



# **Board of Management Report and Financial Statements**

For the year ended  
31 July 2023

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# PERFORMANCE REPORT

## Principal's Statement on Ayrshire College's Performance 2022-23

The College continues to play a key role in socio economic development across Ayrshire and Scotland. Working with its employers, key stakeholders and third sector partners, the College is central to the development of a skills pipeline enabling the key sectors of Ayrshire and Scotland to thrive. The College also continues to have a strong community footprint, supporting individuals who live in the most deprived SIMD (Scottish Index of Multiple Deprivation) wards across Ayrshire.

The College chairs the Regional Economic Strategy Skills Delivery Group which is informed by the following employer led working groups: Clean Growth, Aerospace and Space, Food and Drink, Digital, Tourism and Hospitality.

As part of the Ayrshire Growth Deal (AGD) and Regional Economic Strategy (RES), the College has developed a number of bespoke training opportunities, including fast track programmes, enabling people to access employment in Aerospace and XLCC. The College is also the lead partner in developing an Aerospace Skills and Innovation Centre and is working in partnership with Scotland's Rural University College to host the Dairy Chain Innovation Centre at our Ayr campus which will support dairy businesses with the development of new products and the associated skills training.

The College continues to be proactive in working with our Health and Social Care partners to deliver a range of access to employment programmes, apprenticeships and upskilling training.

During 2022-23, the College built our Willie Mackie Skills Hub at our Kilwinning Campus. This facility will enable the College to expand its construction provision in North Ayrshire and equip future and current students with the green, digital and technology skills to be success in this sector. It also enables the College to deliver apprenticeships in North Ayrshire for the first time and a range of upskilling and reskilling opportunities for the community.

The College has continued to invest in digital technology for staff and students and has begun an extensive digital infrastructure project that will continue during 2023-24 to ensure our curriculum offer is reflective of the latest technology developments and support functions are efficient and continue to provide an excellent customer service.

In the first full academic year not disrupted by COVID, student retention improved across all modes of delivery but, more importantly, on full-time programmes, student retention increased by 7.8%. Student satisfaction increased by 2% (96%), we were awarded Bridge to Business Enterprise College of the Year, shortlisted for 4 College Development Network Awards, shortlisted for our second Green Gown Award and achieved our Investors in People Gold Award.

### Overview of Performance Report

The Board of Management of Ayrshire College presents its Performance Report together with the Audited Financial Statements for the year ended 31 July 2023.

This Performance Report provides a detailed summary of the performance of the College during 2022-23 and how it measures and monitors its performance. The Report also includes the strategic issues and risks facing the College.

### Legal Status

The College is incorporated under the Further and Higher Education (Scotland) Act 1992 and is funded directly by the Scottish Funding Council. The College is a charity (Scottish charity number SC021177) registered with the Office of the Scottish Charity Regulator and is recognised by HM Revenue and Customs as a charity for the purposes of Section 505, Income and Corporation Taxes Act 1988. As such, the College is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

## Ayrshire College Statement of Ambition and Refresh and Renew Plan 2021-2024

The College's Statement of Ambition 2030, which sets out the College's long-term ambitions and aspirations, was launched in August 2021. The Statement of Ambition is as follows:

### Ayrshire College Statement of Ambition 2030

*Ayrshire College will be an inspirational place of learning where individuals can excel and realise their full potential. A place where businesses and communities can access skills, expertise and innovation that supports local and national economic development and inclusive growth.*

*We will achieve this through strong collaboration and partnership working and by investing in and valuing our staff and students.*

This statement has three underpinning ambitions:

- Ambition 1: To be an accessible, inspirational and inclusive place to work and learn.
- Ambition 2: To support, empower and inspire our staff and students.
- Ambition 3: To be a high-performing and environmentally responsible college recognised for excellence, equality and integrity.

In addition, a Refresh and Renew Plan 2021-24 has been developed which identifies key strategic objectives for the next three years. These objectives will support economic and social recovery and contribute to achieving the three ambitions.

During 2021-24, Ayrshire College will:

- Embed a culture of open leadership and empowerment where staff and students feel valued, their voices are heard, and they are involved in decisions which affect them.
- Provide an inspirational college experience which supports and enables students to overcome the disruption to learning caused by the pandemic and to successfully progress on their learning journey.
- Embed diversity and inclusion in all decisions and support staff and students by providing accessible opportunities to learn, work and develop.
- Focus on being a high-performing college underpinned by excellence in stewardship, effective risk management and the highest standards of corporate governance.
- Respond to the climate change emergency by being environmentally responsible, embedding sustainability in our learning and teaching and business operations.
- Work with partners, including businesses, to co-create a portfolio of learning and skills that is relevant, dynamic, flexible, and responsive to employer and industry needs, to current and future skills requirements and contributes to social and economic recovery.
- Develop and support staff and students to work and learn in new and innovative ways to enable excellence in all aspects of learning and teaching and service delivery.

The Refresh and Renew Plan provides the context for ambitions set out in other strategic documents, such as the updated Learning and Teaching Strategy 2021-24, Digital Strategy 2022-2025 and People Strategy 2022-2025. The Refresh and Renew Plan also provides the overarching framework for the College's 2022-23 Outcome Agreement as agreed with the Scottish Funding Council (SFC).

Consultation with students, staff and stakeholders will take place during AY 2023-24 on the College's new strategic plan.

## **SFC Outcome Agreement**

The College agreed an Outcome Agreement with the Scottish Funding Council for 2022-23. This Outcome Agreement focuses on the following outcomes:

- Outcomes for students.
- Outcomes for economic recovery and social renewal.

The College produces a separate report on performance against the Outcome Agreement. This is in addition to the performance data collated within this performance report. The performance reported in the separate outcome agreement report includes key performance indicators in relation to student statistics such as numbers, retention and achievement.

## **Performance of Ayrshire College in 2022-23**

The College reviews its portfolio of courses on an annual basis. It is an evidence-based approach which incorporates Scottish Government policy direction, national and regional labour market information, the Ayrshire Regional Economic Strategy and Ayrshire Growth Deal. Courses no longer in demand, not achieving success or not related to national, regional and local priorities are removed from the Curriculum Delivery Plan (CDP) for the following academic year. This annual process ensures that the College's portfolio of courses is aligned to national, regional and local policy objectives. The effectiveness of the College's curriculum planning arrangements can be evidenced by an internal audit conducted during 2022-23. The internal audit of the CDP processes provided substantial assurance on the existing arrangements (the highest assurance rating) and identified no areas for improvement.

In 2022-23, the College delivered 122,552 credits (98.9%) against the SFC target of 123,867 credits. The actual delivery was therefore within the 2% leeway set by SFC which means the College does not require to repay any of the funding it has received from the SFC.

The College is recognised locally, regionally and nationally as an organisation which makes a positive difference to the lives of its students, to our communities, to Ayrshire's economy and to Scotland.

Parts of Ayrshire have levels of children living in combined low income and material deprivation higher than Scotland's national average of 20%. Ayrshire also has amongst the highest youth unemployment rates in Scotland and a higher proportion of people of working age with low or no qualifications than the rest of the country.

East and North Ayrshire local authorities are amongst the top six councils with the highest local share of Scottish Index of Multiple Deprivation (SIMD) 20 per cent most deprived data zones (SIMD20) in Scotland. Ayrshire has circa 26 areas which are among the most deprived 5% in Scotland.

The College supports a high number of students living in the 10% most deprived postcode areas. In 2022-23 the College delivered 20% of its total delivery in the 10% most deprived areas. The College aims to ensure that the percentage of students living in the 10% most deprived postcode areas is representative of the Ayrshire region in line with national targets.

Ayrshire College is recognised as an inclusive college. A consistent and proactive focus on access, inclusion and diversity has created a strong ethos amongst staff and students. This has been a critical success factor in increasing student outcomes year on year and it will continue to be a driver for improvement in student outcomes over the next three years.

The most recent SFC College Leaver Destination Survey reported that 95% of the College's students, with a confirmed destination, achieved a positive destination six months after completing their course of study.

The SFC has set ambitious and stretching targets for all of Scotland's colleges to deliver successful outcomes for care experienced students, aiming for parity with their peers. In 2022-23, Ayrshire College had 818 care experienced student enrolments on courses lasting 160 hours or more. This represents a 28% increase in care experienced student enrolments when compared to 2021-22.

A key Scottish Government priority area of focus is to improve the access and outcomes for students with a declared disability. Over the eight years from 2015-16 to 2022-23 there has been a significant increase in the number of students declaring a disability with 20% in 2015-16 rising to 35% in 2022-23 of all enrolments declaring a disability. Over the same period those students have seen their success rates increase from 61% in 2015-16 to 73% in 2022-23.

A culture of partnership working is embedded across the College. Throughout 2022-23, the College continued to invest significant time, working remotely, in enhancing existing private, public and third sector partnerships, as well as developing new ones. The College's partnership approach with universities also allows its students to gain access to degree programmes with advanced standing.

The College is a strategic business partner of the Ayrshire Chamber of Commerce and Industry and a member of the Developing the Young Workforce Ayrshire Steering Group. Significant economic sectors in the region are aerospace, engineering, health and social care, early education, and hospitality and tourism. The College collaborates with employers and industry bodies to plan the provision of courses to address growth in these and other economic sectors. With approximately 1,200 apprentices in training at any given time, the College is the main provider of Science, Technology, Engineering and Mathematics (STEM) apprenticeships in Scotland.

Ayrshire College has put sustainability towards the forefront including reducing waste within the College. The College's successful drive towards sustainability has been recognised at a national level.

The College has published a Sustainability Action Plan, and its ambition is to be carbon neutral by 2050, in line with government targets. The annual climate report submitted to the Scottish Government shows that the College's carbon footprint is reducing year on year. The College complied with the Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009.

The College continues its journey of improvement in 2023-24 and remains focused on increasing student attainment and achievement.

## **Financial Objectives**

The College's financial objectives are to be financially sustainable while continuing to invest in the development of student-centred services, infrastructure and resources. The financial context and funding settlements over recent years continue to present challenges to these financial objectives.

The College continues to develop its financial planning structures, budgeting, monitoring and financial reporting systems to support a complex organisation of the scale of Ayrshire College. Robust financial planning remains a key priority going forward given the challenges for the college sector around the levels of funding made available while continuing to demonstrate financial sustainability.

The Executive Leadership Team (ELT) continues to work with the Board of Management and its committees to review financial information requirements and key performance data to ensure good governance in relation to challenge and scrutiny.



## Financial Review

Robust financial management systems, innovative delivery models and prioritisation of expenditure commitments are in place. College staff continually review and refine operations during the year to ensure that the College continues to operate efficiently and effectively within its financial context and funding settlements.

### Statement of Comprehensive Income

The statement of comprehensive income shows a total deficit for the year to 31 July 2023 of £(3,896,000) compared to the 2021-22 deficit of £(1,545,000).

The College continues to have a significant reliance on the SFC for its funding which is largely in the form of recurrent grants. In 2022-23, the SFC provided 87% of the College's total operational revenue income (2021-22: 88%). Excluding specific funding to support the Unitary Charge for the NPD contract for the Kilmarnock campus, SFC revenue income totalled 78% of total income (2021-22: 79%).

### Non-recurring Exceptional Items

There were £2,895,000 of non-recurring exceptional expenditure items which impacted the 2022-23 deficit as detailed below:

	Exceptional £000
Staff Voluntary Severance	1,385
Property – PFI / Dilapidations	1,510
<b>Total</b>	<b>2,895</b>

### Recurring Items

The College recorded a deficit of £(1,001,000) which represents an adverse figure of approximately (2%) of overall trading income. The recorded deficit of £(1,001,000) in 2022-23 comprised the following elements:

	Recurring £000
Operational surplus	102
<u>Non-Cash Adjustments</u>	
Holiday pay provision	(555)
FRS 102 and Other Pension	(548)
<b>Deficit for the Year</b>	<b>(1,001)</b>

To aid the reader of these accounts, the College has provided a reconciliation to the figures reported above for recurring items as noted within the Statement of Comprehensive Income (Table 1).

**Table 1 – Adjusted operating position 2022-23 and 2021-22 – Detailing Recurring Items for 2022-23** (there are no non-recurring items of income and expenditure)

	Recurring £000	Exceptional £000	2022-23 £000	2021-22 £000
Deficit after other gains and losses	(1,001)	(2,895)	(3,896)	(1,479)
<b>Add back:</b>				
Depreciation (net of deferred capital grant release)	3,129	-	3,129	3,243
Exceptional non-restructuring costs (e.g. impairment)	-	1,510	1,510	-
Non-cash pension adjustments	548	-	548	3,847
<b>Deduct:</b>				
Revenue funding allocated to loan repayments (NPD)	(1,490)	-	(1,490)	(1,425)
<b>Sub-Total Revenue</b>	<b>1,186</b>	<b>(1,385)</b>	<b>(199)</b>	<b>4,186</b>
CBP allocated to PFI loan repayments			(862)	(867)
Early retirees			(92)	(87)
<b>Adjusted operating (deficit) / surplus</b>			<b>(1,153)</b>	<b>3,232</b>

#### Underlying operating position

SFC as part of its accounts' direction instructed Colleges to provide a statement in relation to the adjusted operating position using a standard table (Table 2). The SFC table (Table 2) includes both revenue and capital items.

**Table 2 – Adjusted operating position**

	2022-23 £000	2021-22 £000
<b>Deficit after other gains and losses</b>	<b>(3,896)</b>	<b>(1,479)</b>
<b>Add back:</b>		
Depreciation (net of deferred capital grant release)	3,129	3,243
Exceptional non-restructuring costs	1,510	-
Pension adjustments – Net service cost	1,035	3,645
Pension adjustments – Net interest cost	(385)	357
Pension adjustments – Early retirement provision	(102)	(155)
<b>Deduct:</b>		
CBP allocated to loan repayments and other capital items	(954)	(954)
NPD Income applied to reduce NPD Balance Sheet debt	(1,490)	(1,425)
<b>Adjusted operating (deficit) / surplus</b>	<b>(1,153)</b>	<b>3,232</b>

#### Cash budgets for priorities

Whilst Scotland's colleges prepare accounts under the FE/HE Statement of Recommended Practice they are also required to comply with Central Government budgeting rules. This affects, amongst other things, the way in which non-cash depreciation charges are treated for budgeting purposes and how colleges allocate the cash funds (cash budget for priorities (CBP)) which were previously earmarked for depreciation.

Table 3 below details the allocation of the CBP and the impact on the operating position. The College has been instructed by SFC on the format of this table and on the priorities to be allocated against. This instruction (received in November 2018) requires the College to base the allocations on the requirements set out in 2015-16 rather than the underlying position in the year.

**Table 3 – Cash budget for priorities spend**

	2022-23 £000	2021-22 £000
<b>Revenue</b>		
2015-16 pay award	370	370
<b>Total impact on operating position</b>	<b>370</b>	<b>370</b>
<b>Capital</b>		
Loan repayments (PFI capital payment)	862	867
Early Retirees	92	87
<b>Total Capital</b>	<b>954</b>	<b>954</b>
<b>Total cash budget for priorities spend</b>	<b>1,324</b>	<b>1,324</b>

### Balance Sheet

The College, on 31 July 2023, has £70,946,000 of net assets (excluding a pension asset of £nil). At July 2022 the College had £80,028,000 of net assets (excluding a pension liability of £11,518,000). The pension asset for 2022-23 is excluded as this is out with the College's control.

The College held cash at bank of £11,685,000 as of 31 July 2023. This figure includes restricted and designated reserves of £5,479,000 as well as grant funds held for clawback or future delivery. Trading cash was assessed as £2,704,000 on 31 July 2023 after accounting for the outstanding staff pay award accrual.

### Reserves

The surplus brought forward on the income and expenditure reserve at 1 August 2022 was £33,775,000. After the deficit for the year before non-recurring items of £(1,001,000), the non-recurring items of £(2,895,000), the transfers in respect of the pension reserve, and the transfers from the revaluation reserve are taken into account, the surplus on the College's income and expenditure reserve as at 31 July 2023 is £(20,605,000).

### Capital Additions

Tangible Fixed Asset additions in 2022-23 amounted to £2,826,000. The expenditure on the assets under construction of £2,358,000 relates mainly to the construction of the Willie Mackie Skills Hub at Kilwinning. In addition, there was also expenditure of £454,000 on IT and curriculum equipment.

### Core Performance Indicators

The SFC has developed a series of core performance indicators which are designed to provide an overall summary view of a college's performance (Table 4). The table below notes Ayrshire College's performance against these indicators. This should be considered in conjunction with the narrative provided in the Performance Report.

**Table 4 – Ayrshire College Performance against SFC Core Performance Indicators**

No	Performance Indicator	2022-23	2021-22
1	Recurring Deficit as % of total trading income	(7.4%)	(3.0%)
2	Non SFC Income as % of Total Income	12.7%	11.6%
3	Credit activity target set by SFC	123,867	124,793
4	Credit activity achieved	122,328	126,404
5	Activity achieved against target	98.8%	101.3%
6	Current Assets: Current Liabilities	1.19:1	1.38:1
7	Gearing/debt	Nil	Nil
8	Days of recurring expenditure represented by period end cash	19	27

### **Treasury Management Policies and Objectives**

Treasury Management is the management of the College's cash flows, its banking, money market and capital transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a policy of placing any surplus funds with the College's retail banker with a view to maintaining security of capital whilst maintaining accessibility to funds.

### **Cash Flows**

The College had a net decrease in cash in 2022-23 of £1,028,000. This is detailed in the Cash Flow Statement on page 40.

### **Liquidity**

The College continues to have sufficient liquidity in terms of cash resources.

### **Payment Performance**

The College has a policy of paying its suppliers within agreed terms unless an invoice is disputed. All disputes are dealt with as quickly as possible, and the College is not aware of any payments being made out with the College's approved payment policy. No interest was paid by the College under the Late Payment of Commercial Debts (Interest) Act 1998.

### **Resources**

The College has various resources that it can deploy in pursuit of its strategic objectives.

### **Property**

Tangible resources include the three main campuses of Ayrshire College together with smaller satellite campuses. Ayrshire College has prominent main campuses in all three local authority areas. The College's main campuses are in Ayr, Kilwinning and Kilmarnock. The lease for Nethermain Campus in Kilwinning will end in December 2023. This facility is no longer required for specialist STEM curriculum provision, as this will be delivered at the Willie Mackie Skills Hub going forward. The College has also withdrawn from satellite campuses at Craigenhillan Estate and Irvine Royal Academy.

## Estates Development

Estates developments are evidence based and allow the College to align its estate to the emerging needs of students and curriculum delivery requirements.

## Staff Report

The College employed 667 full-time equivalent employees, of whom 290 were curriculum staff and 377 were service staff. This equates to a headcount of 837, comprising 520 female and 317 male members of staff.

Full disclosure on staff costs is given in note 6 of the accounts.

## National Bargaining

The College is a signatory to the National Recognition and Procedures Agreement (NRPA) and a member of the Employers Association. The 2022-23 pay award remains outstanding and is subject to ongoing national negotiations with lecturing and support staff Trade Unions.

Local Joint Negotiation Committees (LJNC) were held during 2022-23 with EIS-FELA. LJNCs did not take place during 2022-2023 due to an ongoing disagreement between UNISON and the College.

## **Stakeholder Relationships**

Ayrshire College has many stakeholders. These include:

- Students
- Student association
- Staff
- Scottish Funding Council
- Education Scotland
- Scottish Government
- Local employers / businesses
- Community planning partnerships
- Local authorities
- Colleges Scotland
- Skills Development Scotland
- Trade unions
- Universities
- The voluntary sector
- Scottish Futures Trust
- The National Union of Students

The College recognises the importance of these key relationships and engages in regular communication with its stakeholders. This is done through a variety of routes, for example social media, face to face meetings and partnership working projects.

## **Staff Involvement and Participation**

All staff are fully informed of College developments through a range of communication and consultation frameworks. In addition, there are also two elected staff members on the Board of Management.

## **Staff Development**

A range of CPD activities took place during 2022-23, with a significant focus on digital skills to support blended learning approaches and use of innovative technologies.

In addition, the College also continued to support staff to achieve formal qualifications with a specific focus on learning and teaching. Examples of this activity include:

- Teaching Qualification in Further Education
- PDA Teaching Practice
- L&D Assessor Award
- L&D Verifier Award
- Specialist Industry Qualifications

In 2022-23, the College also launched the Aspire Programme, a development pathway for staff who are aspiring to be the leaders of the future. The programme aims to create a pathway that supports succession planning and creates a cohort of leaders for the future, through the development of leadership skills and behaviours.

## Equality and Inclusion

Ayrshire College is a successful, community-focussed regional College and looks ahead knowing that it must support the inclusion and wellbeing of its staff and the social and economic recovery and future prosperity of local communities in Ayrshire. Over the next four years, the College has an opportunity through its Equality Outcomes 2021-2025 to make a difference to the lives and experiences of those most beset by inequality based on their protected characteristic(s). This is why the College's Equality Outcomes 2021-2025 speak to the significance and persistence of particular inequalities and the need to continue tackling these to secure long-term and sustainable change in the College.

By April 2025, the College aims to be a place of learning and working where:

- Equality Outcome 1: Students and staff with protected characteristics most likely to experience hate, report that they feel safe while engaged in study or work
- Equality Outcome 2: Curriculum areas with a male or female student gender imbalance greater than a 75:25 ratio have improved
- Equality Outcome 3: The rates of disclosure, retention and attainment of male students with a mental health condition have improved
- Equality Outcome 4: The recruitment and disclosure rates of staff with a disability have improved.

The College's [Statement of Ambition 2030 and Strategic Objectives 2021-2023](#) make clear the importance of embedding inclusion into everyday College business. As such, Ayrshire College is demonstrating that it is an organisation which has both a strategic vision and approach to equality, inclusion and diversity.

In accordance with the Public Sector Equality Duty (PSED) the College published its fifth, formal report in April 2023, in response to this Duty with the last review being in April 2021. The formal progress report is available on the College's website and can be reviewed here:

[Mainstreaming Equality 2019-2021 and Equality Outcomes 2021-2025 Report \(ayrshire.ac.uk\)](#)

In January 2023, the SFC published a set of National Equality Outcomes (NEOs) for colleges and universities to consider and adopt going forward. These NEOs have been aligned to the College's Equality Outcomes 2021-2025 and between now and April 2025, steps will be taken by the College to contribute to the achievement of these NEOs taking account of the College's context, students, and staff. The College is still of the belief that the equality outcomes it set itself in April 2021 afford the best opportunity to make a difference to the lives and experiences of those most beset by inequality based on protected characteristic(s). It is for this reason the College is continuing to progress with these equality outcomes also.

The NEOs can be viewed here: [Equality and diversity National Equality Outcomes \(sfc.ac.uk\)](#)

## **Health, Safety and Wellbeing**

It is the policy of the College to pursue progressive improvement in the Health, Safety and Wellbeing of staff, students and visitors and take all reasonable steps to provide safe and healthy conditions in which to study, learn and work.

A range of developments were undertaken during 2022-23 to promote the College's culture of health, safety and wellbeing. These developments built on the strong foundation of work undertaken by the College in prior years. The College's Health, Safety and Wellbeing Team led on a range of initiatives to support staff and student mental health. For example, the College hosted staff and student wellbeing festivals with keynote speakers, a College wide challenge to support the charity British Inspiration Trust (BRIT), the return of on-campus yoga sessions, as well as a walking programme.

During 2022-23 the College has continued to raise awareness of a range of health, safety and wellbeing issues through regular communication, training and update sessions. Wherever possible, the College has collaborated with other agencies working in health and safety and engaged in joint projects that would benefit the College.

The College continues to align its health and safety activities to changes taking place within the sector and nationally. This includes the College promoting wellbeing themes in partnership with NHS Ayrshire & Arran and other agencies.

## **Student Involvement**

The College places great importance on the student voice and the role of the Student Association. The Sabbatical President and Vice President are members of the Board of Management. In addition, each year students are invited to give feedback to the College through a range of formal and informal routes.

The performance report is approved by the Board of Management and is signed on its behalf by:

***F McQueen***  
**Chair**

***A Cox***  
**Principal**

# ACCOUNTABILITY REPORT

**Corporate Governance Report**

**Statement of Board of Management's Responsibilities**

**Remuneration and Staff Report**



## CORPORATE GOVERNANCE REPORT

Colleges are required to demonstrate robust governance, maintain a sound system of internal control and to ensure that the following key principles of effective risk management have been applied.

The College is committed to exhibiting best practice in all aspects of Corporate Governance. This summary describes the way the College has applied the principles set out in the Code of Good Governance for Scotland's Colleges. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In doing so, of the Board of Management, the College has complied with the Scottish Public Finance Manual (SPFM) throughout the year ended 31 July 2023. The College 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 2023.

### Board of Management

The Board of Management is responsible for the overall functioning and strategic direction of the College, including responsibility for planning the future development of the College and ensuring its effective management. In so doing, the Board of Management maintains an overarching responsibility for the management and conduct of College affairs. This includes the provision of the best possible education and learning environment for its students, the equality and diversity of staff and students; corporate governance and risk management; finance, planning, monitoring and audit; maintaining quality and standards; and maintaining the College estate. The Board of Management also ensures that there is an adequate system of accounting and internal controls which meets accepted accounting, budgetary control, and auditing standards.

The Board of Management, and through its committees, is provided with regular information on the overall financial performance of the College. The Board also receives information on performance against targets on quality matters and other related issues such as health, safety, and well-being.

The Board of Management meets on a quarterly basis but may hold additional meetings as needs demand. Meeting papers and confirmed minutes of all Board of Management meetings, and the meetings of the Board's committees are available from the Board Governance Advisor to the Board of Management and are published on the College website. Those papers and sections of the minutes deemed confidential by the Board of Management for reasons of commercial sensitivity or compliance with data protection legislation are normally "reserved". These are identified as such on agendas and minutes and are not available to the public.

Formal agendas, papers and reports are supplied to members in a timely manner prior to Board and committee meetings. Briefings are also provided to members on an ad-hoc basis.

### Directors' Report

This section of the report sets out the members who served on the Board of Management during the year to 31 July 2023 (Table 5).

**Table 5 – Serving Board Members 2022-23**

Board Member	Committees Served	Status of Appointment	Date of Appointment	Date of Resignation
Norman Bone	1. Business, Resources & Infrastructure	Non-Executive Board Member	01/08/2021	
Beth Clelland	1. Business, Resources & Infrastructure 2. Learning, Teaching & Quality	Non-Executive Board Member	07/09/2020	
Angela Cox	1. Business, Resources & Infrastructure 2. Learning, Teaching & Quality	Principal Ex- Officio	05/09/22	
Stephen Graham	1. Audit and Risk 2. Learning, Teaching & Quality	Non-Executive Board Member	01/08/2019	05/07/2023
Ellie Jamieson	1. Business, Resources & Infrastructure 2. Learning, Teaching & Quality	Elected Student Member Student President	01/08/2021	
Lisa Keggans	1. Business, Resources & Infrastructure 2. Learning, Teaching & Quality	Elected Staff - Support	06/09/2022	
Robert Kean	1. Business, Resources & Infrastructure 2. Learning, Teaching & Quality	Elected Student Member Student Vice President	01/08/2021	
Fiona McQueen	1. Business, Resources & Infrastructure 2. Performance, Review & Remuneration 3. Search & Nomination	Chair of Ayrshire College BOM  Chair of Ayrshire Regional College BOM	Non-Executive Board Member 01/08/18 Interim Chair 03/03/22 – 01/11/22	
Janette Moore	1. Business, Resources & Infrastructure 2. Learning, Teaching & Quality	Elected staff - Curriculum	05/10/2020	
Sharon Morrow	1. Learning, Teaching & Quality	Non-Executive Board Member	01/08/2021	
Gillian Murray	1. Business, Resources & Infrastructure	Non-Executive Board Member	06/12/2022	
Gordon Neill	1. Learning, Teaching & Quality	Non-Executive Board Member	06/12/2022	
Michael Stewart	1. Business, Resources & Infrastructure 2. Learning, Teaching & Quality 3. Performance, Review & Remuneration 4. Search & Nomination	Non-Executive Board Member & Senior Independent Member	01/08/2019	
Alison Sutherland	1. Audit and Risk 2. Learning, Teaching & Quality 3. Performance, Review & Remuneration 4. Search & Nomination	Non-Executive Board Member	01/08/2019	
Steven Wallace	1. Audit and Risk 2. Learning, Teaching & Quality 3. Performance, Review & Remuneration 4. Search & Nomination	Non-Executive Board Member  Vice Chair of Ayrshire College BOM	01/08/2018	
Matthew Wilson	1. Audit and Risk 2. Business, Resources & Infrastructure	Non-Executive Board Member	07/09/2020	

The Principal became an ex-officio Board Member following her recruitment to the position of Principal in September 2022.

The Interim Chair, Fiona McQueen, was formally recruited to the Chair of the Board in November 2022.

The two co-opted members Gordon Neil and Gillian Murray became Non-Executive Board Members in December 2022 following a successful recruitment process.

Jane McKie was the requisite external member of the Search and Nomination Committee.

Table 6 details the number of Board of Management meetings that took place during the individual members' time as a board member during 2022-23 and how many of these meetings that they were able to attend (note co-opted members are not included in Table 6).

**Table 6 – Board Members Attendance 2022-23**

Board Member	Board meetings held during appointment period	Board meetings attended
Norman Bone	4	3
Beth Clelland	4	3
Angela Cox	4	4
Stephen Graham	4	4
Ellie Jamieson	4	4
Lisa Keggans	4	3
Robert Kean	4	1
Fiona McQueen	4	4
Janette Moore	4	3
Sharon Morrow	4	3
Gillian Murray	2	2
Gordon Neill	2	1
Michael Stewart	4	3
Alison Sutherland	4	4
Steven Wallace	4	3
Matthew Wilson	4	3

The College has an independent Board Governance Advisor to support the work of the Board of Management.

The Board of Management conducts its business through several committees. The committees comprise members of the Board of Management. The Board and its committees also have the authority to co-opt members, but co-opted members may not chair or vote at meetings.

The Board of Management has a strong and independent non-executive element of up to 12 members and no individual or group dominates its decision-making process. The Board of Management considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. In addition, the Board contains six members who are out with the non-executive category. These are the Chair (appointed by Scottish Ministers), the Principal (ex-officio), two elected student members and two elected staff members. These members are also expected to exercise impartiality of judgement and be free from any external influence or relationship that could materially interfere with the exercise of their independent judgement as board members.

## **Register of Interests**

The Board Governance Advisor maintains a register of financial and personal interests of the members of the Board of Management, in so far as these relate to the activities of Ayrshire College. The register is available for inspection on the College website.

## **Appointments to the Board of Management**

The Board of Management consists of not less than 15, but not more than 18 persons, of which not less than half shall be drawn from persons engaged in industrial, commercial or employment matters or from the professions or persons with an interest in and the ability to contribute to the management of the College. This is in line with the provisions of The Post-16 Education (Scotland) Act 2013. The other Board members include the Board Chair, who is appointed by the Scottish Government, the Principal, a curriculum/teaching staff member, a support/service staff member and two student members.

Any new appointments to the Board of Management are a matter for the consideration of the Board of Management as a whole. As such, there is a Search and Nomination Committee that is responsible for the selection and nomination of any new non-executive member for the Board of Management's consideration. The Search and Nomination Committee is also responsible on behalf of the Board for the process leading to the appointment of the College Principal. The Board of Management has an induction programme in place and Board development activities were held during 2022-23.

## **Audit and Risk Committee**

The Audit and Risk Committee consists of non-executive members from the Board of Management. The Chair of the Board of Management and Principal are not members of the Audit and Risk Committee. This Committee's responsibilities are to oversee the external and internal audit of the College and provide assurance to the Board that the requirements of the Code of Audit Practice published by Audit Scotland are observed. The Audit and Risk Committee has delegated responsibility for ensuring the system of risk management established by Ayrshire College remains fit for purpose and is being appropriately maintained.

## **Business, Resources and Infrastructure Committee**

The Business, Resources and Infrastructure Committee consists of members from the Board of Management including the Principal and the Chair of the Board. This Committee's responsibilities are to oversee the strategic and operational financial planning of the College and provide assurance to the Board on the financial expenditure, financial management and performance of the College. The Committee is responsible for overseeing all matters related to the College's continuing organisational development including oversight of the development, planning, and delivery of the overarching People Strategy, promoting a positive and inclusive culture, and reviewing and monitoring the quality and performance of associated programs of work.

In addition, the Committee oversees the strategic and operational planning of the estates function within the College and provides assurance regarding College estates matters to the Board.

## **Learning, Teaching and Quality Committee**

The Learning and Teaching Committee consists of members from the Board of Management including the Principal and at least one student member. This Committee's responsibilities are to oversee and provide assurance to the Board on all matters related to the strategic development and delivery of learning, teaching and the student experience, including monitoring and reporting on the associated quality and performance.

## **Performance Review and Remuneration Committee**

Membership of this Committee comprises the Chair of the Board of Management, the Vice Chair, the Senior Independent Member, and the chairs of each of the Board's committees. The Committee is chaired by a non-executive member of the Board and cannot be chaired by the Chair of the Board of Management. This Committee's responsibilities are to oversee all matters related to Performance Review and Remuneration of those members of staff whose remuneration consideration lies out with the scope of the National Recognition and Procedures Agreement (NRPA) and provide assurance to the Board on all such matters. In undertaking its deliberations, the Committee will take account of any advice given by the SFC in terms of remuneration any guidance issued by the Scottish Government, HM Treasury.

## **Search and Nomination Committee**

Membership of this Committee comprises the Chair of the Board of Management, the Vice Chair, the Senior Independent Member, and the chairs of each of the Board's committees. The membership will also include an independent external co-opted member approved by the Board. This Committee's responsibilities are to oversee the appointment of the College Principal, oversee the recruitment and recommendation of new board members and to consider the reappointment of current members to the Board of Management. The Committee does this by ensuring that the search and nomination process is conducted in a fair and non-discriminatory manner with due regard to issues of equality, diversity and opportunity in any appointments recommended.

## **Personal data-related incidents**

SFC requires colleges to outline any significant lapses of data security that take place during the year. During 2022-23, one personal data breach was reported to the ICO. This was a 'Confidentiality Breach' involving the accidental disclosure of personal data. The breach affected two data subjects (students), both were vulnerable and there was a potential significant risk of harm that could not be eliminated.

The ICO was satisfied that the breach was handled effectively and no further action was recommended.

## **GOVERNANCE STATEMENT**

This statement has been prepared in accordance with Accounts Direction and Code of Good Governance for Scotland's Colleges requirements.

### **Principal Risks and Uncertainties**

The College's Board of Management is ultimately 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 SLT monitors key performance and risk indicators and considers possible control issues brought to its attention through operational planning and monitoring. The Senior Leadership Team (SLT) and the Audit and Risk Committee also receive regular reports from Internal Audit which include recommendations for improvement.

During the June 2022 Board and committee cycle, it was agreed that for 2022-23 onwards risk extracts are created for the Board of Management, the Business, Resources and Infrastructure Committee and the Learning and Teaching Committee. On behalf of the Board of Management, the Audit and Risk Committee reviews the Board's risk management position and considers the arrangements to mitigate the risks identified.

The College Risk Register is a standing agenda item for each meeting of the Audit and Risk Committee and thereafter the Board of Management. In addition, the relevant extracts from the Risk Register are presented to each committee for discussion, comment and approval.

The College Risk Register at the end of 2022-23 identified 18 strategic risks. The classification of these net risk scores was as follows:

- One risk was assessed as High
- Five risks were assessed as Medium
- Seven risks were assessed as Moderate
- Five risks were assessed as Low
- No risks were assessed as Very Low

## **STATEMENT OF INTERNAL CONTROL**

### **Scope of Responsibility**

The College's governing body is its Board of Management which 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.

### **Purpose of the System of Internal Control**

The College's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on ongoing processes designed to identify and prioritise the risks to the achievement of the College's policies, aims and objectives, to evaluate the likelihood of these risks being realised and the impact should they be realised, and to manage them effectively and economically.

### **Capacity to Handle Risk**

The Board of Management has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. These key risks are identified and addressed within the risk register maintained by the College.

### **The Internal Control Framework**

The College's system of internal control was in place for the duration of 2022-23 and continues to remain in place up to, and beyond, the date of approval of the College's financial statements. The College's internal control system is based on a framework of regular management information, administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget which is reviewed and approved by the Board of Management.
- Regular reviews by the Board of Management and its designated sub-committee of periodic and annual financial reports which indicate financial performance against targets.
- Setting targets to measure financial and other performance.
- The operation of and reporting to the Board of Management from an Internal Audit service.

The College's Internal Auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to Management and the Audit and Risk Committee. The internal auditors concluded that the College's risk management activities and controls in the areas which were examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements.



Management is responsible for the implementation of agreed audit recommendations and the College's Internal Auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit and Risk Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from SFC and other key agencies as they affect the College's business and monitors adherence to the regulatory requirements. During 2022-23 no significant weaknesses were identified in the College's internal control framework.

### **Review of Effectiveness**

The review of effectiveness of the system of internal control is informed by:

- The work of Internal Auditors, including their Annual Report on the College's control environment.
- The work of the Senior Leadership Team (SLT) whose members have responsibility for the development and maintenance of internal control framework.
- Comments made by the College's External Auditors.
- Comments made by the auditors appointed to audit specific areas such as the delivery of the credits target and the disbursement of student support funds.

The SLT receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning systems which are embedded within the operational units and reinforced by risk awareness training. The SLT and the Audit and Risk Committee also receive regular reports from Internal Audit which include recommendations for improvement.

### **Going Concern**

After making appropriate enquiries, the Board of Management considers that the College has adequate resources to continue operations for 2023-24. In addition, the Audit Scotland guidance 'Going Concern in the Public Sector' states that "the use of the going concern basis of accounting will always be appropriate for public bodies". For this reason, Ayrshire College continues to adopt the going concern basis in preparing the financial statements.

### **Conclusion**

The College continued to improve and enhance its reputation in 2022-23, particularly in the areas of corporate governance, high quality learning and teaching, engagement with students, and strategic partnership working.

Approved by the Board of Management and is signed on its behalf by:

**F McQueen**  
Chair

**A Cox**  
Principal

## STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES

The Board of Management is required to present audited financial statements for each financial year.

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

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and 2005, the Statement of Recommended Practice on Accounting for Further and Higher Education, the Government Financial Reporting Manual (FReM) and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between SFC and the College's Board of Management, the Board of Management, through its designated office holder, is required 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.

The financial statements are prepared in accordance with the accounts direction issued by SFC, which brings together the provisions of the financial memorandum with other formal disclosures that SFC requires the Board of Management to make in the financial statements and related notes. The College is a public benefit entity and has therefore also applied the public benefit requirements of FRS 102.

In preparing the financial statements, the Board of Management is required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare financial statements on the going concern basis, unless it is inappropriate to presume that the College will continue in operation.

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

The Board of Management has taken reasonable steps to:

- Ensure that funds from the SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the 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 prevent and detect fraud.
- Secure the economical, efficient, and effective management of the College's resources and expenditure.



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

- Clear definitions of the responsibilities of, and the authority delegated to, managers across the College
- A comprehensive planning process, supplemented by detailed annual budgets including income, expenditure, capital, and cash flows
- Regular reviews of key performance indicators and business risks and monthly 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 Board of Management
- Comprehensive financial regulations, detailing financial controls and procedures, approved by the Business Resources and Infrastructure Committee, Audit and Risk Committee, and the Board of Management
- A professional internal audit team whose annual programme is approved by the Audit and Risk Committee and endorsed by the Board of Management. The audit team 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 system of internal financial control can however only provide reasonable, but not absolute, assurance against material misstatement or loss.

### **Disclosure of Information to Auditors**

The members of the Board of Management confirm that, so far as they are aware, there is no relevant audit information of which the College's auditors are unaware. Each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by the Board of Management and is signed on its behalf by:

**F McQueen**  
Chair

**A Cox**  
Principal

## REMUNERATION AND STAFF REPORT

### Remuneration Policy

The post of Principal and the additional posts which make up the College's SLT (the Vice Principals and Assistant Principals) are not covered by national negotiating arrangements, within the terms of the National Recognition and Procedures Agreement (NRPA). All other service staff posts are covered by the NRPA regarding the negotiation of contractual issues in respect of terms and conditions of service and salaries.

The Principal's, Vice Principals' and Assistant Principals' salaries are on incremental salary scales, with annual contractual increments on the anniversary of appointment. There are no contractual arrangements for either performance-related pay or for the payment of bonuses.

The remuneration of the Chair is set by Scottish Ministers as detailed in Note 7 to these financial statements.

### Operation of the Remuneration Committee

Membership of the Remuneration Committee comprises the Chair of the Board of Management and the chairs of each of the Board's committees. The Principal is not a member of the Remuneration Committee. The Committee's responsibilities are to agree remuneration for the Principal, Vice Principals and Assistant Principals. The Committee takes account of any advice given by the SFC in the remuneration of the Principal and SLT and takes account of any guidelines issued by the Scottish Government and/or UK Treasury. The Committee reports to the Board of Management on remuneration for senior staff.

The Principal could be called to attend a Remuneration Committee meeting for the purpose of presenting any paper relevant to the salary scale of members of the Vice Principals and / or Assistant Principals. As the Principal is not a member of the Remuneration Committee, the Principal would not be present during any decision making in this regard.

The Vice Principal People, Performance and Transformation can also be called to attend the meeting for the purpose of providing professional advice, as required by the Committee.

### Senior Management Remuneration Including Salary and Pension Costs

#### *Salary Entitlements*

In this section of the report the College has set out the remuneration of the College's executive management during 2022-23 (Table 7).

**Table 7 – Remuneration of Senior Management 2022-23**

Name	12 months ended 31 July 2023				12 months ended 31 July 2022			
	Salary £000	Pension Benefit £000	Total £000	Annual Salary £000	Salary £000	Pension benefit £000	Total £000	Annual Salary £000
A Cox, Principal <sup>1</sup>	120-125	37	160-165	135-140				
A Campbell, Vice Principal	100-105	(30)	70-75	100-105	100-105	17	120-125	100-105
D Davidson, Vice Principal <sup>2</sup>	15-20	48	65-70	85-90				
F McQueen, Chair <sup>3</sup>	25-30	-	25-30	25-30	10-15	-	10-15	25-30
W Mackie, Chair <sup>4</sup>	-	-	-	-	15-20	-	15-20	25-30
<b>Movement During 2022-23</b>								
C Turnbull, Principal <sup>5</sup>	10-15			140-145	140-145			140-145
M Breen, Vice Principal <sup>6</sup>	25-30			100-105	100-105			100-105
J Thomson, Vice Principal <sup>7</sup>	60-65			90-95				

The details in tables 7-11 in this section of the report are subject to audit. The format of the tables has been set by the SFC as part of its accounts direction to colleges for 2022-23.

The pension benefit figure included within Table 7 is derived by using a calculation set out by SFC in the 2022-23 accounts direction. The accounts direction states that:

*“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 right”.*

## Median Remuneration

Colleges are required by the FReM to disclose the relationship between the remuneration of the highest paid official and the median (middle of the range) remuneration of their workforce.

The highest paid member of the management team was the Principal. The Principal’s remuneration before pension benefits was in the range £135,000 - £140,000 (2021-22: £145,000-£150,000). This was 3.5 times (2021-22: 3.7 times) the median remuneration of the workforce which was £38,672 (2021-22: £38,672). This detailed in Table 8.

<sup>1</sup> Commenced employment in September 2022

<sup>2</sup> Appointed to position in June 2023

<sup>3</sup> Appointed to the role of Interim Chair of the Board in 3 March 2022 and formally appointed as Chair of the Board in November 2022

<sup>4</sup> Tenure as Chair of the Board ended in March 2022

<sup>5</sup> Retired in September 2022

<sup>6</sup> Resigned in October 2022

<sup>7</sup> Resigned in June 2023

**Table 8**

Range of Workforce Remuneration	2022-23 £000	2021-22 £000	% Change
Highest paid official remuneration	138	143	-4.2%
Median (total pay and benefits)	39	39	0.00%
Median (salary only)	39	39	0.00%
Ratio	3.5	3.7	-4.2%
25th percentile (total pay and benefits)	26	26	0.0%
25th percentile (salary only)	26	26	0.0%
Ratio	5.3	5.5	-4.2%
75th percentile (total pay and benefits)	43	43	0.0%
75th percentile (salary only)	43	43	0.0%
Ratio	3.2	3.3	-4.2%

### ***Accrued Pension Benefits***

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

Both STSS and the SPF were final salary pension schemes up to 31 March 2015. This means that pension benefits for service prior to that date are based on the final year's pay and the number of years that the person has been a member of the scheme. Since 1 April 2015 both schemes have moved to being Career Average Schemes in respect of service since that date.

Contribution rates for these two schemes are set annually for all employees, with the employer contribution rate being the same percentage of gross salary for all members of the respective schemes. Employee contribution rates increase in line with gross salary as set out in the rules for each scheme.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a 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 senior officials are members of either the STSS or the SPF as noted below (Table 9).

**Table 9 – Employer's Contributions by Senior Official**

Name	Senior Official's Pension Scheme	Accrued pension at pension age at 31 July 2023 £000	Accrued lump sum at pension age at 31 July 2023 £000	Real increase in pension 1 August 2022 to 31 July 2023 £000	Real increase in lump sum 1 August 2022 to 31 July 2023 £000	CETV at 31 July 2023 £000	CETV at 31 July 2022 £000	Real increase in CETV £000
A Cox	SPF	2	-	2	-	31	-	31
A Campbell	STSS	30	83	(1)	(8)	513	530	(17)
D Davidson	SPF	24	1	3	-	290	249	41

### Cash Equivalent Transfer Value

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 based on 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 because of their total Local Government service or transferred service from previous employment and not just their current appointment.

In considering the accrued pension benefits figures the following contextual information should be considered:

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

### Compensation for Loss of Office

No compensation payments were made for the loss of office during 2022-23.

Approval was given for 53 members of staff to leave the College under a voluntary severance scheme. During 2022-23 the College made voluntary severance payments of £1,385,000

**Table 10 – Voluntary Severance Payments 2022-23**

Exit Package Cost Band	Number of compulsory redundancies	Number of other departures agreed (including any voluntary redundancies)	Total number of exit packages by cost band
<£10,000	-	15	15
£10,000 - £25,000	-	11	11
£25,000 - £50,000	-	22	22
£50,000 - £100,000	-	5	5
<b>Total number of exit packages</b>	-	<b>53</b>	<b>53</b>
<b>Total cost (£)</b>	-	<b>£1,385,000</b>	<b>£1,385,000</b>

Salaries and related costs for 2022-23 totalled £34,609,000 as noted below (Table 11).

**Table 11 – Salaries and Related Costs 2022-23**

	2022-23			2021-22
	Directly employed staff £000	Seconded and agency staff £000	Total £000	Total £000
Wages and salaries	27,036	97	27,133	25,715
Social security costs	2,519	-	2,519	2,589
Other pension costs	4,957	-	4,957	5,090
<b>TOTAL</b>	<b>34,512</b>	<b>97</b>	<b>34,609</b>	<b>33,394</b>
<b>Average number of FTEs</b>			<b>667</b>	<b>695</b>

In 2022-23, the College employed 520 females and 317 males. No member of staff currently identifies as non-binary or gender neutral. The College continues to promote trans and gender diverse inclusion to ensure all staff are supported.

In the year ended 31 July 2023 staff turnover was 7.0%. The figure for the year ended 31 July 2022 was 6.1%.

### Sickness Absence

Total sickness absence during 2022-23 was 4.6%. Of this, 1.6% was due to short-term sickness and 3.0% was long-term sickness absence (Table 12).

**Table 12 – Sickness Absence**

Sickness Absence Duration	2022-23	2021-22
Short-term	1.6%	1.3%
Long-term	3.0%	2.4%
<b>Total</b>	<b>4.6%</b>	<b>3.7%</b>

Short-term absence is any absence lasting less than 28 days. Long-term absence is any absence lasting 28 days or more.

### Trade Union Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, Ayrshire College provided support through paid facility time for union officials working at the College. The information for the year ended 31 July 2023 is set out below in the Tables 13 to 15.

**Table 13 – Relevant Union Officials**

Number of employees who were union officials during 2022-23	Employee number by FTE:
4.0	0.77

**Table 14 – Percentage of Time Spent on Facility Time**

Percentage	Number of Employees
0%	0
1%-50%	4
51%-99%	0
100%	0

**Table 15 – Percentage of Pay Bill Spent on Facility Time**

Total cost of facility time	£42,220
Total pay bill	£34,079,191
Percentage of total pay bill spent on facility time	0.12%

Total time spent on trade union activities as a percentage of total paid facility time hours during 2022-23 was 100%. The College also releases union officials to support staff with other meetings as required.

### **Fair Work Practices**

The College is a fair work employer and demonstrates this through:

- Opportunity and staff development
- Equalities
- Commitment to the minimum wage
- Respect
- Continuing to enhance employee relations
- Collaboration and support throughout our workforce

Further work will continue on workforce development planning over the coming 12 months to strengthen the ability to support the Corporate Strategy.

### **Approval of the Remuneration Report**

The Remuneration Report has been approved by the Board of Management and is signed on its behalf by:

**F McQueen**  
Chair

**A Cox**  
Principal



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

## Reporting on the Audit of the Financial Statements

### Opinion on Financial Statements

We have audited the financial statements in the annual report and accounts of Ayrshire College for the year ended 31 July 2023 under the Further and Higher Education (Scotland) Act 1992 and section 44(1) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including 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 of the state of the college's affairs as at 31 July 2023 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

### Basis for Opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. 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 were appointed by the Auditor General on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We were 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. Non-audit services prohibited by the Ethical Standard were not provided to the college. 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 Basis of Accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the college's current or future financial sustainability. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

## **Risks of Material Misstatement**

We report in our separate Annual Audit Report, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

## **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 there is an intention to discontinue the college's operations.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain 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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud.

Procedures include:

- using our understanding of the college sector to identify that the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 are significant in the context of the college;
- inquiring of the College Principal as to other laws or regulations that may be expected to have a fundamental effect on the operations of the college;
- inquiring of the College Principal concerning the college's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussion among our team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the college's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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.

## Reporting 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. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, 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.

## Reporting on Other Requirements

### Opinion Prescribed by the Auditor General for Scotland on the Audited Parts of the Remuneration and Staff Report

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

### Other Information

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

## **Opinions Prescribed by the Auditor General for Scotland on the Performance Report and Governance Statement**

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 Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts 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.

## **Conclusions on Wider Scope Responsibilities**

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

## **Use of Our Report**

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 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

David Eardley (for and on behalf of Azets)  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

December 2023

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

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR TO 31 JULY 2023**

	Note	Recurring £000	Exceptional £000	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
<b>INCOME</b>					
SFC grants	2	46,044	-	46,044	46,272
Tuition fees and education contracts	3	3,757	-	3,757	3,989
Other grants and contracts	4	75	-	75	74
Other income	5	2,452	-	2,452	1,988
Investment income	6	385	-	385	-
<b>Total Income</b>		<b>52,713</b>	<b>-</b>	<b>52,713</b>	<b>52,323</b>
<b>EXPENDITURE</b>					
Staff costs	7	37,057	-	37,057	37,897
Restructuring costs	7	-	1,385	1,385	-
Exceptional Costs		-	1,510	1,510	-
Other operating expenses	9	10,214	-	10,214	8,782
Depreciation	12	3,895	-	3,895	4,072
Interest and other financial costs	10	2,548	-	2,548	3,051
<b>Total Expenditure</b>		<b>53,714</b>	<b>2,895</b>	<b>56,609</b>	<b>53,802</b>
<b>Deficit before other gains/(losses)</b>		<b>(1,001)</b>	<b>(2,895)</b>	<b>(3,896)</b>	<b>(1,479)</b>
Loss on disposal of assets		-	-	-	(66)
<b>Deficit before tax</b>		<b>(1,001)</b>	<b>(2,895)</b>	<b>(3,896)</b>	<b>(1,545)</b>
Taxation	11	-	-	-	-
<b>Deficit for the year</b>		<b>(1,001)</b>	<b>(2,895)</b>	<b>(3,896)</b>	<b>(1,545)</b>
Unrealised (deficit) / surplus on revaluation of assets				<b>(5,836)</b>	70
Actuarial (loss) / gain in respect of pension schemes				<b>(10,868)</b>	36,063
<b>Total Comprehensive Income for the year</b>				<b>(20,600)</b>	<b>34,588</b>

All items of income and expenditure relate to continuing activities and are unrestricted.

The Statement of Comprehensive Income is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 30 provides details of the adjusted operating position on a Central Government accounting basis.

**STATEMENT OF CHANGES IN RESERVES**

	Income and Expenditure Account £000	Restricted Reserves £000	Revaluation Reserve £000	Total £000
<b>Balance at 31 July 2021</b>	(2,348)	466	58,840	56,958
Deficit from the income and expenditure statement	(1,545)	-	-	<b>(1,545)</b>
Revaluation	-	-	70	<b>70</b>
Transfers from pension reserve to income and expenditure reserve	36,063	-	-	<b>36,063</b>
Transfers between revaluation and income and expenditure reserve – HC Depreciation	1,605	-	(1,605)	-
<b>Total comprehensive income for the year</b>	<b>36,123</b>	<b>-</b>	<b>(1,535)</b>	<b>34,588</b>
<b>Balance at 31 July 2022</b>	<b>33,775</b>	<b>466</b>	<b>57,305</b>	<b>91,546</b>
Deficit from the income and expenditure statement	(3,896)	-	-	<b>(3,896)</b>
Revaluation	-	-	(5,836)	<b>(5,836)</b>
Transfers from pension reserve to income and expenditure reserve	(10,868)	-	-	<b>(10,868)</b>
Transfers between revaluation and income and expenditure reserve – HC Depreciation	1,594	-	(1,594)	-
<b>Total comprehensive income for the year</b>	<b>(13,170)</b>	<b>-</b>	<b>(7,430)</b>	<b>(20,600)</b>
<b>Balance at 31 July 2023</b>	<b>20,605</b>	<b>466</b>	<b>49,875</b>	<b>70,946</b>

**BALANCE SHEET AS AT 31 JULY 2023**

	Note	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
<b>Fixed Assets</b>			
Tangible fixed assets	12	<b>119,890</b>	126,796
<b>Total fixed assets</b>		<b>119,890</b>	126,796
<b>Net pension asset</b>		-	11,518
<b>Current Assets</b>			
Stocks		<b>36</b>	43
Debtors	13	<b>5,079</b>	4,185
Cash and cash equivalents	19	<b>11,685</b>	12,713
<b>Total current assets</b>		<b>16,800</b>	16,941
<b>Less: Creditors – amounts falling due within one year</b>	14	<b>14,110</b>	12,234
<b>Net current assets</b>		<b>2,690</b>	4,707
<b>Total assets less current liabilities</b>		<b>122,580</b>	143,021
Less: Creditors – amounts falling due after more than one year	15	<b>38,364</b>	41,054
Less: Deferred capital grants due to be released after one year	16	<b>10,318</b>	8,642
<b>Provisions</b>			
Early Retirement Provision	17	<b>994</b>	1,188
Other Provisions	17	<b>1,958</b>	591
<b>Net Assets excluding pension liability</b>		<b>70,946</b>	91,546
<b>Net pension liability</b>	20	-	-
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<b>70,946</b>	91,546
Income and expenditure account excluding pension reserve	18	<b>20,605</b>	22,257
Pension reserve	18	-	11,518
		<b>20,605</b>	33,775
Restricted Reserves		<b>466</b>	466
Revaluation Reserve	18	<b>49,875</b>	57,305
<b>TOTAL RESERVES</b>		<b>70,946</b>	91,546

The financial statements on pages 37 to 63 were approved by the Board of Management and are signed on its behalf by:

**F McQueen**  
Chair

**A Cox**  
Principal

**CASH FLOW STATEMENT FOR THE YEAR TO 31 JULY 2023**

	Note	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
<b>Cash outflow from operating activities</b>			
Deficit for the year		<b>(3,896)</b>	(1,545)
<b>Adjustment for non-cash items</b>			
Depreciation	12	<b>3,895</b>	4,072
Net loss on disposal of fixed assets		-	66
Deferred capital grants released to income	16	<b>(765)</b>	(829)
Decrease/(increase) in stock		<b>7</b>	(13)
Increase in debtors	13	<b>(893)</b>	(646)
Increase in creditors	15	<b>1,947</b>	2,399
Increase/(decrease) in provisions	17	<b>1,173</b>	(242)
Net return on pension liability	20	<b>650</b>	4,002
Returns on investments and servicing of finance		<b>385</b>	(357)
<b>Cash flows from investing and financing activities</b>			
Interest receivable	6	<b>(385)</b>	-
Interest payable	10	-	357
PFI/NPD capital payments	15	<b>(2,673)</b>	(2,545)
Purchase of tangible fixed assets	12	<b>(2,826)</b>	(657)
Deferred capital grants receipts	16	<b>2,353</b>	450
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<b>(1,028)</b>	4,512
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/increase in cash and cash equivalents in the year	19	<b>(1,028)</b>	4,512
Net funds at 1 August 2022		<b>12,713</b>	8,201
<b>Net funds at 31 July 2023</b>		<b>11,685</b>	12,713



## NOTES TO THE FINANCIAL STATEMENTS

### 1 Statement of Principal Accounting Policies

#### a) Basis of Preparation

The financial statements are prepared on a going concern basis and show a deficit for the year of (£1,001,000) before non-recurring items, with an accumulated deficit on the income and expenditure reserve of £20,605,000. At 31 July 2023, current assets of £16,801,000 included cash and bank balances of £11,685,000. Creditors falling due within one year were £14,112,000, with net current assets of £2,689,000.

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP); *Accounting for Further and Higher Education* and in accordance with applicable Accounting Standards. They conform to guidance published by the Scottish Funding Council. In preparing these financial statements, management has ensured compliance with the requirements of FRS 102.

#### b) Basis of Accounting

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

#### c) Recognition of income

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

Funds the College receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure account.

#### d) Grant Funding

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

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

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.

#### e) Maintenance of Premises

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

**f) Pension Schemes**

Retirement benefits to employees of the College are provided by the Scottish Teachers' Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). The STSS is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the STSS are charged to the Statement of Comprehensive Income to spread the cost of pensions over employees' working lives with the College. The contributions are determined by qualified actuaries based on periodic valuations using the projected unit method. The SPF is a defined benefit scheme under the definitions set out in FRS102.

**g) Tangible Fixed Assets**

Private Finance Initiative (PFI) Assets

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the service passes to a PFI contractor.

Where the College is subject to the majority of the potential variations in property related profits or losses and has access to the risks and rewards of ownership (which is assessed having regard, in particular, to the quantum of finance provided by the private sector that is, in fact, at risk to the performance of the project) it recognises an asset and a corresponding liability for amounts due to the scheme operator to pay for the asset.

Assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the College.

The amounts payable to the PFI operators each year are analysed into three elements:

- Fair value of the services received during the year
- Finance cost and interest charge on the outstanding Balance sheet liability
- Payment towards liability – applied to write down the Balance sheet liability towards the PFI operator.

The annual cost of the service charge and finance cost are disclosed within Other Operating Expenses and Interest Payable notes 8 and 9 to these financial statements.

NPD Assets

The NPD model was developed and introduced as an alternative to, and has since superseded, the traditional PFI model in Scotland

The Scottish Futures Trust states that the "NPD model is defined by the broad core principles of:

- Enhanced stakeholder involvement in the management of projects
- No dividend bearing equity
- Capped private sector returns."

Guidance on the accounting and resource treatment of NPD payments was issued to colleges with NPD projects in August 2015.

The annual cost of the service charge and finance cost are disclosed within Other Operating Expenses and Interest Payable notes to these financial statements (notes 8 and 9).

**g) Tangible Fixed Assets (continued)**

Land and Buildings

Land and buildings inherited from the former Strathclyde Regional Council in 1993 are stated in the Balance Sheet at a valuation based on depreciated replacement cost for specialised properties and open market value for non-specialised properties, as at 31 July 2023, less amounts written off by way of depreciation.

Land and buildings acquired since incorporation are included in the balance sheet at revaluation plus cost where this is over £10,000. Project expenditure is counted as a single asset. Freehold land associated with the buildings and undeveloped freehold land is not depreciated. Freehold building costs are depreciated on a straight-line basis over their useful economic life, as assessed by external valuers, as follows:

Main buildings and infrastructure	up to	65 years
Temporary buildings	up to	10 years

Land and Buildings are formally revalued on a quinquennial basis, with an interim desktop review, to ensure the carrying value is not significantly different from fair value.

Leased assets are depreciated over the life of the lease.

Equipment

Equipment is capitalised as follows:

IT assets	-	Over £10,000 for single items or over £10,000 for groups of related assets
Other assets	-	Over £10,000 for single items or over £10,000 for groups of related assets

Equipment is depreciated on a straight-line basis over its useful economic life as follows:

Computer and media equipment	4 years
Other motor vehicles and equipment	4 to 5 years
Furniture and fittings	8 to 10 years

**h) Leased Assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Leasing agreements that transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

**i) Stocks**

Stocks are items held for resale and are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

**j) Taxation**

As a Scottish charity, the College benefits by being exempt from corporation tax on income and surpluses which have been derived in pursuing activities designed to carry out the main objects of its charitable status. The College is exempted from levying VAT on most of the services it provides to students. For this reason, the College is generally unable to recover input VAT it suffers on goods and services purchased for Curriculum Areas. The College can recover VAT on certain trading activities and can partially recover some input tax on other non-Curriculum Area expenditure.

**k) Provisions**

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

**l) Financial Instruments**

The College only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and other loans to related parties. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

**m) Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty**

In preparing these financial statements, management has made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease-by-lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Other key sources of estimation uncertainty:

- **Tangible Fixed Assets**  
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on several factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are considered.
- **Local Government Pension Scheme**  
The present value of the Local Government Pension Scheme defined benefit liability depends on several factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability.

As the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has recorded a notional surplus. The College consider that they will not be able to recover the surplus either through reduced contributions in the future or through refunds from the plan, and therefore the surplus has not been recognised in these financial statements in line with the requirements of FRS102.

		Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
<b>2 SFC Grants</b>			
FE recurrent grant (including fee waiver)		37,216	37,107
HE & FE childcare funds		392	408
Release of deferred capital grants		691	755
Maintenance grant		928	786
NPD unitary charge grant (include capital)		4,863	4,809
SFC grants re job evaluation		858	858
Other SFC grants		1,096	1,549
<b>Total</b>		<b>46,044</b>	<b>46,272</b>
<b>3 Tuition Fees and Education Contracts</b>			
FE fees – UK		558	542
HE fees		1,890	2,197
Education contracts		1,189	1,078
Other contracts		120	172
<b>Total</b>		<b>3,757</b>	<b>3,989</b>
<b>4 Other Grant Income</b>			
Release of deferred capital grants	16	75	74
<b>Total</b>		<b>75</b>	<b>74</b>
<b>5 Other Operating Income</b>			
Catering		852	467
Other income generating activities		905	1,026
Income from Foundation		5	15
Other income		690	480
<b>Total</b>		<b>2,452</b>	<b>1,988</b>
<b>6 Investment income</b>			
Net return on pension asset/liability		385	-
<b>Total</b>		<b>385</b>	<b>-</b>

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
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## 7 Staff Costs

Note	2023 £000	2022 £000
Wages and salaries	27,133	25,715
Social security costs	2,519	2,589
Other pension costs	4,957	5,090
	<b>34,609</b>	<b>33,394</b>
FRS 102 pension adjustments	1,035	3,645
Holiday Pay Accrual	555	-
Job Evaluation	858	858
<b>Total</b>	<b>37,057</b>	<b>37,897</b>
Curriculum departments	18,340	18,215
Curriculum services	5,905	5,540
Administration and central services	8,256	7,764
Premises	1,533	1,361
Catering	575	514
<b>Sub-total</b>	<b>34,609</b>	<b>33,394</b>
FRS 102 pension adjustments	1,035	3,645
Holiday Pay Accrual	555	-
Job Evaluation	858	858
	<b>37,057</b>	<b>37,897</b>
Non-recurring restructuring costs	1,385	-
<b>Total</b>	<b>38,442</b>	<b>37,897</b>

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

	2023 No.	2022 No.
Academic/teaching departments	290	307
Academic/teaching services	112	114
Administration and central services	193	200
Premises staff	49	49
Catering staff	23	25
<b>Total</b>	<b>667</b>	<b>695</b>

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

	2023 No.	2022 No.
£60,001 to £70,000 per annum	1	-
£70,001 to £80,000 per annum	2	2
£80,001 to £90,000 per annum	3	5
£100,001 to £110,000 per annum	1	2
£130,001 to £140,000 per annum	1	-
£140,001 to £150,000 per annum	-	1

## 8 Senior Post-holders' Emoluments

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

Note	2022 No.3	2021 No.4
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Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
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Senior post-holders' emoluments are made up as follows:

Salaries	353	353
Employers Pension contributions	71	73
<b>Total Emoluments</b>	<b>424</b>	<b>426</b>

The above emoluments include amounts payable to the Principal, who was also the highest paid senior post-holder, of:

Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
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Salary Principal (C Turnbull to 5.9.22)	15	144
Salary Principal (A Cox from 5.9.22)	125	-
	<b>140</b>	<b>144</b>
Employers pension contributions	<b>27</b>	<b>28</b>

## 8 Senior Post-holders' Emoluments (continued)

In 2022-23 the Principal and one other senior post-holder were members of the Strathclyde Pension Fund and one senior post holder was a member of the Scottish Teachers Superannuation Scheme. All pension contributions were paid at the same rate as for other members.

The members of the Board of Management, other than the Chair (see below), 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.

### Chair's Remuneration

The College has paid the Chair's remuneration, set by Scottish Ministers, as follows:

2022-23: £27,560

2021-22: £27,560

This remuneration is not pensionable.

Note	Year Ended 31 July 2023	Year Ended 31 July 2022
	£000	£000

## 9 Other Operating Expenses

Teaching departments	1,607	1,533
Administration and central services	2,639	2,301
Kilwinning campus PFI service charge	841	812
Kilmarnock campus NPD unitary charge	1,558	1,435
Other premises costs	2,722	2,058
Childcare costs	392	408
Catering costs	455	235
<b>Total</b>	<b>10,214</b>	<b>8,782</b>

Year Ended 31 July 2023	Year Ended 31 July 2022
£000	£000

Other operating expenses include:

Auditors' remuneration		
- external audit of these financial statements	51	35
- internal audit services	29	27
-		
Operating lease payments	179	97



	Note	Year Ended 31 July 2022  £000	Year Ended 31 July 2022  £000
<b>10 Interest Payable</b>			
Kilwinning Campus PFI interest charge		<b>186</b>	249
Kilmarnock Campus NPD interest charge		<b>2,362</b>	2,445
Pension finance costs	19	-	357
<b>Total</b>		<b>2,548</b>	3,051

### 11 Taxation

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

## 12 Tangible Fixed Assets

	Freshold Land and Buildings £000	Leasehold Land and Buildings £000	PFI Building £000	NPD Building £000	Assets under Construction £000	Equipment £000	Total £000
<b>Cost or Valuation</b>							
At 1 August 2022	41,500	1,005	23,587	63,320	49	5,234	<b>134,695</b>
Additions	-	-	-	14	2,358	454	<b>2,826</b>
Revaluation	(4,510)	-	(3,910)	(3,986)	-	-	<b>(12,406)</b>
Disposals						(669)	<b>(669)</b>
<b>At 31 July 2023</b>	<b>36,990</b>	<b>1,005</b>	<b>19,677</b>	<b>59,348</b>	<b>2,407</b>	<b>5,019</b>	<b>124,446</b>
<b>Depreciation</b>							
At 1 August 2022	1,274	640	680	1,329	-	3,976	<b>7,899</b>
Provided during year	1,276	79	680	1,330	-	530	<b>3,895</b>
Write back re: revaluation	(2,550)	-	(1,360)	(2,659)	-	-	<b>(6,569)</b>
Disposals						(669)	<b>(669)</b>
<b>At 31 July 2023</b>	<b>-</b>	<b>719</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,837</b>	<b>4,556</b>
<b>Net Book Value at 31 July 2023</b>	<b>36,990</b>	<b>286</b>	<b>19,677</b>	<b>59,348</b>	<b>2,407</b>	<b>1,182</b>	<b>119,890</b>
Net Book Value at 31 July 2022	40,275	365	22,907	61,991	-	1,258	126,796
Inherited	22,857		10,022	16,996	-	-	49,875
Financed by capital grant	7,887	297	20	27	2,049	849	11,129
Other	6,246	(11)	9,635	42,325	358	333	58,886
<b>At 31 July 2023</b>	<b>36,990</b>	<b>286</b>	<b>19,677</b>	<b>59,348</b>	<b>2,407</b>	<b>1,182</b>	<b>119,890</b>

The College's Ayr, Kilwinning and Kilmarnock Campus properties were valued at 31 July 2023 by Gerald Eve in the capacity of external valuer. The basis of valuation adopted was that set out in FRS102 being fair value: market value for existing use or depreciated replacement costs (as defined by the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors), depending on the type of asset being valued.

Note	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
<b>13 Debtors: Amounts falling due within one year</b>		
Trade debtors – net of provision for doubtful debts	<b>105</b>	156
Other Debtors	<b>85</b>	21
Prepayments and accrued income	<b>4,889</b>	4,008
	<b>5,079</b>	4,185

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
<b>14 Creditors: Amounts falling due within one year</b>		
Trade creditors	<b>292</b>	436
Other taxation and social security	<b>618</b>	954
Other Creditors	<b>728</b>	1,079
Accruals and deferred income	<b>7,739</b>	3,661
PFI Capital payment < 1 year	<b>15</b> <b>1,250</b>	1,183
NDP Capital payment < 1 year	<b>15</b> <b>1,440</b>	1,490
Deferred Capital Grants to be released in <1 year	<b>16</b> <b>811</b>	899
Amounts owed to Scottish Funding Council	<b>631</b>	1,531
Bursaries and Student Support Funds for future disbursements	<b>601</b>	1,001
	<b>14,110</b>	12,234

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
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### 15 Creditors: Amounts falling due after one year

Capital Element of Kilwinning PFI expenditure:

At 1 August 2022		3,297	4,417
Capital payments in year		(1,183)	(1,120)

		2,114	3,297
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Less amount due within one year	14	(1,250)	(1,183)
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<b>At 31 July 2023</b>		<b>864</b>	<b>2,114</b>
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Capital Element of Kilmarnock NPD expenditure:

At 1 August 2022		40,430	41,855
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Capital payments in year		(1,490)	(1,425)
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		38,940	40,430
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Less amount due within one year	14	(1,440)	(1,490)
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<b>At 31 July 2023</b>		<b>37,500</b>	<b>38,940</b>
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<b>Total</b>		<b>38,364</b>	<b>41,054</b>
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### 16 Deferred Capital Grants

#### At 1 August 2022

	SFC £000	Non SFC £000	Total £000
Land and Buildings	6,941	1,721	8,662
Equipment	879	-	879

	7,820	1,721	9,541
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#### Grants Received in the Year

Land and Buildings	1,013	998	2,012
Equipment	341	-	341

	1,354	998	2,353
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#### Released to Income and Expenditure Account

Land and Buildings	(321)	(75)	(396)
Equipment	(369)	-	(369)

	(690)	(75)	(765)
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#### At 31 July 2023

Land and Buildings	7,633	2,645	10,278
Equipment	851	-	851

	8,484	2,645	11,129
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Split as follows:

Due to be released in <1 year	711	100	811
Due to be released in >1 year	7,773	2,545	10,318

	8,484	2,645	11,129
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	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
<b>17 Provisions for Liabilities and Charges</b>		
<b>Early Retirement Provision</b>		
At 1 August 2022	1,188	1,430
Expenditure in the period	(92)	(87)
Release of provision	(102)	(155)
<b>At 31 July 2023</b>	<b>994</b>	<b>1,188</b>

The above liability is in respect of future pension liabilities arising from early retirements prior to 2006 and now relating to 22 individuals receiving benefits (2021-22: 23). The pension liability has been revalued by an external valuer.

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
<b>Other Provisions</b>		
At 1 August 2022	591	591
Expenditure in the year	(143)	-
Additional provision required in the year	1,510	-
<b>At 31 July 2023</b>	<b>1,958</b>	<b>591</b>

Most of the other provisions relates to dilapidations provisions on the leased property at Nethermains and provision re the final payment re the PFI contract at Kilwinning.

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
<b>18 Reserves</b>		
<b>Income &amp; Expenditure Account</b>		
At 1 August 2022	22,257	18,195
Deficit for the year	(3,896)	(1,545)
Transfer from revaluation reserve	1,594	1,605
Transfer to pension scheme	650	4,002
<b>At 31 July 2023</b>	<b>20,605</b>	<b>22,257</b>

**18 Reserves (continued)**

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
<b>Pension Reserve</b>		
At 1 August 2022	11,518	(20,543)
Current service cost	(2,965)	(5,540)
Employer contributions	1,905	1,869
Contributions re unfunded benefits	25	26
Net return on pension scheme	385	(357)
Actuarial gain in pension scheme	12,726	36,063
Asset Ceiling Adjustment	(23,594)	-
<b>At 31 July 2023</b>	-	11,518

**Summary**

Income & expenditure account	20,605	22,257
Pensions reserve	-	11,518
<b>At 31 July 2023</b>	20,605	33,775

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
<b>Revaluation Reserve</b>		
At 1 August 2022	57,305	58,840
Revaluation	(5,836)	70
Transfer to income & expenditure account in respect of Depreciation on revalued assets (include element re PFI capital reserve)	(1,594)	(1,605)
<b>At 31 July 2023</b>	49,875	57,305

## 19 Analysis of Changes in Cash and Cash Equivalents

	At 1 August 2022 £000	Cash Flows £000	Other Changes £000	At 31 July 2023 £000
Cash	12,713	(1,028)	-	<b>11,685</b>
<b>Total</b>	<b>12,713</b>	<b>(1,028)</b>	<b>-</b>	<b>11,685</b>

## 20 Pensions and Similar Obligations

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

The total pension costs for the period were:

	Year to 31 July 2023 £000	Year to 31 July 2022 £000
STSS: contributions paid	<b>3,027</b>	3,195
SPF: Contributions paid	<b>1,930</b>	1,895
FRS 102 charge to the Income & Expenditure Account	<b>1,035</b>	3,645
<b>Total Pension Cost (Note 6)</b>	<b>5,992</b>	<b>8,735</b>

### Scottish Teachers' Superannuation Scheme (STSS)

The last audited full actuarial and funding valuation was carried out at 31 March 2016. The results of this valuation were rolled forward to give an overall scheme liability of £53.5 billion at 31 March 2022.

Ayrshire College is unable to identify separately its share of the scheme's underlying assets and liabilities. However, as the scheme is unfunded, there can be no surplus or shortfall. Pension contribution rates will be set by the scheme's actuary at a level to meet the cost of pensions as they accrue.

Ayrshire College has no liability for other employers' obligations to the multi-employer scheme.

### Financial Assumptions at 31 March 2022

Rate of return (discount rate) 1.55%

#### Rate of Return in Excess of:

Earnings increases (2.50)%

Price increases (1.30)%

Employer contributions were payable to the STSS at a rate of 23%. Employer rates are reviewed every five years following a scheme valuation from the Government Actuary. The rate of employee's contributions vary dependant on the employee's salary.

### Strathclyde Pension Fund (SPF)

The SPF is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution by the employer made for the year ended 31 July 2023 was 1,930,000.

Under the requirements of Financial Reporting Standard 102 (FRS102), the College is required to disclose information on its share of assets and liabilities of the Strathclyde Pension Fund on a market value basis at the end of the accounting period. The figures quoted form the basis of the balance sheet and funding status of Ayrshire College as at 31 July 2023, in respect of its pension obligations under this Local Government Pension Scheme (LGPS). This information is set out below:

### Principal Actuarial Assumptions

	At 31 July 2023	At 31 July 2022
Rate of increase in salaries	<b>3.70%</b>	3.5%
Rate of increase for pensions in payment/inflation	<b>3.00%</b>	2.8%
Discount rate for liabilities	<b>5.05%</b>	3.5%
Expected return on assets	<b>0.00%</b>	0.0%

The current mortality assumptions include allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

		At 31 July 2023	At 31 July 2022
Current pensioners	Males	<b>19.1</b>	19.6
	Females	<b>22.0</b>	22.4
Future pensioners	Males	<b>20.3</b>	21.0
	Females	<b>23.9</b>	24.5

The approximate allocation of scheme assets is as follows:

	At 31 July 2023	At 31 July 2022
Equities	<b>61%</b>	60%
Bonds	<b>27%</b>	27%
Property	<b>10%</b>	11%
Cash	<b>2%</b>	2%
	<b>100%</b>	100%

The assets and the liabilities of the scheme were:

	At 31 July 2023 £000	At 31 July 2022 £000
<b>Total Market Value of Assets</b>	<b>78,475</b>	76,389
Present value of scheme liabilities:		
Funded	<b>(53,880)</b>	(64,475)
Unfunded	<b>(351)</b>	(396)
Asset ceiling adjustment		-
	<b>(24,244)</b>	
<b>Surplus/(deficit) in the Scheme</b>	<b>-</b>	11,518



**20 Pensions and Similar Obligations (continued)**

	At 31 July 2023 £000	At 31 July 2022 £000
Employer service cost (net of employee contributions)	2,965	5,540
Past service cost	-	-
<b>Total operating charge</b>	<b>2,965</b>	<b>5,540</b>

	At 31 July 2023 £000	At 31 July 2022 £000
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**Analysis of pension finance income/(costs)**

Expected return on pension scheme assets	2,688	1,202
Interest on pension liabilities	(2,303)	(1,559)

<b>Pension finance income/(costs)</b>	<b>385</b>	<b>(357)</b>
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	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
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**Movements on Pension Scheme Deficit**

Surplus/(deficit) in scheme at 1 August 2022	11,518	(20,543)
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**Movement in year:**

Current service charge	(2,965)	(5,540)
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Contributions by members	1,905	1,869
Contributions in respect of unfunded benefits	25	26

Net return on pension assets	385	(357)
Actuarial gains/(losses)	12,726	36,063
Asset ceiling adjustment	(23,594)	-
Surplus/(Deficit) in scheme at 31 July 2023	18 -	11,518

**Asset and Liability Reconciliation**
**Reconciliation of Liabilities**

<b>Liabilities at 1 August 2022</b>	<b>64,871</b>	<b>95,213</b>
Service cost	2,965	5,540
Interest cost	2,303	1,559
Contributions by members	593	572
Actuarial gain	(14,900)	(36,509)

Estimated Unfunded Benefits Paid	(25)	(26)
Estimated Benefits Paid	(1,576)	(1,478)

<b>Liabilities at 31 July 2023</b>	<b>54,231</b>	<b>64,871</b>
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## 20 Pensions and Similar Obligations (continued)

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
<b>Reconciliation of Assets</b>		
<b>Assets at 1 August 2022</b>	<b>76,389</b>	74,670
Expected return on assets	2,688	1,202
Contribution by members	593	572
Contribution by employer	1,905	1,869
Contribution in respect of unfunded benefits	25	26
Actuarial (gain)/loss	(1,524)	(446)
Estimated unfunded benefits paid	(25)	(26)
Estimated benefits paid	(1,576)	(1,478)
<b>Assets at 31 July 2023</b>	<b>78,475</b>	<b>76,389</b>

### Amounts for the current and previous accounting periods

Fair value of employer assets	78,475	76,389
Present value of defined benefit obligation	(54,231)	(64,871)
Asset Ceiling Adjustment	(24,244)	-
Surplus/(Deficit)	-	11,518

As the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has recorded a notional surplus. The College consider that they will not be able to recover the surplus either through reduced contributions in the future or through refunds from the plan, and therefore the surplus has not been recognised in these financial statements in line with the requirements of FRS102.

## 21 Related Party Transactions

The Board of Management of Ayrshire College is a body incorporated under the Further and Higher Education (Scotland) Act 1992 and is funded by the Scottish Funding Council (SFC), which is sponsored by the Scottish Government's Enterprise and Lifelong Learning department.

SFC is regarded as a related party. During the year to 31 July 2023 Ayrshire College had various material transactions with SFC and Scottish Government Departments, as well as with other entities for which the Scottish Government is regarded as the sponsor via the Student Awards Agency for Scotland and several other Colleges and higher education institutions. In addition, Ayrshire College has had transactions with Skills Development Scotland, Colleges Scotland and a small number of material transactions with other Scottish Government Departments and other central government bodies.

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 College's 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.

## 21 Related Party Transactions (continued)

In addition to the above-mentioned bodies, the College had transactions during the year or worked in partnership with publicly funded or representative bodies in which members of the Board of Management hold or held official positions as noted below:

Board Member	Position	Organisation	Sales/ Purchases by the College in the year
Fiona McQueen	Member	Scottish Police Authority	Sales - £700 Purchases - £21,767
Faroque Hussain	Police officer	Police Service of Scotland	Sales - £700 Purchases - £21,767
Mike Stewart	Employee	Chevron Aircraft Maintenance Ltd	Sales - £2,400 Purchases - £nil
Steven Wallace	Employee	University of Strathclyde	Sales - £11,616 Purchases - £1,875

There were no transactions exceeding £5,000 with any other organisations associated with Board Members in 2022-23.

Three members of the Board of Management were employed by the College in the year as follows:

BoM Member	Job Title
Mrs A Cox	Principal and Chief Executive
Janette Moore	Staff Member Curriculum
Lisa Keggans	Staff Member Support

## 22 FE Bursary and Other Student Support Funds

	FE Bursary	FE Hardship	EMA's	Other	Year ended 31 July 2023	Year ended 31 July 2022
	£000	£000	£000	£000	£000	£000
Balance brought forward	250	259	-	144	<b>653</b>	331
Allocation received in year	8,890	1,328	434	200	<b>10,852</b>	11,402
Interest	-	-	-	-	-	-
	<b>9,140</b>	<b>1,587</b>	<b>434</b>	<b>344</b>	<b>11,505</b>	<b>11,733</b>
Expenditure	(7,228)	(2,617)	(434)	(208)	<b>(10,487)</b>	(9,491)
Repaid to SFC/SAAS	(250)	(259)	-	(136)	<b>(645)</b>	(1,477)
Repayable to SFC as clawback	-	-	-	-	-	(112)
Balance carried forward	<b>1,662</b>	<b>(1,289)</b>	<b>-</b>	<b>-</b>	<b>373</b>	<b>653</b>
Represented by:						
Repayable to SFC as clawback	1,662	(1,289)	-	-	<b>373</b>	645
Retained by College for students	-	-	-	-	-	8
						<b>653</b>

The above grants are available solely for students, the College acting only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

## 23 FE & HE Childcare Funds

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
Balance brought forward	<b>348</b>	219
Allocation received in period	<b>620</b>	756
	<b>968</b>	975
Expenditure	<b>(392)</b>	(408)
Repayable to SFC as clawback	<b>(348)</b>	(219)
Balance carried forward	<b>228</b>	<b>348</b>
Represented by:		
Net repayable to SFC as clawback	<b>228</b>	348
	<b>228</b>	<b>348</b>

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

## 24 Commitments under Operating Leases

As at 31 July 2023 the College had annual commitments under non-cancellable operating leases as set out below:

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
Expiry within 1 year	45	-
Expiry within 2 to 5 years	356	-
<b>Total</b>	<b>401</b>	<b>-</b>

## 25 Capital Commitments

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
<b>Contracted for at 31 July 2023</b>	<b>277</b>	<b>2,550</b>

## 26 Ayrshire College Foundation

The Ayrshire College Foundation was formed on 20 December 2013. The Foundation, an independent Scottish Charity, has as its charitable objectives, the furtherance of the charitable objectives of the College which, broadly, are the advancement of education in Ayrshire.

In 2022-23 the Foundation agreed grant funding of £300,000 to the College in respect of a contribution towards the Future Skills Hub.

## 27 PFI Contract and Kilwinning Campus

Payments remaining to be made under the PFI contract at 31 July 2023 are as follows:

	Payment for services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2023-24	842	1,250	119	2,211
Payable within 2 to 5 years	552	864	49	1,465
Payable within 6 to 10 years	-	-	-	-
<b>Total</b>	<b>1,394</b>	<b>2,114</b>	<b>168</b>	<b>3,676</b>

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
Balance at start of year	3,297	4,417
Payments made in the year	(1,183)	(1,120)
Balance outstanding at end of the year	<b>2,114</b>	<b>3,297</b>

## 28 NPD Contract and Kilmarnock Campus

Payments remaining to be made under the NPD contract at 31 July 2023 are as follows:

	Payment for services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2023-24	1,470	1,440	2,275	5,185
Payable within 2 to 5 years	6,261	6,253	8,226	20,740
Payable within 6 to 10 years	8,245	9,634	8,046	25,925
Payable > 10 years	13,896	21,613	5,971	41,480
<b>Total</b>	<b>29,872</b>	<b>38,940</b>	<b>24,518</b>	<b>93,330</b>

	Year ended 31 July 2023	Year ended 31 July 2022
	£000	£000
Balance at start of year	40,430	41,855
Payments made in the year	(1,490)	(1,425)
Balance outstanding at end of the year	<b>38,940</b>	40,430

## 29 Post Balance Sheet Events

There are no post balance sheet events to report.

## 30 Contingent Liabilities

There are no contingent liabilities at 31 July 2023 (31 July 2022: £nil).

## 31 Non-Cash Allocation

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

	2022-23	2021-22
	£000	£000
Deficit before other gains and losses (FE/HE SORP basis)	(3,896)	(1,545)
Add back: Non-cash allocation for depreciation (net of deferred capital grant)	3,129	3,243
Operating (deficit) / surplus on Central Government accounting basis	(767)	1,698

Under the FE/HE SORP, the College recorded an operating deficit of (£3,896,000) for the year ended 31 July 2023. After taking account of the Government noncash budget, the College shows an “adjusted” deficit of £767,000 on a Central Government accounting basis.

**ACCOUNTS DIRECTION FOR SCOTLAND'S COLLEGES 2022-23**

1. It is the Scottish Funding Council's direction that institutions<sup>8</sup> comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts<sup>9</sup>.
2. 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).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2022-23 (FRoM) where applicable. In cases where there is a conflict between the FRoM and the SORP, the latter will take precedence.
4. Incorporated colleges and Glasgow Colleges' Regional Board must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2023.
5. 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.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council  
20 July 2023

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<sup>8</sup> The term "institutions" includes colleges and Glasgow Colleges' Regional Board

<sup>9</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