an “adjusted” surplus of £1,158k on a Central Government accounting basis.

This demonstrates that the college is operating sustainably within its funding allocation.

## 28. EVENTS AFTER THE REPORTING PERIOD

### Scottish Teachers Superannuation Scheme (STSS)

At the Scheme Advisory Board on Friday, 28 September 2018, the impact of recent announcements related to public pension schemes was set out. These will lead to a significant increase in employer contribution rates from April 2019. This is as a result of HM Treasury seeking to reduce the Discount Rate (the assumed rate of investment return going forward) further from 2.8% to 2.4% from April 2019, and the potential corrective measures that will need to be implemented as a result of a breach of the cost cap floor. The combined impact of these situations has been provisionally calculated by the UK Government Actuary's Department as an increase in the employer contribution rate of 5.2% for the STSS. Whilst HM Treasury has made some indication of additional funding in 2019/20 (only) to offset the increases, this has stopped short of a commitment to fully mitigate the impact. There would be a Barnett consequential to any such spending, which would be for the Scottish Government to decide how it is spent. Colleges Scotland has raised this issue with both the UK and Scottish Governments, including a joint letter with Universities Scotland, from the respective chairs, to the UK Government's Chief Secretary to the Treasury.

This is considered to be a non-adjusting event after the reporting period, as it is indicative of conditions that arose after the end of the reporting period. The financial effect of such an increase would result in additional costs to the College of circa £800k per annum from April 2019 onwards.

**APPENDIX 1**

**2017-18 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 2017-18 (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 2018.
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

13 July 2018

<http://www.sfc.ac.uk/publications-statistics/guidance/guidance-2018/SFCGD132018.aspx>