



# SFC Guidance

## 2018-19 Accounts direction for Scotland's colleges and Glasgow Colleges' Regional Board

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Summary: To provide SFC's 2018-19 accounts direction for Scotland's colleges and Glasgow Colleges' Regional Board

FAO: Principals / Executive Director / Finance Directors / Board Secretaries of Scotland's colleges and Glasgow Colleges' Regional Board

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## **2018-19 Accounts direction for Scotland's colleges and Glasgow Colleges' Regional Board**

1. It is the Scottish Funding Council's direction that institutions<sup>1</sup> comply with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts<sup>2</sup>.
2. A new SORP ("the 2019 SORP") was issued in October 2018 and this must be adopted for accounting periods beginning on or after 1 January 2019 and thereafter. Early adoption is permitted as described in Section 27 ('Transition to the 2019 SORP') of the 2019 SORP.
3. Institutions 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 (RSB) (for assigned colleges).
4. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2018-19 (FReM) where applicable.
5. Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2019.
6. The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
7. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council  
5 July 2019

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<sup>1</sup> The term "institutions" includes colleges and Glasgow Colleges' Regional Board.

<sup>2</sup> Glasgow Colleges' Regional Board's accounts are prepared on a consolidated basis, incorporating the results of City of Glasgow College, Glasgow Clyde College and Glasgow Kelvin College. New College Lanarkshire's accounts are also prepared on a consolidated basis, incorporating the results of South Lanarkshire College.

## Introduction and structure of accounts direction

### Mandatory and corporate governance disclosures

1. We draw your attention to the specific mandatory disclosures for non-incorporated colleges in **Appendix 1** and for incorporated colleges and Glasgow Colleges' Regional Board ("GCRB") in **Appendix 2**. The corporate governance disclosures required are listed in **Appendix 3**.

### Deadlines

2. Incorporated and non-incorporated colleges<sup>3</sup> are required to provide their annual report and accounts, together with the associated audit reports, to us by 31 December 2019. The annual report and accounts should be prepared with a 31 July year-end.

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<sup>3</sup> The term non-incorporated college covers Argyll College, Newbattle Abbey College, Sabhal Mòr Ostaig and West Highland College. Orkney College and Shetland College are part of their local authorities and will be included in the annual report and accounts of those authorities.

## Mandatory disclosures – Non-incorporated colleges

1. Listed below are disclosures which non-incorporated colleges must include in the financial statements.

### Strategic Report<sup>4</sup>

2. A list of members of the governing body and key committees. This should cover all those who served during the period and include any changes up to the date of signing the annual report and accounts. The report should also disclose attendance of individual members at board meetings but this can be disclosed as a percentage attendance for the year.
3. A statement describing the payment practice code or policy adopted on payment of suppliers and performance achieved, together with disclosure of any interest paid under the Late Payment of Commercial Debts (Interest) Act 1998, or a statement that there were no matters to disclose.
4. A statement on the employment of disabled persons where the average number of all persons employed in the year exceeds 250.
5. The report should provide a commentary on the college financial performance in the year. This should include a table setting out the adjusted operating position for the year in accordance with the template included in **Appendix 7**.
6. In addition, in accordance with the [Trade Union \(Facility Time Publication Requirements\) Regulations 2017](#), the following information must be published:
  - Relevant union officials.
  - Percentage of time spent on facility time.
  - Percentage of pay bill spent on facility time.
  - Paid trade union activities.
7. An example of the disclosure required is given on page 22 of this Direction.

### Notes to the accounts

8. The audit fees and non-audit fees paid to external and internal auditors.

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<sup>4</sup> Further guidance on Strategic reports is given in the 2015 SORP (paragraph 3.19 to 3.22)

## Corporate governance

9. We require non-incorporated colleges to include in their annual report and accounts a statement covering the responsibilities of their governing body in relation to corporate governance. This statement is required to indicate how the college has complied with good practice in this area.
10. It is a condition of the Financial Memorandum (FM) with SFC or the RSB (for assigned colleges) that governing bodies comply with the principles of good governance set out in the 2016 Code of Good Governance for Scotland's Colleges ("the Scottish Code"). Colleges are required to include a statement in their accounts confirming compliance with the Scottish Code. In line with the principle of comply or explain, an explanation should be provided in the event that the college's practices are not consistent with particular principles. A form of wording for the compliance statement is included at **Appendix 3(a)**.
11. We recognise that each college will have its own system of corporate governance, reflecting its particular objectives and management processes. However, in preparing their governance statement, colleges should give due regard to the guidance contained in **Appendix 3**.
12. Colleges should also refer to the Audit Scotland '[Good practice note on improving the quality of college annual report and accounts - Governance statements](#)' published in May 2019.
13. Colleges should be aware that their external auditors will be reviewing the corporate governance statement as part of their audit and will be including a reference to this in their audit report.

## Remuneration

14. The actual total remuneration of the head of the college, disclosing separately salary, bonus, employer pension contribution and taxable and non-taxable benefits in kind. Where there is a change of head of the college during the year, details should be given separately for each person, noting the dates each was in post. Where the head of the college has been paid salary in lieu of pension contributions, this should be explained in the note.
15. The total number of higher paid staff, including senior post-holders, in bands of £10,000, above a threshold of total emoluments (excluding pension contributions and compensation for loss of office) of £60,000. The number of senior post-holders within each band should be separately identified.
16. The aggregate amount of any compensation for loss of office payable to the head of the college and any staff member earning in excess of £60,000 per annum, together with the number of people to whom this was payable, or

where the costs of all elements of a proposed arrangement amount to more than £75,000.

### **National Bargaining Support Staff and Middle Management Job Evaluation Costs**

17. The full harmonisation costs of National Bargaining support staff and middle management will not be confirmed until the national Job Evaluation exercise is carried out, the outcome of which will be implemented with effect from 1 September 2018. Where relevant, support staff and middle management Job Evaluation costs (and associated grant) should be accounted for, based on Colleges Scotland's February 2019 costings.

### **Mandatory disclosures – incorporated colleges and Glasgow Colleges’ Regional Board**

1. Institutions<sup>5</sup> are required to comply with the Government Financial Reporting Manual (FReM) for 2018-19 as well as complying with the SORP. The additional disclosures required in institutions’ annual report and accounts in order to comply with the FReM (i.e. those areas not addressed in the SORP) are set out in the various disclosures below. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.
2. The disclosures which institutions must include in the annual report and accounts are outlined below.

### **The Performance Report**

3. Section 5.2 of the FReM requires institutions to include a Performance Report in their annual report and accounts. The report will provide information on the institution, its main objectives and strategies and the principal risks that it faces. The report must provide a fair, balanced and understandable analysis of the institution’s performance. The report, which should be signed and dated by the college principal or Executive Director, should contain an overview and also a performance analysis.
4. As a minimum, the overview should include:
  - A short summary explaining the purpose of the overview section.
  - A statement from the Principal or Executive Director providing their perspective on the performance of the institution over the period.
  - A statement of the purposes and activities of the institution including a brief description of the business model and environment, organisational structure, objectives and strategies, including estates management strategies.
  - The key issues and risks that could affect the institution in delivering its objectives.
  - An explanation of the adoption of the going concern basis where this might be called into doubt, for example where there are significant net liabilities which may require to be funded from public sources.
  - A performance summary.

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<sup>5</sup> In this section “institutions” refers to all incorporated colleges and Glasgow Colleges’ Regional Board. The disclosures for Glasgow Colleges’ Regional Board and New College Lanarkshire will cover the regional performance of their assigned colleges.

5. The purpose of the Performance Analysis is for institutions to provide a detailed performance summary of how their entity measures its performance, more detailed integrated performance analysis and also long-term trend analysis where appropriate. As a minimum the Performance Analysis must include:
  - Information on how the institution measures performance, i.e. what the institution sees as its key performance measures (e.g. outcome agreement targets, financial KPIs), how it checks performance against those measures and narrative to explain the link between KPIs, risk and uncertainty.
  - A detailed analysis and explanation of the development and performance of the institution during the year and an explanation of the relationships and linkages between different pieces of information.
  - Non-financial information including social matters, respect for human rights, anti-corruption and anti-bribery matters.
  - Information on environmental matters including the impact of the institution's business on the environment.
  - Confirmation of compliance with Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009. The [Schedule to the 2015 Order](#) sets out the required content for the report to Scottish Government.
6. Further guidance on the preparation of Performance statements is given in the Audit Scotland '[Good practice note on improving the quality of central government annual report and accounts - Performance reports](#)'.

### ***Cash budget for priorities (CBP)***

7. Colleges are required to provide in the Performance Report a breakdown of spend of the cash budget for priorities allocation for Academic Year 2018-19. Colleges have a fixed annual CBP and they should disclose how this has been spent in the academic year. This should take the form of a table showing the expenditure under each heading. An illustrative form of wording for the Performance Report disclosure is given in **Appendix 5**. The details of each college's fixed CBP are given in **Appendix 8**. Glasgow Colleges' Regional Board does not itself have a CBP but the consolidated position of the assigned colleges should be reflected in the regional accounts.

### ***Depreciation Budget for Government-funded Assets***

8. Colleges are required to include a statement at the foot of the Statement of Comprehensive Income (SOCl) and also a note to the accounts explaining the impact of the depreciation budget for government-funded assets. This is required because the depreciation budget allocation cannot be reflected as income in the SOCl under the FE/HE SORP accounting rules.



9. The adjustment is to add the actual depreciation budget to the SOCI surplus/(deficit) in order to reflect the results on a Government accounting basis for the academic year.
10. The form of wording for the statement at the foot of the SOCI and the note to the accounts is set out in **Appendix 6**.
11. Glasgow Colleges' Regional Board does not itself have a depreciation budget but the consolidated position of the assigned colleges should be reflected in the regional accounts.

### ***Adjusted operating position (AOP)***

12. The Performance Report must also provide details of the adjusted operating position (AOP) for Academic Year 2018-19. The SOCI presents the financial performance during the accounting period in accordance with the SORP. The AOP is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items outwith the control of the institution. The AOP 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 institution. Institutions should explain what these adjustments are and why they have been made. All adjusting items included in this calculation must be visible (i.e. separately disclosed) in the SOCI or notes as appropriate and should be cross-referenced from the AOP table.
13. The template for the computation of the AOP is shown in **Appendix 7**.
14. It is important that the calculation of the adjusted operating position is consistent with other disclosures within the Performance Report and accounts.
15. **To ensure correct completion of the AOP and consistency across the sector, institutions should submit the AOP calculation, together with draft accounts, to SFC for review prior to the accounts being signed off. Institutions are encouraged to submit the AOP as early as possible to allow time for review.**

### ***Payment practice***

16. A statement describing the payment practice code or policy adopted on payment of suppliers and performance achieved, together with disclosure of any interest paid under the Late Payment of Commercial Debts (Interest) Act 1998, or a statement that there were no matters to disclose.

## **The Accountability report**

17. The Accountability Report is required to have three sections:

- Corporate Governance report.
- Remuneration and Staff report.
- Parliamentary Accountability report.

### ***Corporate Governance Report***

18. The purpose of the Corporate Governance report is to explain the composition and organisation of the institution's governance structures and how they support the achievement of institutional objectives.
19. As a minimum, the Corporate Governance report must include a Directors' report, a statement of the Board of Management / Board responsibilities and a governance statement. These elements should be clearly identified.

### ***Directors' report***

20. The Directors' report should set out the membership of the Board of Management/Board and also those members of the senior management team who influence the decisions of the institution as a whole. Details should be given of any directorships or other interests which the members have or a link provided to the relevant Register of Interests. Any information on personal data-related incidents reported to the Information Commissioner's Office should also be disclosed.

### ***Statement of Board of Management/Board responsibilities***

21. The FReM requires government bodies to provide a Statement of Accounting Officer's responsibilities. However, the SFC Chief Executive is the Accountable Officer for the college sector and is required to provide a governance certificate of assurance covering all institutions to the Principal Accountable Officer of the Scottish Government, based upon certificates of assurance provided by institutions<sup>6</sup>. In light of this unique arrangement, institutions are required to continue to provide a Statement of Board's responsibilities within their Corporate Governance report.

### ***Governance Statement***

22. We require institutions to include in their annual report and accounts a statement covering the responsibilities of their governing body in relation to

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<sup>6</sup> Regional Strategic Bodies provide the certificate of assurance to SFC based upon certificates of assurance provided by the assigned colleges.

corporate governance. This statement is required to indicate how the institution has complied with good practice in this area.

23. It is a condition of the FM with SFC or the Regional Strategic Body (for assigned colleges) that governing bodies comply with the principles of good governance set out in the 2016 Code of Good Governance for Scotland's Colleges (the Scottish Code). All institutions are required to include a statement confirming compliance with the Scottish Code. In line with the principles of comply or explain, an explanation should be provided in the event that the institution's practices are not consistent with particular principles. A form of wording for the compliance statement is included at **Appendix 3(a)**. The FM also requires compliance with the Scottish Public Finance Manual (SPFM) and, in preparing the corporate governance statement, institutions must comply with the guidance set out in the [Governance Statement section of the SPFM](#).
24. We recognise that each institution will have its own system of corporate governance, reflecting its particular objectives and management processes. However, in preparing their governance statement, institutions should give due regard to the guidance contained in **Appendix 3**.
25. Institutions should be aware that their external auditors are required to read the information in the Performance Report and the corporate governance statement and express an opinion in the independent auditor's report on whether:
  - The information given in the Performance Report and corporate governance statement is consistent with the financial statements.
  - The Performance Report and corporate governance statement has been prepared in accordance with the accounts direction.
26. Further guidance is available in the Audit Scotland '[Good practice note on improving the quality of college annual report and accounts - Governance statements](#)' published in May 2019.

### **Remuneration and staff report**

27. Institutions are required to include within their annual report and accounts a Remuneration and staff report in accordance with Section 5 (Paras 5.3.15 to 5.3.28) of the FReM. Further information is available from the Government Financial Reporting Manual 2018-19.
28. Institutions should also refer to further guidance contained in [Employers pension notice EPN 571](#) which is available on the Civil Service website.
29. Although EPN 571 deals specifically with the Civil Service Pension Scheme, it does contain a standard format for disclosure and explanations of what should

be included in the report in order to comply with the FReM. The Remuneration report should set out the remuneration and accrued pension benefits of senior managers of the institution and this will include those set out in the Directors' report (see paragraph 20 above).

30. An example Remuneration report is attached at **Appendix 4**. It is important to note that individuals should be informed in advance of the intention to disclose their salary information in this report. There is a presumption that information about named individuals will be given unless there is specific justification for not disclosing this (see FReM paragraph 5.3.17 for circumstances where non-disclosure is acceptable). In other cases it would be for the staff member to make a case for non-disclosure which should be considered by the institution on a case by case basis. Where non-disclosure is agreed, the fact that certain disclosure has been omitted should be disclosed.
31. The Staff report must include the following information:
- The number of senior staff by band.
  - Staff numbers and costs distinguishing between permanent contract staff and agency/contract staff.
  - Staff composition – the number of persons of each sex who were directors or employees of the institution.
  - Sickness absence data.
  - Staff policies applied during the year:
    - (a) For giving full and fair consideration to applications for employment to the institution made by disabled persons, having regard to their particular aptitudes and abilities.
    - (b) For continuing the employment of, and arranging appropriate training for, employees of the institution who have become disabled persons during the period they were employed by the institution.
    - (c) Otherwise for the training, career development and promotion of disabled persons employed by the institution.
  - The number and overall value of exit packages (as approved by SFC under Severance Guidance).
  - Other employee matters – such as other diversity issues and equal treatment in employment and occupation; employment issues including employee consultation and/or participation; health and safety at work;

trade union relationships and human capital management such as career management and employability, pay policy etc.<sup>7</sup>

32. In addition, in accordance with the [Trade Union \(Facility Time Publication Requirements\) Regulations 2017](#), the following information must be published:

- Relevant union officials.
- Percentage of time spent on facility time.
- Percentage of pay bill spent on facility time.
- Paid trade union activities.

### ***Parliamentary Accountability report***

33. The FReM requires the inclusion of a Parliamentary Accountability report and, for Scottish government bodies, the requirements are reflected in the SPFM. The disclosures required are:

- Fees and charges for each service where the full annual cost is £1 million or more, or (if lower) where the amount of the income and full cost of the service are material to the financial statements:
  - Financial objective performance against that objective. The standard approach to setting charges for public services is full cost recovery but the SPFM lists some exceptions e.g. subsidised services.
  - Full cost of the service.
  - Income from charging for the service.
  - Surplus or deficit.
- Disclosure of contingent liabilities, specifically enforceable undertakings given in the form of a guarantee or indemnity which would bind the body into providing the resources in the event of the guarantee or indemnity maturing; or a letter or general statement of comfort which could be considered to impose a moral obligation.
- Disclosure of total losses exceeding £250,000 and total special payments exceeding £250,000.

34. It is not envisaged that the Parliamentary Accountability disclosures will require to be completed by most institutions unless they are material.

35. The Accountability report should be signed and dated by the Principal or Executive Director.

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<sup>7</sup> This FReM requirement strengthens non-financial reporting for the benefit of users of the accounts and aligns with the introduction of EU Regulations and Directives. Further guidance is available at the following link: [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017XC0705\(01\)](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017XC0705(01))

## **Notes to the accounts**

36. The audit fees and non-audit fees paid to external and internal auditors.
37. The actual total remuneration of the Principal or Executive Director, disclosing separately salary, bonus, employer pension contribution and taxable and non-taxable benefits in kind. Where there is a change of Principal or Executive Director during the year, details should be given separately for each person, noting the dates each was in post. Where the Principal or Executive Director has been paid salary in lieu of pension contributions, this should be explained in the note.
38. The total number of higher paid staff, including senior post-holders, in bands of £10,000 above a threshold of total emoluments (excluding pension contributions and compensation for loss of office) of £60,000. The number of senior post-holders within each band should be separately identified.
39. The tables in the staff cost note required in paragraphs 37 and 38 should be cross-referenced to the remuneration and staff report. Alternatively, if institutions prefer, the tables can be included in the remuneration and staff report and cross-referenced to the staff costs note. This will avoid duplication of the information.

### **National Bargaining Support Staff and Middle Management Job Evaluation Costs**

40. The full harmonisation costs of National Bargaining support staff and middle management will not be confirmed until the national Job Evaluation exercise is carried out, the outcome of which will be implemented with effect from 1 September 2018. Support staff and middle management Job Evaluation costs (and associated grant) should be accounted for, based on Colleges Scotland's February 2019 costings.

## Corporate Governance Statement Guidance for Institutions

1. Institutions are required to include in their annual report and accounts a statement covering the responsibilities of their governing body in relation to corporate governance. This statement is required to indicate how the institution has complied with good practice in this area.
2. It is a condition of the Financial Memorandum with the SFC or the Regional Strategic Body (for assigned colleges) that governing bodies meet the principles of good governance, set out in the 2016 Code of Good Governance for Scotland's Colleges. All institutions are required to include a statement in their corporate governance statements confirming compliance with the Scottish Code. In line with the principle of comply or explain, an explanation should be provided in the event that the institution's practices are not consistent with particular principles. The template to be used for the compliance statement is at Appendix 3(a).
3. The following should be included in the governance statement:
  - The governance framework of the institution, including information about the committee structure of the Board of Management / Board and the coverage of its work.
  - The operation of the Board of Management / Board, including membership and attendance at meetings, during the period.
  - An assessment of corporate governance with reference to compliance with the Scottish Code and explanations of any departures from the Code.
  - An assessment of the institution's risk management arrangements and risk profile including, subject to a public interest test, details of significant risk-related matters arising during the period.
  - Details of any significant lapses of data security.
  - Confirmation that the institution is a going concern, with supporting assumptions and qualifications as necessary. This disclosure provides support for the use of the going concern accounting policy and should not be inconsistent with the disclosures regarding going concern either in the annual report and accounts or the auditors' report thereon.
4. Institutions should refer to the Audit Scotland 'Good practice note on improving the quality of college annual report and accounts – Governance statements' which is based on a review of the corporate governance statements in the

2017-18 institution accounts. Audit Scotland identify key characteristics which make for a high quality corporate governance statement, including:

- There should be a single, coherent narrative running through the whole of the annual report and accounts.
- The governance statement, wherever possible, should be brief, focused and high level.
- The governance statement should be open and transparent and should reflect the specific matters that cause concern to the Board of Management/Board.
- Emphasis should be on assessing the effectiveness of the arrangements rather than simply providing an explanation of the arrangements.
- Key risks should be identified, the impact analysed and steps taken to mitigate the risk should be reflected in the statement.
- The statement should provide understandable information and use precise language that explains issues clearly.



**Template for statement of compliance with the 2016 Code of Good Governance for Scotland's Colleges**

The institution complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, and it has complied throughout the year ended 31 July 2019.

or

The institution complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges with the exception of xxxx. The institution is taking action to address this by xxxx and xxxx and expects to be fully compliant by xxxx.

## Template for Remuneration Report (for incorporated colleges and Glasgow Colleges' Regional Board only)

### Remuneration Policy

1. Institutions should outline here the details of their remuneration policy for the Principal or Executive Director and senior managers and also outline the operation of the Remuneration Committee.

### Remuneration (including salary) and pension entitlements

#### *Remuneration (salary, benefits in kind and pensions)<sup>8</sup>*

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

Single total figure of remuneration						
	Year ended 31 July 2019			Year ended 31 July 2018		
Name	Salary £'000	Pension Benefit <sup>9</sup> £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Name A						
Name B						

3. Where applicable, performance pay or bonuses payable, salary paid in lieu of pension and non-cash benefits should also be disclosed separately in the above table.

#### *Pay multiples*

4. Institutions are required by the FReM to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce.
5. The banded remuneration of the highest paid official in the institution in the financial year 2018-19 was £xxx (2017-18 £xxx). This was x times (2017-18 x times) the median remuneration of the workforce which was £xx (2017-18 £xx).

<sup>8</sup> The details in this table are subject to audit.

<sup>9</sup> The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

6. [Explanation for changes in the ratio]

**Accrued Pension Benefits**

7. Institutions should outline here the pension schemes in operation and give a brief explanation of how benefits accrue for the employees.

**Senior Officials Pension**

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

Name	Accrued pension at pension age at 31 July 2019	Accrued lump sum at pension age at 31 July 2019	Real increase in pension in 1 August 2018 to 31 July 2019	Real increase in lump sum in 1 August 2018 to 31 July 2019	CETV at 31 July 2019	CETV at 31 July 2018	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Name A							
Name B							

**Cash equivalent Transfer Value (CETV)**

9. 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.

10. 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 Pension Scheme service and not just their current appointment.

11. 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***

12. 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***

13. xx employees left under voluntary exit terms on xx/xx/xx. They received a compensation payment of £'xxx.
14. xx employees left under voluntary redundancy terms on xx/xx/xx. They elected to take early retirement. The cost to the institution of buying out the actuarial reduction on their pension was £xx. They did not receive any additional compensation.
15. The table below summarises the exit packages by cost band.

<b>Exit package cost band</b>	<b>Number of voluntary redundancies</b>	<b>Number of other departures agreed (including any compulsory redundancies)</b>	<b>Total number of exit packages by cost band</b>
<b>&lt;£10,000</b>			
<b>£10,000 - £25,000</b>			
<b>£25,000 - £50,000</b>			
<b>£50,000 - £100,000</b>			
<b>£100,000 - £150,000</b>			
<b>£150,000 - £200,000</b>			
<b>Total number of exit packages</b>			
<b>Total cost (£)</b>			

**Salaries and Related costs**

	2019	2019	2019	2018
	Directly employed staff on permanent UK contracts	Other staff including short term contract, seconded and agency staff	Total	Total
<b>Wages and salaries</b>				
<b>Social security costs</b>				
<b>Other pension costs</b>				
<b>Total</b>				
<b>Average number of FTE</b>				

**Note: Where the number of staff under any one category of “other staff” is significant, that category should be separately disclosed.**

16. The institution employed xx females and xx males as at 31 July 2019.

**Facility time**

17. In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the institution provided the following support through paid facility time for union officials working at the institution during the year ended 31 March 2019.

**Relevant union officials**

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

**Percentage of time spent on facility time**

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

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

Total cost of facility time:	
Total pay bill:	
Percentage of the total pay bill spent on facility time:	

**Paid trade union activities**

Time spent on trade union activities as a percentage of total paid facility time hours:	
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## Spend of Cash Budget for Priorities (incorporated colleges and Glasgow Regional Colleges' Board<sup>10</sup> only)

### Illustrative form of words for inclusion in Performance Report

1. Following their reclassification as central government bodies from 1 April 2014, colleges are also 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.
2. Colleges have now each been given a fixed cash budget for priorities (see **Appendix 8**) 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.

Table of cash budget for priorities spend		
Revenue Priorities	2018-19 (£'000)	2017-18 (£'000)
Student support		
2015-16 pay award		
Voluntary severance		
Estates costs		
Other agreed priorities (give detail)		
<b>Total impact on operating position</b>		
Capital Priorities		
Loan repayments (including PFI, NPD repayments)		
Estates costs		
Provisions pre 1 April 2014 (give detail) carried on balance sheet		
<b>Total Capital</b>		
<b>Total cash budget for priorities spend</b>		

<sup>10</sup> Glasgow Colleges' Regional Board and New College Lanarkshire accounts will reflect the consolidated position of the assigned colleges.

## **Impact of Depreciation Budget on Statement of Comprehensive Income (incorporated colleges and Glasgow Colleges' Regional Board<sup>11</sup> only)**

### **Illustrative form of words for inclusion in the statement at the foot of the Statement of Comprehensive Income**

1. 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 X provides details of the adjusted operating position on a Central Government accounting basis.

### **Illustrative form of words for inclusion in the note to the accounts**

2. Following reclassification, incorporated 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.
3. Under the FE/HE SORP, the college recorded an operating deficit of £X for the year ended 31 July 2019. After adjusting for the non-cash allocation provided under government rules, the college shows an "adjusted" surplus/deficit of £X on a Central Government accounting basis.
4. This demonstrates that the college is operating sustainably within its funding allocation.
5. or
6. The deficit is attributable to other factors reflected in the adjusted operating table and the college is therefore operating sustainably within its funding allocation.

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<sup>11</sup> Glasgow Colleges' Regional Board does not itself have a depreciation budget but the consolidated position of the assigned colleges should be reflected in the regional accounts.



	<b>2018-19</b>	<b>2017-18</b>
	<b>£'000</b>	<b>£'000</b>
Surplus/(deficit) before other gains and losses (FE/HE SORP basis) for academic year		
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year		
Operating surplus/(deficit) on Central Government accounting basis for academic year		

## Model adjusted operating position (AOP) note

The SOCI presents the financial performance during the accounting period in accordance with the SORP. The AOP is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items outwith the control of the institution. The AOP 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 institution. All adjustments should be cross-referenced to the relevant note in the financial statements.

	<b>2018-19</b> <b>£'000</b>	<b>2017-18</b> <b>£'000</b>
<b>Surplus/(deficit) before other gains and losses</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)		
- Exceptional non-restructuring costs - Impairment (Note 2)		
- Pension adjustment – Net service cost (Note 3)		
- Pension adjustment - Net interest cost (Note 4)		
- Pension adjustment - Early retirement provision (Note 5)		
- Donation to Arms-Length Foundation (ALF)* (Note 6)		
<b>Deduct:</b>		
- Non-Government capital grants (e.g. ALF capital grant) (Note 7)		
- Exceptional income (if disclosed as exceptional in accounts) - Insurance claim (Note 8)		
- CBP allocated to loan repayments and other capital items* (Note 9)		
- NPD income applied to reduce NPD balance sheet debt (Note 10)		
<b>Adjusted operating surplus/(deficit)</b>		

\*Incorporated colleges only

### Explanation for adjusting items:

**Note 1:** Depreciation does not have an immediate cash impact on the institution and, in any case, capital expenditure will largely be funded by government or ALF grants so the charge is taken out.

**Note 2:** The exceptional non-restructuring adjustment will relate to any material one-off charges in year which may distort the accounts.

**Note 3:** The adjustments to the pensions charge represent the net service cost (i.e. the present value of projected benefits resulting from employee service in the current year less cash contributions paid).

**Note 4:** 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.

**Note 5:** The early retirement provision adjustment relates to the gain/loss arising from the actuarial valuation during the year. This excludes any adjustments to valuations as a result of adding or deleting employees.

**Note 6:** The ALF donation is paid out of the commercial surplus for the year so is adjusted to arrive at the pre-donation operating position.

**Note 7:** Capital grant income is not matched by SOCI expenditure as it has been used to fund capital assets which will be depreciated over the life of the asset.

**Note 8:** Exceptional income items which distort the results for the year are excluded. This is only relevant where the item is disclosed as exceptional in the accounts.

**Note 9:** Cash Budget for Priorities is included in income but the loan repayment is not reflected in the costs therefore this amount is adjusted. Loan repayments should only be adjusted where CBP has been used to fund them.

**Note 10:** NPD grant income is included in the SOCI but the payment is applied to reduce the balance sheet liability and, as this would overstate the surplus, is therefore adjusted.

## Appendix 8

### Fixed Cash Budget for Priorities per college (incorporated colleges only)

Region	College	2018-19 cash budget for priorities £'000
Ayrshire	Ayrshire College	1,324
Borders	Borders College	252
Dumfries & Galloway	Dumfries & Galloway College	390
Edinburgh	Edinburgh College	2,547
Fife	Fife College	2,152
Forth Valley	Forth Valley College	613
Glasgow	City of Glasgow College	1,156
Glasgow	Glasgow Clyde College	612
Glasgow	Glasgow Kelvin College	442
Highlands & Islands	Inverness College	496
Highlands & Islands	Lews Castle College	143
Highlands & Islands	Moray College	424
Highlands & Islands	North Highland College	97
Highlands & Islands	Perth College	529
Lanarkshire	New College Lanarkshire	863
Lanarkshire	South Lanarkshire College	197
North East Scotland	North East Scotland College	1,161
Tayside	Dundee & Angus College	1,055
West	West College Scotland	1,639
West Lothian	West Lothian College	190