

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

For the year ended  
31 July 2017

<b>Contents</b>	<b>Pages</b>
Performance Report	3
Accountability Report	16
Corporate Governance Report	17
Statement of the Board of Management's Responsibilities	24
Remuneration Report	26
Independent Auditor's Report to the Members of the Board of Management of Ayrshire College, the Auditor General for Scotland and the Scottish Parliament	31
Statement of Comprehensive Income for the year ended 31 July 2017	34
Statement of Changes in Reserves	35
Balance Sheet as at 31 July 2017	36
Cash Flow Statement for the year ended 31 July 2017	37
Notes to the Financial Statements	38
 <b>Appendices</b>	
Appendix 1 – Accounts Direction for Scotland's Colleges and Universities 2016-17	62

## **Professional Advisers**

### **Financial Statement Auditors**

Mazars LLP  
97 Haymarket Terrace  
Edinburgh  
EH12 5HD

### **Internal Auditors**

Scott Moncrieff  
25 Bothwell Street  
Glasgow  
G2 6NL

### **Bankers**

Bank of Scotland  
30-34 King Street  
Kilmarnock  
KA1 1NP

Clydesdale Bank plc  
43 Alloway Street  
Ayr  
KA7 1SP

Royal Bank of Scotland  
30 Sandgate  
Ayr  
KA7 1BW

### **Solicitors**

Anderson Strathern  
50 George Square  
Glasgow  
G2 1EH

## **Ayrshire College Registered Address**

Ayrshire College  
Dam Park  
Ayr  
KA8 0EU

# PERFORMANCE REPORT

The Board of Management of Ayrshire College presents their Performance Review together with the Audited Financial Statements for the year ended 31 July 2017.

## Overview of Performance Report

This performance report provides a detailed summary of the performance of the College during 2016-17 and how it measures and monitors its performance. The report also includes the strategic issues and risks facing the College.

## Legal Status

The Board of Management was established under the Further and Higher Education (Scotland) Act 1992 to manage and conduct Ayrshire College. It was designated a regional college on 3 March 2014 under the Further and Higher Education (Scotland) Act 2005.

The College is a registered Charity (Scottish Charity Number SC021177) for the purposes of the Law Reform (Miscellaneous Provision) (Scotland) Act 2005.

## Ayrshire College

Colleges in Scotland have been designated as central public sector bodies by the Office of National Statistics and, accordingly, the College year end was changed from 31 July to 31 March as at 31 March 2014. Colleges in Scotland, with the agreement of the Scottish Government, then reverted to their traditional 31 July year end. Annual accounts to 31 July are now prepared.

These financial statements have been approved by the Board of Management of Ayrshire College.

## Strategic Plan 2014-17

The Board of Management published the College's strategic plan, "Ambitious for Ayrshire". This describes how the College will deliver the highest quality learning for our students, be innovative in all aspects of our work and make a real difference to the regional economy and our communities.

The College's vision is ***"Raising Aspirations / Inspiring Achievement / Increasing Opportunities"***.

The College's mission statement is to:

***"Inspire learners to achieve their full potential by playing a lead role in the development of skills, the economy and community life"***

The Board of Management has endorsed an aspiration to be a 'seven star' college which reflects the Board's stretching ambitions for the College.

1. To deliver excellence in learning and teaching
2. To have an excellent reputation locally, regionally and nationally
3. To nurture new and further develop excellent partnership working with employers and Community Planning Partners
4. To recruit and retain highly skilled staff and enable students to flourish in excellent learning environments
5. To be the college of first choice for students
6. To be the training partner of choice for employers
7. To demonstrate excellence in financial sustainability

The Board of Management has aligned the mission and vision of Ayrshire College with the strategic priorities of our partners, in particular to support the overarching ambitions of the three Community Planning Partnerships in Ayrshire focused around:

- Economy and Skills
- Tackling Inequalities
- Building Community Capacity

The College Board of Management on the 22 June 2017 approved their Strategic Plan for the period 2017-20. The 2017-20 Strategic Plan builds on the success of the 2014-17 Strategic Plan.

### **SFC Outcome Agreement**

The College in 2014-15 agreed an Outcome Agreement with the Scottish Funding Council for the period 2014-17.

The Outcome Agreement has five strategic outcomes:

1. Efficient and Effective College Structures
2. Right Learning in the Right Place
3. High Quality and Efficient Learning
4. Developing the Workforce
5. Sustainable Institutions

The College produces a separate report on performance against the 2016-17 Outcome Agreement, this is in addition to the performance data collated within this performance report. The performance report in the separate outcome agreement report includes KPI's in relation to student statistics such as numbers, retention and achievement.

### **Performance of Ayrshire College in 2016-17**

The College reviews its portfolio of courses on an annual basis. Courses no longer in demand, not achieving success or not related to skills are removed from the Curriculum Delivery Plan (CDP) for the following academic year. The College processes ensure that its portfolio of courses are aligned to Local and National policy objectives.

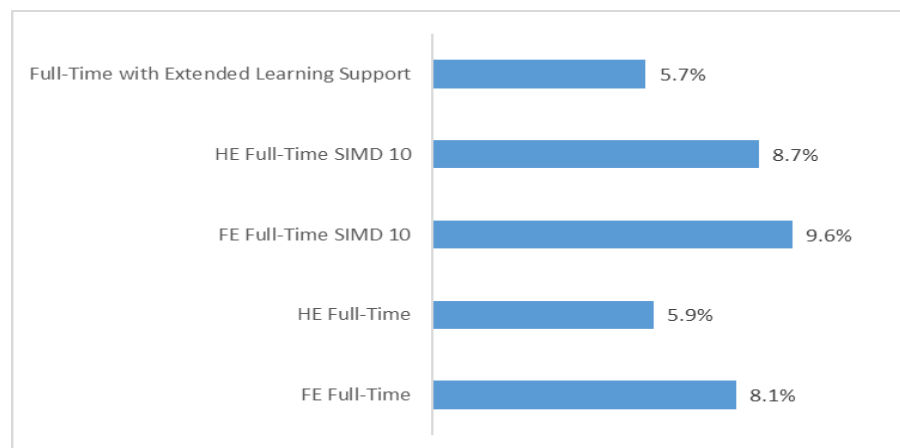
The College has again this year made good progress on Scottish Funding Council (SFC) priorities for improving outcomes for students. A strategic focus on reducing withdrawals and increasing success led to significant increases in FE and HE student outcomes.

In 2016-17, the College exceeded the activity target set by the SFC and delivered 125,749 credits (Target 125,507 credits). This is the second year in a row that the College has exceeded the SFC activity target.

The implementation and delivery of our ambitious Strategic Plan and Outcome Agreement for 2014-17 provided the foundation to build upon the College's successes, and gain a strong reputation inspired by its vision of Raising Aspirations, Inspiring Achievement, Increasing Opportunities. The College is recognised locally, regionally and nationally as an organisation which makes a positive difference to the lives of our students, to our communities, to Ayrshire's economy and to Scotland.

This can be evidenced by the proportion of our students who achieved successful outcomes and the increase in student attainment levels since 2014-15. In 2016-17, 66.8% of FE full-time and 68.3% of HE full-time students completed with a successful outcome. Student attainment levels in 2016-17 for FE full-time students were 8.1% higher than we achieved in 2014-15 and attainments levels for HE full-time students were 5.9% higher. Attainment levels for full-time students from areas of multiple deprivation have also risen significantly, with a 9.6% increase for relevant FE students and 8.7% for relevant HE students (Figure 1).

**Figure 1: Student Attainment Increases from 2014-15 – 2016-17**

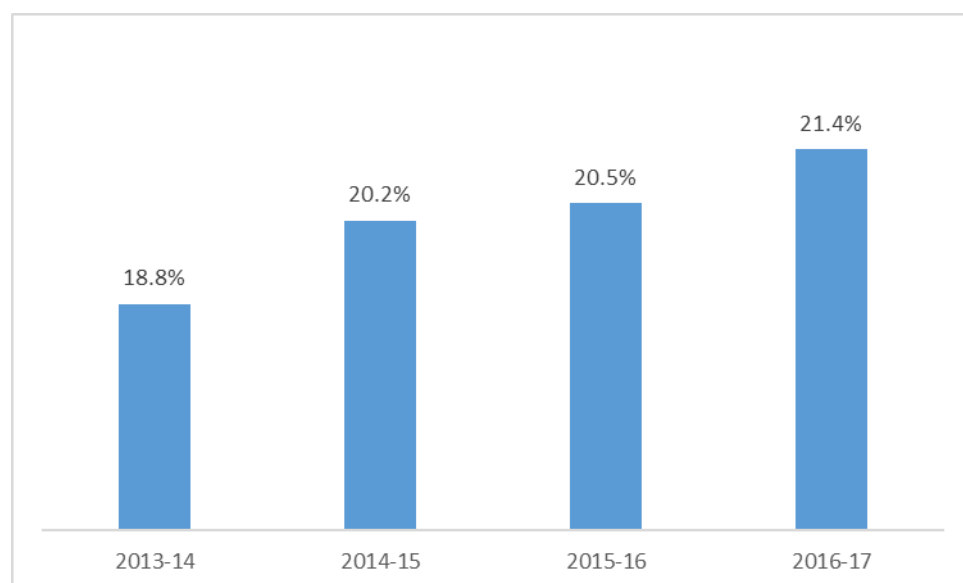


Outside of Glasgow, North and East Ayrshire local authorities have the highest rates of children living in poverty, North Ayrshire has the highest youth unemployment rate, and the region has a higher proportion of people of working age with low or no qualifications. Community planning partners report that children in the poorest areas in the region have major communication challenges, evident in early, primary and secondary schools.

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, and the region has 11 areas of deep-rooted poverty which have been consistently among the most deprived 5% in Scotland since 2004. Two of the region's local authorities have the highest rates of children living in poverty in Scotland outside of Glasgow City - 28.0% in East Ayrshire and 30.4% in North Ayrshire – and ten percent of care experienced school leavers in Scotland live in Ayrshire.

In addition to raising attainment levels for students from the ten per cent most deprived data zones (SIMD10) data zones (Figure 1) the College has increased the proportion of credits delivered to students who live in SIMD10 data zones. In 2016-17 21.4% of the College's total credits were delivered to students living in SIMD10 data zones. An increase from 18.8% in 2013-14 (Figure 2).

**Figure 2: Proportion of credits delivered to students living in SIMD10 data zones**



Ayrshire College is recognised externally as an inclusive college. Consistent and proactive efforts on access, inclusion and diversity have 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.

For example, the Scottish Funding Council set a target for all of Scotland's colleges to deliver success outcomes for 673 care experienced students in 2016-17. In 2016-17 Ayrshire College had 217 care experience students who achieved successful outcomes – 32.2% of the national target. The College exceeded the SFC's target for success for FE full-time care experienced students by 5.5% and for HE full-time care experienced students by 11.4%.

A culture of partnership working is embedded across the College, and throughout the year we invested significant time in enhancing existing private, public and third sector partnerships, as well as developing new ones. This collaborative approach led to innovation in delivery, for example, in employability programmes like Me2U, Skills for Life and Learning for Life which were designed and delivered in partnership with schools, local authorities, national agencies and employers. Our partnership approach with universities resulted in success, with our students gaining access to degree programmes with advanced standing.

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

2016-17 was a year of physical renewal for the College. A major cross-college effort resulted in the new campus in Kilmarnock being opened to staff and students in October 2016. In the year that has followed, this campus has become a lively hub of activity for communities, employers and partners, who make full use of facilities like the Partnership Centre.

The College continues to invest in its other campuses and during 2016-17 major improvement works have been completed to improve the student experience. The College was pleased to receive substantial funding support from the Ayrshire College Foundation (ACF) to refurbish the Hospitality curriculum area within our Dam Park building including the formation of a new restaurant. The Kilwinning campus benefited from improvements to the existing LRC as well as creating new social and study spaces for students. A new Partnership Centre was also formed and the Student Association relocated to a more prominent location.

The College is a strategic business partner of the Ayrshire Chamber of Commerce and a member of the Developing the Young Workforce Ayrshire Steering Group. Significant economic sectors in the region include 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 over 900 apprentices in training at any given time, the College is the main provider of STEM apprenticeships in the region, and in 2016-17 introduced an engineering foundation apprenticeship.

We will continue in 2017-18 on our journey of improvement and we remain focused on increasing student attainment and achievement. In particular, we will focus efforts on continuing to improve full-time HE success, and part-time FE where there has been a decline in success over the period. There is considerable diversity in the types of part-time FE courses offered by the College ranging from apprenticeships in training at the College and in the workplace, short courses to help unemployed people into work, evening classes, specialist courses aimed at young people disengaged from education to school-college courses.

## **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 our 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 Management Team (EMT) 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**

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

The College generated a deficit in the year of (£1,472,000) before exceptional items (these are explained on page 8). The deficit represents an adverse figure of (3%) of overall trading income. This compares to a deficit before exceptional items in 2015-16 of (£677,000). After recording net exceptional costs amounting to (£1,269,000), the final deficit was (£2,741,000) for 2016-17. This is compared to a 2015-16 deficit of (£2,842,000).

The College, at July 2017, has £35,188,000 of net assets (after deducting a pension liability of £14,321,000). At July 2016 the College had £34,413,000 of net assets (after deducting a pension liability of £13,253,000).

The College has significant reliance on SFC for its funding which is largely from recurrent grants. In 2016-17, SFC provided 85.0% of the College's total operational revenue income (2015-16, 82.8% of total operational revenue income).

## **Statement of Comprehensive Income**

The statement of comprehensive income shows a total deficit for the year to 31 July 2017 of (£2,741,000). This is compared to a deficit in 2015-16 of (£2,842,000).

A number of exceptional items have impacted the deficit in 2016-17. The presentation of the Statement of Comprehensive Income in these financial statements therefore analyses trading in the period between recurring items (£1,472,000) and exceptional items (£1,269,000).

### **○ Recurring Items**

The College recorded a deficit of (£1,472,000) which represents an adverse figure of approximately (3.0%) of overall trading income.

The recorded deficit of (£1,472,000) in 2016-17 comprises the following elements:

• Operating position- surplus	£785,000
• FRS102- NPD/ PFI Capital income	£1,309,000
• Net Depreciation charge	(£1,943,000)
• FRS 102- Pension	(£1,623,000)

### **○ Exceptional Items**

Exceptional items are one off events that occur over and above the core business of the College. The exceptional items of (£1,269,000) in 2016-17 comprises the following elements:

• Voluntary Severance costs:	(£165,000)
• Impairment of Holehouse Road	(£1,077,000)
• Loss on disposal of assets:	(£27,000)

To aid the reader of these accounts, the College has provided a reconciliation to the figures reported above for recurring and exceptional items as noted within the statement of comprehensive income (Table 1).

**Table 1 – Underlying operating position 2015-16 and 2016-17 – Detailing Recurring and Exceptional Items**

	<b>Recurring £'000</b>	<b>Exceptional £'000</b>	<b>2016-17 £'000</b>	<b>2015-16 £'000</b>
Surplus (deficit) after other gains and losses (Loss) / gain on sale	(1,472)	(1,269) 27	(2,741) 27	(2,872)
<b>Surplus / (deficit) before other gains and losses</b>	<b>(1,472)</b>	<b>(1,242)</b>	<b>(2,714)</b>	<b>(2,872)</b>
Voluntary severance costs		165	-	
<b>Add back:</b>				
<b>Depreciation (net of deferred capital grant release)</b>	1,943		1,943	779
<b>Exceptional non-restructuring costs (e.g. impairment)</b>		1,077	1,077	1,963
<b>Non-cash pension adjustments</b>	1,623		1,623	1,338
<b>Donation to Arms-length Foundation</b>				
<b>Provision per 1 April 2014</b>				
<b>Deduct:</b>				
<b>Non-Government capital grants (e.g. ALF capital grant)</b>	(374)		(374)	
<b>Exceptional income</b>				
Revenue funding allocated to loan repayments (NPD)	(935)		(935)	
<b>Sub-Total Revenue</b>	<b>785</b>	<b>0</b>	<b>620</b>	<b>1,208</b>
Revenue funding allocated to PFI loan repayments			(852)	(906)
Early retirees			(95)	
<b>Underlying operating surplus / (deficit)</b>			<b>(327)</b>	<b>302</b>

**Underlying operating position 2015-16 and 2016-17**

SFC as part of its accounts direction for 2016-17 have instructed Colleges to provide a statement in relation to the underlying operating position using a standard table (Table 2). The SFC table (Table 2) includes both revenue and capital items.

**Table 2 – Underlying operating position 2015-16 and 2016-17**

	<b>2016-17 £'000</b>	<b>2015-16 £'000</b>
<b>Surplus (deficit before other gains and losses)</b>	(2,714)	(2,872)
<b>Add back:</b>		
Depreciation (net of deferred capital grant release)	1,943	779
Exceptional non-restructuring costs (e.g. impairment)	1,077	1,963
Non-cash pension adjustments	1,623	1,338
Donation to Arms-length Foundation	-	
Provision per 1 April 2014		
<b>Deduct:</b>		
Non-Government capital grants (e.g. ALF capital grant)	(374)	
Exceptional income		
Revenue funding allocated to loan repayments and other capital items	(1,882)	(906)
<b>Underlying operating surplus / (deficit)</b>	<b>(327)</b>	<b>302</b>

**Cash budgets for priorities (previously referred to as net depreciation cash)**

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

Spend of the College's cash budget for priorities, and impact on the operating position, is detailed below (Table 3). The College has been instructed by SFC on the format of this table and also on the priorities that the funds are to be allocated against.

**Table 3 – Cash budget for priorities spend 2015-16 and 2016-17**

	<b>2016-17 £'000</b>	<b>2015-16 £'000</b>
<b>Revenue</b>		
Student support	-	-
2015-16 pay award	370	370
Other (give detail)	-	-
<b>Total impact on operation position</b>	<b>370</b>	<b>370</b>
<b>Capital</b>		
Loan repayments (PFI capital payment)	794	854
<b>Total Capital</b>	<b>794</b>	<b>854</b>
<b>Total cash budget for priorities spend</b>	<b>1,164</b>	<b>1,224</b>

**Reserves**

The deficit brought forward on the income and expenditure reserve at 1 August 2016 was (£6,920,000). After the deficit for the year before exceptional items of (£1,472,000), the exceptional items noted above of (£1,269,000), the transfers in respect of the pension reserve, and the transfers from the revaluation reserve are taken into account, the deficit on the College's income and expenditure reserve at 31 July 2017 is (£7,281,000).

## Capital Additions

Tangible Fixed Asset additions in 2016-17 amounted to £50,395,000, this includes the new Kilmarnock campus. This expenditure on the buildings of £1,731,000 relates mainly to re-roofing and windows replacement at the Ayr campus and expenditure on the Kilwinning PFI campus of £70,000. In addition, there was expenditure of £766,000 on IT and curriculum equipment.

## Financial Year Resource Position 2016/17

Following the reclassification of colleges as public bodies on 1 April 2014, the College has been required to comply with government accounting and budgeting rules on a fiscal year basis, a period which concludes at 31 March. For 2016/17 the College received a revenue resource budget (RDEL) and a capital resource budget (CDEL). The resource budgets and final outturn for 2016/17 are outlined below (Table 4):

**Table 4 – Ayrshire College Resource Budgets and Final Outturns 2016/17**

	<b>Budget RDEL £000</b>	<b>Actual RDEL £000</b>	<b>Budget CDEL £000</b>	<b>Actual CDEL £000</b>
Resource budget for year ended 31 March 2017	44,013	43,036	2,734	2,734
Repayment of PFI and historic pensioners	(950)	(950)	-	-
<b>Net cash for RDEL/CDEL</b>	<b>43,063</b>	<b>42,086</b>	<b>2,734</b>	<b>2,734</b>
Total RDEL/CDEL expenditure	43,218	43,496	2,734	2,734
<b>Net under/(overspend) against resource budget</b>	<b>(155)</b>	<b>(1,410)</b>	<b>-</b>	<b>-</b>

The overspend against resource budget before Repayment of PFI and historic pensioners of £(460,000) relates entirely to the SFC clawback of unused Student Support Funds from AY 2015-16. The College had held this money in cash balances as at 31 July 2016.

## Core Performance Indicators

The SFC has developed a series of core performance indicators which are designed to provide an overall summary view of an institution's performance (Table 5). The table below notes the College performance against these indicators which should be considered in conjunction with the narrative provided elsewhere in the Performance Report.

**Table 5 – Ayrshire College Performance Against SFC Core Performance Indicators**

No	Performance Indicator	2016/17	2015/16
1	Recurring (Deficit)/Surplus as % of total trading income	(3.0%)	(0.6%)
2	Non SFC Income as % of Total Income	15.0%	17.2%
3	Credit activity target set by SFC for year to July 2017	125,507	125,507
4	Credit activity achieved in year to July 2017	125,749	127,619
5	Activity achieved against target	100.2%	101.7%
6	Current Assets: Current Liabilities	0.5:1	0.85: 1
7	Gearing/debt	Nil	Nil
8	Days of recurring expenditure represented by period end cash	15	17

### 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; maximising the yield from any short term deposits made whilst maintaining accessibility to funds.

### Cash Flows

The College had a net reduction in cash in 2016-17 of £480,000. This is detailed in the Cash Flow Statement.

### 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 we are 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. Our main campuses are located in Ayr, Kilwinning and Kilmarnock. Other campuses are used to support communities due to their location or specialist curriculum provision such as our Nethermains Campus in Kilwinning which focuses on our STEM curriculum.

### 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.

Ayrshire College opened its new campus at Hill Street, Kilmarnock for students in October 2016.

### Staff Report

In the 2016-17 staffing return to the SFC, it was reported that the College employed 751 full-time equivalent employees of whom 327 were curriculum staff and 424 were service staff. This equates to a headcount of 935, comprising 600 female and 335 male members of staff.

Full disclosure of staff costs of £31,585,000 is given in note 7 of the accounts.

The average sickness and absence rate in 2016-17 was 2.8%.

### National Bargaining

The College is a signatory to the National Recognition and Procedures Agreement (NRPA) and a member of the Employers Association. A number of National Bargaining agreements have been reached during 2016-17 for both Curriculum and service staff.

Local Joint Negotiation Committees (LJNC) continued to be held during 2016-17 with both EIS-FELA and Unison.

### **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 Executive Management Team (EMT) monitors key performance and risk indicators and considers possible control issues brought to its attention through operational planning and monitoring. The EMT and the Audit Committee also receive regular reports from Internal Audit which include recommendations for improvement.

The College Risk Register at the end of 2016-17 identified 17 strategic risks.

- Two risks were viewed as High
- One risk was assessed as Medium
- Six risks were classified as Moderate
- Seven risks were classified as Low
- One risk was classified as Very Low.

The following risks have been assessed as High:

- The risk that the College is not able to fund in AY 2018/19 the principal and interest payments for the Kilwinning campus PFI contract
- The risk that external funding pressures adversely impact on future College financial sustainability and/ or the delivery of the Curriculum

## **Stakeholder Relationships**

Ayrshire College has many stakeholders, including:

- 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
- NUS

The College recognises the importance of these key relationships and engages in regular communication with our stakeholders through a variety of routes.

## **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**

The College has continued to invest in the development of all staff during 2016-17 and a broad range of staff learning and development activities have taken place.

## **Equality and Diversity**

The College is committed to ensuring that we are an inclusive regional college, accessible by all sections of the communities we serve. The College's main strategic aim is to exceed its statutory requirements in order to enable equality, diversity and inclusion to be integrated into all aspects of College life and work. A range of activities were carried out during 2016-17 to deliver this aim.

The Executive Management Team and Board of Management lead the College's equality and diversity strategy and monitoring arrangements.

## **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 have been undertaken during 2016-17 to promote our culture of health, safety and wellbeing. These developments have built on the strong foundation of work undertaken by the College prior to 2016-17.

## **Student Involvement**

The College recognises the importance of the student voice and the role of the Sabbatical President. 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.

## **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; and 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.

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

***W Mackie***

**Chair**

***H Dunk***

**Principal**

14 December 2017



# ACCOUNTABILITY 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 manner in which 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 the opinion of the Board of Management, the College has complied with the Scottish Public Finance Manual (SPFM) throughout the year ended 31 July 2017. The College has also complied with the 2016 Code of Good Governance for Scotland's Colleges (the Scottish Code). Assurance of our compliance with the Scottish Code was given by Scott-Moncrieff, following an external review of our existing arrangements.

### 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 including 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 must also ensure that there is an adequate system of accounting and internal control 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 together with other relevant information such as performance against targets, quality matters and other related issues such as health and safety.

The Board of Management meets on a quarterly basis, but may hold additional meetings as needs demand. Confirmed minutes of all Board of Management meetings, except those deemed to be confidential by the Board of Management, are available from the Secretary to the Board of Management at Ayrshire College, Dam Park, Ayr KA8 0EU and are also published on the College website.

The Secretary to the Board of Management maintains a register of financial and personal interests, in so far as it relates to the activities of Ayrshire College, of the members of the Board of Management. The register is available for inspection at Ayrshire College, Ayr Campus, Dam Park, Ayr KA8 0EU and is also available within the biographies of each board member on the College website

Formal agendas, papers and reports are supplied to members in a timely manner prior to board meetings 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 2017 (Table 6).

**Table 6 – Serving Board Members 2016-17**

Board Member	Committees Served	Status of Appointment	Date of Appointment	Date of Resignation
Mr W Mackie	<ul style="list-style-type: none"> <li>Finance</li> <li>Estates and New Campus Development</li> <li>Performance, Review &amp; Remuneration</li> <li>Search &amp; Nomination</li> </ul>	Chair of Ayrshire College BOM  Chair of Ayrshire Regional College BOM	01.08.13  03.03.14	
Ms H Bates	<ul style="list-style-type: none"> <li>Learning and Teaching</li> <li>Estates and New Campus Development</li> </ul>	Elected Student Member	22.09.15	
Ms N A M Beveridge	<ul style="list-style-type: none"> <li>Human Resources &amp; Organisational Wellbeing</li> <li>Audit</li> <li>Performance, Review &amp; Remuneration</li> <li>Search &amp; Nomination</li> </ul>	Non-Executive Board Member	01.08.14	
Ms J Bradley	<ul style="list-style-type: none"> <li>Estates and New Campus Development</li> <li>Learning and Teaching</li> </ul>	Elected Curriculum/ Support Staff	01.08.14	
Ms M Bryan	<ul style="list-style-type: none"> <li>Finance</li> <li>Learning &amp; Teaching</li> </ul>	Non-Executive Board Member	01.08.16	
Mr B Costley	<ul style="list-style-type: none"> <li>Finance</li> <li>Learning &amp; Teaching</li> </ul>	Non-Executive Board Member	01.11.14	
Mrs H Dunk	<ul style="list-style-type: none"> <li>Human Resources &amp; Organisational Wellbeing</li> <li>Learning and Teaching</li> <li>Estates and New Campus Development</li> <li>Finance</li> </ul>	Principal	01.08.14	
Mr J English	<ul style="list-style-type: none"> <li>Human Resources and Organisational Wellbeing</li> <li>Audit</li> </ul>	Non-Executive Board Member	01.08.14 Reappointed from 01.08.16	07.09.16
Ms F Fawdry	<ul style="list-style-type: none"> <li>Human Resources and Organisational Wellbeing</li> <li>Audit</li> </ul>	Non-Executive Board Member	01.08.14	

Board Member	Committees Served	Status of Appointment	Date of Appointment	Date of Resignation
Ms B Graham	<ul style="list-style-type: none"> <li>Learning &amp; Teaching</li> <li>Human Resources &amp; Organisational Wellbeing</li> <li>Audit</li> <li>Performance, Review &amp; Remuneration</li> <li>Search &amp; Nomination</li> </ul>	Non-Executive Board Member	01.08.14	
Mr G James	<ul style="list-style-type: none"> <li>Estates &amp; New Campus Development</li> <li>Finance</li> <li>Performance Review &amp; Remuneration</li> <li>Search &amp; Nomination</li> </ul>	Non-Executive Board Member	01.08.14 Reappointed from 01.08.16	
Prof A McGregor	<ul style="list-style-type: none"> <li>Learning and Teaching</li> <li>Audit</li> </ul>	Non-Executive Board Member	01.08.14	
Mr D McIvor	<ul style="list-style-type: none"> <li>Finance</li> <li>Estates &amp; New Campus Development</li> </ul>	Non-Executive Board Member	24.03.16	
Ms L McKinlay	<ul style="list-style-type: none"> <li>Estates and New Campus Development</li> <li>Learning &amp; Teaching</li> </ul>	Elected Student Member	01.08.16	
Juliana Pyper-McFarland	<ul style="list-style-type: none"> <li>Learning and Teaching</li> <li>Estates and New Campus Development</li> </ul>	Elected Service/Support Staff	01.08.15	
Mr A Walker	<ul style="list-style-type: none"> <li>Audit</li> <li>Estates and New Campus Development</li> <li>Performance, Review &amp; Remuneration</li> <li>Search &amp; Nomination</li> </ul>	Non-Executive Board Member	01.08.14	
Mr T Wallace	<ul style="list-style-type: none"> <li>Finance</li> <li>Estates and New Campus Development</li> <li>Performance Review &amp; Remuneration</li> <li>Search &amp; Nomination</li> </ul>	Non-Executive Board Member	01.08.14 Reappointed from 01.08.16	
Ms M Welsh	<ul style="list-style-type: none"> <li>Audit</li> <li>Human Resources &amp; Organisational Wellbeing</li> </ul>	Non-Executive Board Member	24.03.16	

The College has an Independent Board Secretary to support the work of the Board of Management.

The Board of Management conducts its business through a number of committees as highlighted below.

The committees comprise members of the Board of Management. The Board of Management has a strong and independent non-executive element 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.

### **Registers of Interests**

The Secretary to the Board of Management maintains a register of financial and personal interests, in so far as it relates to the activities of Ayrshire College, of the members of the Board of Management. The register is available for inspection at Ayrshire College, Ayr Campus, Dam Park, Ayr KA8 0EU and is published on the College website.

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

With effect from August 2014 and in line with the provisions of The Post-16 Education (Scotland) Act 2013, the Board of Management consists of not less than fifteen, but not more than eighteen 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. The other Board members shall 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 which is responsible for the selection and nomination of any new member for the Board of Management's consideration. The Board of Management has an induction programme in place and Board development activities were held during 2016-17.

### **Audit Committee**

The Audit 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 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.

### **Finance Committee**

The Finance 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.

### **Human Resources and Organisational Wellbeing Committee**

The Human Resources and Organisational Wellbeing Committee consists of members from the Board of Management including the Principal. This Committee's responsibilities are to oversee the strategic and operational planning of Organisational Development within the College and provide assurance to the Board on Organisational/HR issues as well as the organisational performance of the College

### **Learning and Teaching Committee**

The Learning and Teaching Committee consists of members from the Board of Management including the Principal. This Committee's responsibilities are to oversee the strategic and operational planning of

Learning and Teaching within the College and provide assurance to the Board on student issues and the learning and teaching performance of the College.

### **Estates and New Campus Development Committee**

The Estates and New Campus Development Committee consists of Members of the Board of Management including the Principal. This Committee's responsibilities are to oversee the strategic and operational planning of the estates function within the College, including the new campus project in Kilmarnock, and to provide assurance with regard to the new build activity and College estates matters to the Board.

The College is revising its Estates Strategy following the opening of our new Kilmarnock campus. The Strategy will be developed in line with SFC guidance.

### **Remuneration Committee**

Membership of this Committee comprises the Chair of the Board of Management and the Chairs of each of the Board's committees. This Committee's responsibilities are to agree remuneration for the Principal and Vice Principals, take account of any advice given by the SFC in the remuneration of the Principal and senior managers, take account of any guidelines issued by the Scottish Government and/or UK Treasury and report to the Board of Management on remuneration for senior staff.

### **Search and Nomination Committee**

Membership of this Committee comprises the Chair of the Board of Management and the Chairs of each of the Board's committees. This Committee's responsibilities are to oversee the recruitment and recommendation of new board members and to consider the reappointment of current members to the Board of Management 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 personal data-related incidents reported to the Information Commissioner's Office (ICO). Ayrshire College reported no personal data-related incidents to ICO during 2016-17.

## **GOVERNANCE STATEMENT**

### **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.

### **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 Executive and Senior Management Team (EMT/SMT) monitors key performance and risk indicators and considers possible control issues brought to its attention through operational planning and monitoring. The EMT/SMT and the Audit Committee also receive regular reports from Internal Audit which include recommendations for improvement.

The Internal Audit service for 2016-17 was performed by Scott Moncrieff and concentrated on areas of key activities determined by risk analysis and in accordance with the annual internal audit plan approved by the Audit Committee. The Internal Auditors have direct access to the Chair of the Audit Committee and issue an annual report with an opinion on the adequacy, reliability and effectiveness of the College's internal control system.

The Audit Committee considers the management of risk at each committee meeting. The College Risk Register is updated quarterly and presented to the next Audit Committee and the Board of Management.

The individual risks identified in the College Risk Register are clustered together based on the remit of the Board and each College committee, with the risk groupings relating to:

- Board of Management
- Finance
- Human Resources and Organisational Wellbeing
- Learning and Teaching
- Estates and New Campus Development

There is no 'Risk Cluster' specifically identified for the Audit Committee as the overall management of Risks are within this Committee's Terms of Reference. The Board of Management also reviews the College Risk Register at each of its meetings.

## **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 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 College 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 during the twelve months to 31 July 2017.

### **The Risk and Control Framework**

The system of internal control 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 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 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 Committee.

Management is responsible for the implementation of agreed audit recommendations and our Internal Auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit 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 the Scottish Funding Council and other key agencies as they affect the College's business and monitors adherence to the regulatory requirements.

### **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 college managers, who 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 Credit target and the disbursement of Student Funds.

The Executive Management Team 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 Executive Management Team and the Audit 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 2017-18. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

However, the College risk register notes clearly that the PFI contractual payments relating to interest and principal repayment are not sustainable beyond 2017-18 without SFC providing new funding of circa £1,368,000 per annum from academic year 2018-19.

Both SFC and Scottish Government Officials are aware of this position and we are involved in ongoing dialogue on this issue.

### **Conclusion**

The College has again made significant progress over the last year, particularly in the areas of corporate governance, high quality learning and teaching, improving student outcomes, strategic planning and improving our College estate.

Approved by order of the members of the Board on 14 December 2017 and signed on its behalf by:

**W Mackie**  
Chair

**H Dunk**  
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 2016-17 Government Financial Reporting Manual (FReM) and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council 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 the Scottish Funding Council, which brings together the provisions of the financial memorandum with other formal disclosures that the Scottish Funding Council requires the Board of Management to make in the financial statements and related notes.

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 Scottish Funding Council 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 Audit Committee, Finance Committee and the Board of Management;
- A professional internal audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Management and whose head provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

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

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

***W Mackie***

**Chair**

***H Dunk***

**Principal**

## REMUNERATION REPORT

### Remuneration Policy

The Principal's salary is a single point salary. Vice principals' and directors' salaries are on three-point 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 post of Principal and the posts which make up the College's Senior Management Team (vice principals and directors) 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 with regard to the negotiation of contractual issues in respect of terms and conditions of service and salaries.

The remuneration of the Chair is set by Scottish Ministers as detailed in Note 8 to these financial statements.

### Operation of the Remuneration Committee

The College's Performance Review and Remuneration Committee comprises the Chair of the Board of Management, sitting with Chairs of the Board's standing committees. The Principal is not a member of the Performance Review and Remuneration Committee.

The Committee would be asked to consider and approve any proposals for an uplift to the Principal's salary, and to the salary scales for Vice Principals. The Chair of the Board would present any paper relevant to the salary of the Principal.

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. However, since 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 HR and Organisational Wellbeing can be called to attend the meeting for the purposes 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, in bands of £5,000, the remuneration of senior management during 2016-17 (Table 7).

**Table 7 – Remuneration of Senior Management 2016-17**

Name	12 months ended 31 July 2017			12 months ended 31 July 2016		
	Salary £'000	Bonuses/ other benefits £'000	Total £'000	Salary £'000	Bonuses/ other benefits £'000	Total £'000
H Dunk, Principal	135-140	-	135-140	130-135	-	130-135
M Breen, Vice-Principal	85-90	-	90-95	85-90	-	85-90
J Galbraith, Vice-Principal	85-90	-	90-95	85-90	-	85-90
J McKie, Vice-Principal	85-90	-	90-95	85-90	-	85-90
D Vallance, Vice-Principal	85-90	-	85-90	80-85	-	80-85

The details in these tables are subject to audit.

### **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 banded remuneration of the highest paid official in the organisation in financial year 2016-17 was £135,000 to £140,000 (2015-16 £130,000 to £135,000). This was 4.2 times (2015-16 4.1 times) the median remuneration of the workforce which was £30,000 to £35,000 (2015-16 £30,000 to £35,000).

### **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 (LGPS).

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 % 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 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.

This section of the report sets out the accrued pension benefits for senior officials together made with the pension contributions made by the College (Table 8).

**Table 8 – Employer's Contributions by Senior Official**

Name	Senior Official's Pension Scheme	Accrued pension at pension age at 31 July 2017 £'000	Accrued lump sum at pension age at 31 July 2017 £'000	Real increase in pension 1 August 2016 to 31 July 2017 £'000	Real increase in lump sum 1 August 2016 to 31 July 2017 £'000	CETV at 31 July 2017 £'000	CETV at 31 July 2016 £'000	Real increase in CETV £'000
H Dunk	STSS	63	188	1	3	1,393	1,332	61
M Breen	SPF	26	38	2	-	355	336	19
J Galbraith	SPF	6	-	2	-	87	63	24
J McKie	SPF	14	2	2	-	238	208	30
D Vallance	SPF	4	-	2	-	44	24	20

**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 on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service 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 taken into account:

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

**Compensation for loss of office**

No compensation payments were made for the loss of office during 2016-17.

11 members of staff left under voluntary exit terms during 2016-17. The total compensation payment for these members of staff was £165,059. A summary of the exit packages by cost bands during 2016-17 is set out below (Table 9). The voluntary severance scheme and packages were approved by the SFC.

**Table 9 – Exit Packages by Cost Bands 2016-17**

Exit Pack Cost (Bands)	Number of Compulsory Redundancies	Number of Agreed Other Departures	Total Number of Exit Packages by Cost Band
<£10,000	-	8	8
£10,000 - £25,000	-	1	1
£25,000 - £50,000	-	1	1
£50,000 - £100,000	-	1	1
<b>Total number of exit packages</b>	<b>0</b>	<b>11</b>	<b>11</b>
<b>Total Cost (£)</b>	<b>£0</b>	<b>£165,059</b>	<b>£165,059</b>

Salaries and related costs for 2016-17 totalled £30,315,000 (Table 10).

**Table 10 – Salaries and Related Costs 2016-17**

	2017			2016
	Directly employed staff £'000	Seconded and agency staff £'000	Total £'000	Total £'000
Wages and salaries	23,946	149	<b>24,095</b>	23,916
Social security costs	2,366	-	<b>2,366</b>	1,990
Other pension costs	3,854	-	<b>3,854</b>	3,763
<b>TOTAL</b>	<b>30,166</b>	<b>149</b>	<b>30,315</b>	<b>29,669</b>
Average number of FTEs			751	755

### Equality and Diversity Support for Staff and Students

Ayrshire College is fully committed to challenging discrimination, advancing equality of opportunity, promoting inclusion and celebrating the diversity of all of its students, staff, visitors and College partners. Through ongoing training and a strong focus on this area, Ayrshire College ensures that our students, staff and stakeholders are treated equally regardless of race, gender, sexual orientation, disability, religion, marital or civil partnership status and / or age.

This means as a College we aim to deliver high quality learning and working experiences which are accessible to everyone in the communities the College serves. The College is working hard to achieve this aim because we believe everyone should have a fair chance and opportunity to be successful. We continue to move forward positively in these respects. By all working together to foster an inclusive, supportive and accessible College culture and environment, Ayrshire College is a first choice place of learning and working

The Executive Management Team and Board of Management lead the College's equality and diversity strategy and monitoring arrangements. They are supported by our dedicated Equality and Inclusion team and our Values, Inclusion, Equality and Wellbeing (VIEW) Steering Group. The VIEW Steering Group provides leadership to mainstream and embed equality across the College. The aims and objectives of the VIEW Steering Group primarily focus on the College's Equality Outcomes acting as the lead to support progress in delivering the outcomes successfully. Led by the Vice Principal of HR and

Organisational Wellbeing, the VIEW Steering Group will continue to support its operational sub-groups including the Promoting Mental Wellbeing Group. The remit of the VIEW Steering Group will also extend to the development of campus-specific VIEW groups ensuring that the ownership of inclusion, equality and wellbeing is embedded throughout the whole College.

Ayrshire College has received national recognition for its equality and diversity work for both staff and students. For example, at the 2017 Scottish Diversity Awards one of our inclusion staff was a finalist in the Diversity Hero of the Year category. In addition, one of our students was the winner in the Diversity Rising Star category. This was the second year in a row that the College has won the Diversity Rising Star category as our Equality and Inclusion Advisor won the award in 2016.

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

The Remuneration Report has been approved by the Board of Management and is signed on its behalf on 14 December 2017 by:

***W Mackie***

**Chair**

***H Dunk***

**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**

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

### **Report on the audit of the financial statements**

#### **Opinion on financial statements**

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

In our opinion the accompanying financial statements:

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

#### **Basis of opinion**

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

#### **Conclusions relating to going concern**

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

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



### **Responsibilities of the Board of Management for the financial statements**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Other information in the annual report and accounts**

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

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

### **Report on regularity of expenditure and income**

#### **Opinion on regularity**

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

#### **Responsibilities for regularity**

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

## Report on other requirements

### Opinions on other prescribed matters

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

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

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

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

### Matters on which we are required to report by exception

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

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

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

We have nothing to report in respect of these matters.

Lucy Nutley,  
For and on behalf of Mazars LLP

97 Haymarket Terrace  
Edinburgh  
EH12 5HD

December 2017

Lucy Nutley 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 2017

	Note	Before Exceptional	Exceptional	Year ended 31 July 2017  £000	Year ended 31 July 2016  £000
<b>INCOME</b>					
SFC grants	2	41,037	-	41,037	35,336
Tuition fees and education contracts	3	4,384	-	4,384	4,596
Other grants and contracts	4	510	-	510	341
Other income	5	2,331	-	2,331	2,526
Investment income	6	13	-	13	26
<b>Total Income</b>		<b>48,275</b>	-	<b>48,275</b>	42,825
<b>EXPENDITURE</b>					
Staff costs	7	31,585	-	31,585	30,411
Restructuring costs	7	-	165	165	677
Impairment of Buildings/Asset write downs	11	-	1,077	1,077	1,963
Other operating expenses	9	11,540	-	11,540	9,213
Depreciation	11	3,443	-	3,443	2,488
Interest and other financial costs	10	3,179	-	3,179	945
<b>Total Expenditure</b>		<b>49,747</b>	<b>1,242</b>	<b>50,989</b>	45,697
(Deficit) before other gains and losses		(1,472)	(1,242)	(2,714)	(2,872)
Gain / (loss) on disposal of assets		-	(27)	(27)	30
<b>(Deficit) before tax</b>		<b>(1,472)</b>	<b>(1,269)</b>	<b>(2,741)</b>	(2,842)
Taxation	13	-	-	-	-
<b>(Deficit) for the year</b>		<b>(1,472)</b>	<b>(1,269)</b>	<b>(2,741)</b>	(2,842)
Unrealised surplus on revaluation of assets				1,913	7,076
Actuarial gain / (loss) in respect of pension schemes				535	(1,856)
<b>Total Comprehensive Income for the year</b>				<b>(293)</b>	2,378

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

**Statement of Changes in Reserves**

	<b>Income and Expenditure Account £'000</b>	<b>Restricted Reserves £'000</b>	<b>Capital Reserve £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Total £'000</b>
<b>Balance at 31 July 2016</b>	<b>(6,920)</b>	<b>466</b>	<b>-</b>	<b>27,614</b>	<b>21,160</b>
Surplus/(deficit) from the income and expenditure statement	(2,741)	-		-	(2,741)
Transfers from pension reserve to income and expenditure reserve	535	-		-	535
Revaluation of land & buildings		-		1,913	1,913
Transfers from revaluation reserve to income and expenditure reserve	743	-		(743)	-
Disposal of Properties	25			(25)	-
Impairment of Properties	1,077			(1,077)	-
<b>Total comprehensive income for the year</b>	<b>(361)</b>	<b>-</b>	<b>-</b>	<b>68</b>	<b>(293)</b>
<b>Balance at 31 July 2017</b>	<b>(7,281)</b>	<b>466</b>	<b>-</b>	<b>27,682</b>	<b>20,867</b>

## BALANCE SHEET AS AT 31 JULY 2017

	Note	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
<b>Fixed Assets</b>			
Tangible assets	11	104,641	57,031
<b>Total fixed assets</b>		<b>104,641</b>	<b>57,031</b>
<b>Current Assets</b>			
Stocks		37	34
Debtors	14	1,099	1,069
Cash and cash equivalents		2,399	2,879
<b>Total current assets</b>		<b>3,535</b>	<b>3,982</b>
<b>Less: Creditors – amounts falling due within one year</b>	15	<b>6,996</b>	<b>4,711</b>
<b>Net current liabilities</b>		<b>(3,461)</b>	<b>(729)</b>
<b>Total assets less current liabilities</b>		<b>101,180</b>	<b>56,302</b>
Less: Creditors – amounts falling due after more than one year	16	53,147	8,330
Less: Deferred capital grants due to be released after one year	17	9,919	9,977
<b>Provisions</b>			
Early Retirement Provision	18	1,810	1,886
Other Provisions	18	1,116	1,696
<b>Net Assets excluding pension liability</b>		<b>35,188</b>	<b>34,413</b>
<b>Net pension liability</b>	21	<b>(14,321)</b>	<b>(13,253)</b>
<b>Net Assets including pension liability</b>		<b>20,867</b>	<b>21,160</b>
Income and expenditure account	19	(7,281)	(6,920)
Restricted reserves	19	466	466
Revaluation reserve	19	27,682	27,614
<b>TOTAL RESERVES</b>		<b>20,867</b>	<b>21,160</b>

The financial statements on pages 34 to 61 were approved by the Board of Management on 14 December 2017 and were signed on its behalf on that date by:

**W Mackie**

Chair

**H Dunk**

Principal

## CASH FLOW STATEMENT FOR THE YEAR TO 31 JULY 2017

		Year ended 31 July 2017	Year ended 31 July 2016
	Note	£000	£000
<b>Cash inflow/(outflow) from operating activities</b>			
Deficit for the year		(2,741)	(2,842)
<b>Adjustment for non cash items</b>			
Depreciation	11	3,443	2,488
Net loss / (gain) on disposal of fixed assets		27	(30)
Deferred capital grants released to income	17	(1,500)	(1,710)
(Increase) in stock		(3)	(13)
(Increase)/Decrease in debtors	14	(30)	1,806
Increase/(Decrease) in creditors	15	867	(665)
(Decrease)/Increase in provisions	18	(656)	1,139
(Decrease)/Increase in reserves		-	-
Impairments of Buildings	12	1,077	802
Net return on pension liability	21	1,603	1,125
Returns on investments and servicing of finance		(320)	(919)
Taxation			-
<b>Cash flows from investing and financing activities</b>			
Interest receivable – bank interest	6	(13)	(26)
Interest payable	10	333	945
PFI/NPD Capital Payments	16	(1,787)	(806)
Purchase of tangible fixed assets	11	(2,567)	(4,339)
Proceeds from sale of tangible fixed assets		151	405
Deferred Capital Grants Receipts	17	1,636	2,530
<b>(Decrease) in cash and cash equivalents in the year</b>		<b>(480)</b>	<b>(110)</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease) in cash and cash equivalents in the year		(480)	(110)
Net funds at 1 August 2016		2,879	2,989
<b>Net funds at 31 July 2017</b>		<b>2,399</b>	<b>2,879</b>

## 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 (£1,472,000) before exceptional items, with an accumulated deficit on the income and expenditure reserve of (£7,281,000). At 31 July 2017, current assets of £3,535,000 included cash and bank balances of £2,399,000. Creditors falling due within one year were £6,996,000, with net current liabilities of (£3,461,000).

In light of the above, the financial statements are prepared on a going concern basis. The approved cash flow projections for Ayrshire College for the year to 31 July 2017 indicate no requirement for an overdraft facility.

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.

#### 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 income and expenditure account so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by qualified actuaries on the basis of 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 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 9 and 10 to these financial statements.

NPD Assets

The NPD model was developed and introduced as an alternative to, and has since superseded, the traditional private finance initiative or "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 9 and 10 to these financial statements.



### Land and buildings

Land and buildings inherited from the former Strathclyde Regional Council in 1993 are stated in the balance sheet at a valuation on the basis of depreciated replacement cost for specialised properties and open market value for non-specialised properties, as at 31 July 2017, 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 £5,000. 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) 50 years
Temporary buildings	(up to) 10 years

Leased assets are depreciated over the life of the lease.

### Equipment

The College has attributed no value to equipment inherited from the former Strathclyde Regional Council in 1993. Other equipment is capitalised as follows:-

IT assets	-	Over £1,000 for single items or over £5,000 for groups of related assets
Other assets	-	Over £5,000 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	4-5 years
Furniture and fittings	8-10 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 is able to 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 have 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 a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account.
- **Local Government Pension Scheme**  
The present value of the Local Government Pension Scheme defined benefit liability depends on a number of 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 18, will impact the carrying amount of the pension liability.

#### **n) FRS 102**

In preparing these financial statements, management has ensured compliance with the requirements of FRS 102.

	Note	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
<b>2 SFC grants</b>			
FE recurrent grant (including fee waiver)		32,564	32,023
HE & FE childcare funds		886	847
Release of deferred capital grants		1,437	1,160
Release of deferred capital grants re impairment		-	238
Maintenance grant		672	654
New Build Campus grants		1,361	311
NPD Unitary Charge grant		3,955	-
Other SFC grants		162	103
<b>Total</b>		<b>41,037</b>	<b>35,336</b>
<b>3 Tuition fees and education contracts</b>			
FE fees – UK		418	365
FE fees - EU		-	-
FE fees – non EU		-	-
HE fees		2,945	3,051
Education contracts		870	925
Other contracts		151	255
<b>Total</b>		<b>4,384</b>	<b>4,596</b>
<b>4 Other grant income</b>			
European funds		-	-
Grants from Ayrshire College Foundation	27	447	30
Release of deferred capital grants	17	63	89
Release of deferred capital grants re impairment	17	-	222
<b>Total</b>		<b>510</b>	<b>341</b>
<b>5 Other operating income</b>			
Catering		1,208	1,172
Other income-generating activities		492	485
Other income		631	869
<b>Total</b>		<b>2,331</b>	<b>2,526</b>
<b>6 Investment Income</b>			
Other interest receivable		13	26
<b>Total</b>		<b>13</b>	<b>26</b>

	<b>Note</b>	<b>Year ended 31 July 2017 £000</b>	<b>Year ended 31 July 2016 £000</b>
<b>7 Staff costs</b>			
Wages and salaries		<b>24,095</b>	23,916
Social security costs		<b>2,366</b>	1,990
Other pension costs		<b>3,854</b>	3,763
		<b>30,315</b>	29,669
FRS 102 pension adjustments	21	<b>1,270</b>	742
<b>Total</b>		<b>31,585</b>	30,411
Curriculum Departments		<b>15,796</b>	15,434
Curriculum Services		<b>5,215</b>	4,906
Administration and Central Services		<b>8,692</b>	8,256
Premises		<b>1,303</b>	1,234
Catering		<b>579</b>	581
<b>Sub-total</b>		<b>31,585</b>	30,411
Exceptional restructuring costs		<b>165</b>	677
<b>Total</b>		<b>31,750</b>	31,088

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

	<b>No.</b>	<b>No.</b>
Academic/Teaching Departments	<b>327</b>	330
Academic/Teaching Services	<b>141</b>	138
Administration and Central Services	<b>200</b>	205
Premises staff	<b>56</b>	54
Catering staff	<b>28</b>	28
<b>Total</b>	<b>752</b>	755

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

	2017 No.	2016 No.
£50,001 to £60,000 per annum	15	14
£60,001 to £70,000 per annum	11	12
£80,001 to £90,000 per annum	4	5
£130,001 to £140,000 per annum	1	1

## 8 Senior post-holders' emoluments

	2017 No.	2016 No.
The number of senior post-holders, including the Principal was:	5	6

	Year ended 31 July 2017	Year ended 31 July 2016
Senior post-holders' emoluments are made up as follows:		
Salaries	494	576
Benefits in kind	-	-
Pension contributions	93	106
<b>Total emoluments</b>	<b>587</b>	<b>682</b>

The above emoluments are for Key Management Personnel being those persons having the authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive Management Team. These emoluments include amounts payable to the Principal, who was also the highest paid senior post-holder, of:

	£000	£000
Salary	136	134
Bonus	-	-
Benefits in kind	-	-
	<b>136</b>	<b>134</b>
Employers Pension contributions	<b>23</b>	<b>23</b>

### Compensation for loss of office to a senior post holder

Non-contractual financial payment (Voluntary Resignation), per SFC Guidance: SFC/GD/01/2016	-	88
Contractual pay in lieu of Notice	-	45

## 8 Senior post-holders' emoluments (continued)

In 2016-17 the Principal and one other senior post-holder were members of the Scottish Teachers Superannuation Scheme and the other four senior post-holders were members of the Strathclyde Pension Fund. 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 Chair's remuneration, set by Scottish Ministers, was as follows:-

2016-17: £28,078

2015-16: £27,560

This remuneration is not pensionable.

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
<b>9 Other operating expenses</b>		
Teaching departments	1,864	1,772
Administration and central services	2,744	2,834
Kilwinning Campus PFI service charge	783	762
Kilmarnock Campus NPD service charge	1,057	-
Other premises costs	2,343	2,278
Refurbishment works funded by Ayrshire College Foundation	-	60
Childcare costs	886	847
New Build Campus Costs	1,250	63
Student Support Bursary Costs	-	-
Catering costs	613	597
<b>Total</b>	<b>11,540</b>	<b>9,213</b>

Other operating expenses include:

Auditors' remuneration		
- external audit of these financial statements	39	38
- internal audit services	24	25
- other services	-	6
Operating lease payments	306	283

## 10 Interest payable

On overdrafts	-	-
Kilmarnock Campus NPD interest charge	2,329	-
Kilwinning Campus PFI interest charge	517	562
Pension finance costs (Note 21)	333	383
<b>Total</b>	<b>3,179</b>	<b>945</b>

## 11 Tangible Fixed Assets

	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	PFI Building £000	NPD Building £000	Equipment £000	Total £000
<b>Cost or Valuation</b>						
At 31 July 2016	35,034	1,005	17,864	820	10,856	65,579
Additions	1,731		70	47,828	766	50,395
Revaluation	-	-	680	1,233	-	1,913
Impairments	(1,077)	-	-	-	-	(1,077)
Disposals	(176)	-	-	-	(4)	(180)
<b>At 31 July 2017</b>	<b>35,512</b>	<b>1,005</b>	<b>18,614</b>	<b>49,881</b>	<b>11,618</b>	<b>116,630</b>
<b>Depreciation</b>						
At 1 August 2016	1,305	166	-	-	7,077	8,548
Provided during year	982	79	485	779	1,118	3,443
On disposals	-	-	-	-	(2)	(2)
<b>At 31 July 2017</b>	<b>2,287</b>	<b>245</b>	<b>485</b>	<b>779</b>	<b>8,193</b>	<b>11,989</b>
<b>Net Book Value at 31 July 2017</b>	<b>33,225</b>	<b>760</b>	<b>18,129</b>	<b>49,102</b>	<b>3,425</b>	<b>104,641</b>
Net Book Value at 31 July 2016	33,729	839	17,864	820	3,779	57,031
Inherited	19,540	53	6,836	1,253	-	27,682
Financed by capital grant	7,750	685	35	-	2,922	11,392
Other	5,935	22	11,258	47,849	503	65,567
<b>At 31 July 2017</b>	<b>33,225</b>	<b>760</b>	<b>18,129</b>	<b>49,102</b>	<b>3,425</b>	<b>104,641</b>

The College's Ayr and Kilwinning Campus properties and the land value of its Hill Street, Kilmarnock site, were valued at 31 July 2016 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. The land valuation for Kilwinning has not been included in these financial statements as its value has been adversely impacted by a 100 year ground lease granted in favour of the PFI operator of that building.

The College's other land and buildings were revalued by District Valuer Services at 31 July 2013 on the same basis as noted immediately above.

The College took occupation of our new NPD funded Hill Street campus in October 2016.

## **12 Land and Buildings in Kilmarnock and related matters**

Included within the net book value of land and buildings as at 31 July 2017 as shown in Note 11, an amount of £2,342,000 (2016: £3,419,000) relates to the College's freehold interest in its Kilmarnock campuses at Holehouse Road and the Craig.

The College is no longer using these two campuses for educational purposes as from October 2016 and they will be sold. As an integral part of the financial arrangements relating to the new Kilmarnock NPD campus project, SFC will retain any net proceeds from the sale of these two former campuses.

An offer has been received for the Holehouse Road campus and the land has been impaired by £(1,077,000) to reflect the value of the offer received.

## **13 Taxation**

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



	Year ended 31 July 2017	Year ended 31 July 2016
	£000	£000
<b>14 Debtors: Amounts falling due within one year</b>		
Trade debtors – net of provision for doubtful debts	83	113
European funding	-	137
Other Debtors	263	129
Prepayments and accrued income	753	690
Amounts owed by the Scottish Funding Council	-	-
	<b>1,099</b>	<b>1,069</b>
<b>15 Creditors: Amounts falling due within one year</b>	<b>£000</b>	<b>£000</b>
Bank loans and overdrafts	-	-
Trade creditors	391	326
Other taxation and social security	613	1
Other Creditors	596	231
Accruals and deferred income	444	645
Capital Grant Deferred Income	-	-
Capital element of Kilwinning PFI expenditure (Note 16)	900	852
Capital element of Kilmarnock NPD expenditure (Note 16)	1,176	-
Deferred Capital Grants to be released in <1 year	1,473	1,279
Amounts owed to Scottish Funding Council	262	187
Bursaries and Student Support Funds for future disbursement	1,141	1,190
	<b>6,996</b>	<b>4,711</b>
<b>16 Creditors: Amounts falling due after one year</b>		
Capital Element of Kilwinning PFI expenditure:		
At 1 August 2016	9,182	9,988
Capital payments in year	(852)	(806)
	<b>8,330</b>	<b>9,182</b>
Less amount due within one year (Note 15)	(900)	(852)
<b>At 31 July 2017</b>	<b>7,430</b>	<b>8,330</b>
Capital Element of Kilmarnock NPD expenditure:		
At October 2016	47,828	-
Capital payments in year	(935)	-
	<b>46,893</b>	<b>-</b>
Less amount due within one year (Note 15)	(1,176)	-
<b>At 31 July 2017</b>	<b>45,717</b>	<b>-</b>
<b>Total</b>	<b>53,147</b>	<b>8,330</b>

## 17 Deferred Capital Grants

	<b>SFC £000</b>	<b>Non SFC £000</b>	<b>Total £000</b>
<b>At 1 August 2016</b>			
Land and Buildings	5,824	2,135	7,959
Equipment	3,297	-	3,297
	<u>9,121</u>	<u>2,135</u>	<u>11,256</u>
<b>Grants received in the period</b>			
Land and Buildings	871	-	871
Equipment	765	-	765
	<u>1,636</u>	<u>-</u>	<u>1,636</u>
<b>Released to Income and Expenditure Account</b>			
Land and Buildings	(297)	(63)	(360)
Equipment	(1,140)	-	(1,140)
	<u>(1,437)</u>	<u>(63)</u>	<u>(1,500)</u>
<b>At 31 July 2017</b>			
Land and Buildings	6,398	2,072	8,470
Equipment	2,922	-	2,922
	<u>9,320</u>	<u>2,072</u>	<u>11,392</u>
Split as follows:			
Due to be released in <1 year	1,410	63	1,473
Due to be released in >1 year	7,910	2,009	9,919
	<u>9,320</u>	<u>2,072</u>	<u>11,392</u>

<b>Year ended</b>	<b>Year ended</b>
<b>31 July</b>	<b>31 July</b>
<b>2017</b>	<b>2016</b>
<b>£000</b>	<b>£000</b>

## **18 Provisions for liabilities and charges**

### **Early Retirement Provision**

At 1 August 2016	<b>1,886</b>	1,771
Expenditure in the period	<b>(95)</b>	(100)
Additional provision required in the period	<b>19</b>	215
<b>At 31 July 2017</b>	<b>1,810</b>	1,886

The above liability is in respect of future pension liabilities arising from early retirements prior to 2006 and now relating to 31 individuals receiving benefits (2014-15: 31). The pension liability has been revalued using SFC actuarial tables.

### **Other Provisions**

At 1 August 2016	<b>1,696</b>	672
Provision released	<b>(580)</b>	(137)
Additional provision required in the period	<b>-</b>	1,161
<b>At 31 July 2017</b>	<b>1,116</b>	1,696

The majority of the other provisions relates to future lease commitments and dilapidations provisions on the two leased properties, Townholm and Nethermaines

	Year ended 31 July 2017	Year ended 31 July 2016
<b>19 Reserves</b>	<b>£000</b>	<b>£000</b>
<b>Income &amp; Expenditure Account</b>		
At 1 August 2016	(6,920)	(3,600)
Surplus/(Deficit) for the period	(2,741)	(2,842)
Transfer from revaluation reserve	743	813
Disposal of Properties	25	375
Impairment of Properties	1,077	190
Actuarial gains/(loss) in pension scheme	535	(1,856)
<b>At 31 July 2017</b>	<b>(7,281)</b>	<b>(6,920)</b>

#### Restricted Reserves

At 1 August 2016	466	466
Payments made	-	-
<b>At 31 July 2017</b>	<b>466</b>	<b>466</b>

The restricted reserves balance at 31 July 2017 comprises:

Irvine Property Endowment Fund: £434,000 (2016: £434,000). This fund represents ring fenced monies held for capital works

Walker Trust Fund: £32,000 (2016: £32,000). This fund is held for the benefit of students in Ayrshire.

#### Revaluation Reserve

At 1 August 2016	27,614	21,916
Revaluation	1,913	7,076
Depreciation on revalued assets	(743)	(813)
Disposal of properties	(25)	(375)
Impairment of properties	(1,077)	(190)
<b>At 31 July 2017</b>	<b>27,682</b>	<b>27,614</b>

## 20 Analysis of changes in cash and cash equivalents

	At 1 August 2016 £000	Cash Flows	Other Changes	At 31 July 2017
Cash	2,879	(480)	-	2,399
Finance lease/hire purchase contracts	-	-	-	-
<b>Total</b>	<b>2,879</b>	<b>(480)</b>	<b>-</b>	<b>2,399</b>

## 21 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:

		<b>Year to 31 July 2017</b>	Year to 31 July 2016
STSS: contributions paid		<b>2,130</b>	1,943
SPF: Contributions paid		<b>1,724</b>	1,820
FRS 102 charge to the Income & Expenditure Account	7	<b>1,270</b>	742
<b>Total pension cost (Note 7)</b>		<b>5,124</b>	4,505

### Scottish Teachers' Superannuation Scheme (STSS)

The last audited full actuarial and funding valuation was carried out at 31 March 2009. The results of this valuation were rolled forward to give an overall scheme liability of £24.0 billion at 31 March 2013.

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 2013

Rate of return (discount rate) 4.1%

### Rate of return in excess of:

Earnings increases 0.15%  
Price increases 2.35%

Employer contributions were payable to the STSS at a rate of 14.9%. 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 2017 was £1,724,000.

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 2017, 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 2017	At 31 July 2016
Rate of increase in salaries	4.5%	3.9%
Rate of increase for pensions in payment/inflation	2.5%	1.9%
Discount rate for liabilities	2.7%	2.4%
Expected return on assets	0.0%	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 2017	At 31 July 2016
Current pensioners	Males	22.1	22.1
	Females	23.6	23.6
Future pensioners	Males	24.8	24.8
	Females	26.2	26.2

The approximate allocation of scheme assets is as follows:

	At 31 July 2017	At 31 July 2016
Equities	71%	73%
Bonds	14%	16%
Property	11%	11%
Cash	4%	-
	<b>100%</b>	<b>100%</b>

The assets and the liabilities of the scheme were:

	At 31 July 2017 £'000	At 31 July 2016 £'000
<b>Total market value of assets</b>	50,488	43,235
Present value of scheme liabilities:		
Funded	(64,183)	(55,880)
Unfunded	(626)	(608)
<b>Surplus/(deficit) in the scheme</b>	<b>(14,321)</b>	<b>(13,253)</b>

	At 31 July 2017 £'000	At 31 July 2016 £'000
Employer service cost (net of employee contributions)	2,994	2,512
Past service cost	-	-
	<hr/>	<hr/>
Total operating charge	<u>2,994</u>	<u>2,512</u>
<b>Analysis of pension finance income/(costs)</b>		
	1,052	
Expected return on pension scheme assets	(1,385)	1,335
Interest on pension liabilities		(1,718)
	<hr/>	<hr/>
<b>Pension finance income/(costs)</b>	<u>(333)</u>	<u>(383)</u>

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
<b>Movements on Pension Scheme Deficit</b>		
Deficit in scheme at 1 August 2016	(13,253)	(10,272)
<b>Movement in year:</b>		
Current service charge	(2,994)	(2,512)
Losses/(Gains) on curtailments	-	(50)
Contributions by members	1,694	1,790
Contributions in respect of unfunded benefits	30	30
Past service costs	-	-
Net return on pension assets	(333)	(383)
	<u>(1,603)</u>	<u>(1,125)</u>
Actuarial gain/(losses)	535	(1,856)
<b>Deficit in scheme at 31 July 2017</b>	<u><b>(14,321)</b></u>	<u><b>(13,253)</b></u>
<b>Asset and Liability Reconciliation</b>		
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at 1 August 2016</b>	<b>56,488</b>	46,616
Service cost	2,994	2,512
Interest cost	1,385	1,718
Contributions by members	540	530
Actuarial (gain)/loss	4,362	5,931
Past service cost/(gain)	-	-
Losses/(Gains) on curtailments	-	50
Estimated Unfunded Benefits Paid	(30)	(30)
Estimated Benefits Paid	(930)	(839)
<b>Liabilities at 31 July 2017</b>	<u><b>64,809</b></u>	<u><b>56,488</b></u>
<b>Reconciliation of Assets</b>		
<b>Assets at 31 July 2016</b>	<b>43,235</b>	36,344
Expected return on assets	1,052	1,335
Contribution by members	540	530
Contribution by employer	1,694	1,790
Contribution in respect of unfunded benefits	30	30
Actuarial (gain)/loss	4,897	4,075
Estimated Unfunded Benefits Paid	(30)	(30)
Estimated Benefits paid	(930)	(839)
<b>Liabilities at 31 July 2017</b>	<u><b>50,488</b></u>	<u><b>43,235</b></u>
<b>Amounts for the current and previous accounting periods</b>		
Fair value of employer assets	50,488	43,235
Present value of defined benefit obligation	(64,809)	(56,488)
Surplus/(Deficit)	<u><b>(14,321)</b></u>	<u><b>(13,253)</b></u>



## 22 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 2017 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 a number of 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.

As at 31 July 2017 the College had three outstanding balances due to related parties. These were as follows:

- Due to Skills Development Scotland - £425
- Due to Dumfries House - £720.
- Due to Costley & Costley £297.

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

In addition to the above named 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
Mr W Mackie Ms B Graham	Trustee Trustee	Ayrshire College Foundation	Sales: £5,400 Purchases: £nil
Mrs H Dunk	Trustee	Dumfries House	Sales: £3,511 Purchases: £0
Mr B Costley	Chair	Costley & Costley	Sales: £15,000 Purchases : £1,792

There were no transactions exceeding £5,000 with any other organisations associated with Board Members in 2016-17.

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

Mrs H Dunk	Principal
Ms J Bradley	Teaching Staff Member
Ms J Pyper-Macfarland	Service Staff Member

In addition, two members/former members of the Board of Management being Ms H Bates and Ms L McKinlay were student members, elected by students and remunerated by the Student Association.

### 23 FE Bursary and Other Student Support Funds

	FE Bursary	FE Hardship	EMA's	Other	Year ended 31 July 2017	Year ended 31 July 2016
	£000	£000	£000	£000	£000	£000
Balance brought forward	436	173	24	157	790	163
Allocation received in year	8,957	463	580	184	10,184	10,463
Interest	-	-	-	-	-	-
	<b>9,393</b>	<b>636</b>	<b>604</b>	<b>341</b>	<b>10,974</b>	<b>10,626</b>
Expenditure	(8,125)	(474)	(669)	(163)	(9,431)	(9,670)
Repaid to SAAS re 2015-16				(157)	(157)	(166)
Repayable to SFC as clawback	(436)	(173)	-	-	(609)	-
College contribution to funds	-	-	-	-	-	-
Virements	-	11	-	-	11	-
Balance carried forward	<b>832</b>	<b>-</b>	<b>(65)</b>	<b>21</b>	<b>788</b>	<b>790</b>
Represented by:						
Repayable to SFC as clawback	832	-	-	-	832	609
Retained by College for students	-	-	(65)	21	(44)	181
	<b>832</b>	<b>-</b>	<b>(65)</b>	<b>21</b>	<b>788</b>	<b>790</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.

## 24 FE & HE Childcare Funds

	Year ended 31 July 2017	Year ended 31 July 2016
	£000	£000
Balance brought forward: August 2016	-	-
Allocation received in period	<u>1,250</u>	<u>1,248</u>
	<b>1,250</b>	<b>1,248</b>
Expenditure	<b>(886)</b>	<b>(848)</b>
Virements	<u>(11)</u>	<u>-</u>
Balance carried forward	<u><b>353</b></u>	<u><b>400</b></u>
Represented by:		
Repayable to SFC as clawback	<u><b>353</b></u>	<u><b>400</b></u>
	<u><b>353</b></u>	<u><b>400</b></u>

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

## 25 Commitments under Operating Leases

As at 31 July 2017 the College had annual commitments under non-cancellable operating leases as set out below:

	Year ended 31 July 2017	Year ended 31 July 2016
	£000	£000
Operating Leases which are:		
Amounts due within one year	<b>143</b>	<b>143</b>
Amounts due between one and five years	<u><b>394</b></u>	<u><b>537</b></u>
<b>Total</b>	<u><b>537</b></u>	<u><b>680</b></u>

## 26 Capital Commitments

Contracted for at 31 July 2017	<u><b>162</b></u>	<u><b>46</b></u>
--------------------------------	-------------------	------------------

The amounts committed at 31 July 2017 and 31 July 2016 relate to contracts in connection with small capital projects.

## 27 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.

The College has applied to the Foundation for grant assistance, primarily to assist in the College's capital investment programmes at Ayr and Kilwinning as part of a planned programme of investment in its facilities.

In 2016-17 the Foundation agreed grant funding of £447,000 to the College in respect of Capital Works and educational projects.

In 2015-16 the Foundation agreed grant funding of £30,000 to the College in respect of educational projects.

## 28 PFI Contract at Kilwinning Campus

Payments remaining to be made under the PFI contract at 31 July 2017 are as follows:

	Payment for services	Reimbursement of Capital Expenditure	Interest	Total
	£000's	£000's	£000's	£000's
Amounts due within one year	813	900	468	2,181
Amounts due between one and five years	3,252	4,134	1,340	8,726
Amounts due in more than five years	2,124	3,296	353	5,773
Total	6,189	8,330	2,161	16,680

	Year ended 31 July 2017	Year ended 31 July 2016
	£000's	£000's
Balance at start of year	9,182	9,988
Payments made in the year	(852)	(806)
Balance outstanding at end of the year	<u>8,330</u>	<u>9,182</u>

## 29 NPD Contract at Kilmarnock Campus

Payments remaining to be made under the NPD contract at 31 July 2017 are as follows:

	Payment for services	Reimbursement of Capital Expenditure	Interest	Total
	£000's	£000's	£000's	£000's
Amounts due within one year	1,269	1,176	2,740	5,185
Amounts due between one and five years	5,212	5,288	10,240	20,740
Amounts due in more than five years	7,455	7,529	10,941	25,925
Amounts due in more than ten years	23,750	32,900	15,940	72,590
Total	37,686	46,893	39,861	124,440

	Year ended 31 July 2017	Year ended 31 July 2016
	£000's	£000's
Balance at start of year	47,828	-
Payments made in the year	(935)	-
Balance outstanding at end of the year	46,893	-

## 30 Post Balance Sheet Events

There were no post balance sheet events for 2016-17.

## 31 Contingent Liabilities

There are no contingent liabilities at 31 July 2017 (31 July 2016: £ nil).

### 32 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.

	<b>2016-17</b>	<b>2015-16</b>
	<b>£000</b>	<b>£000</b>
Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	(2,714)	(2,872)
Add back: Non-cash allocation for depreciation (net of deferred capital grant)	1,943	779
Operating (deficit) on Central Government accounting basis	<b>(771)</b>	<b>(2,093)</b>

Under the FE/HE SORP, the college recorded an operating deficit of (£2,741,000) for the year ended 31 July 2017. After taking account of the Government noncash budget, the college shows an “adjusted” deficit of (£771,000) on a Central Government accounting basis.

## Appendix 1

### **2016-17 Accounts direction for Scotland's colleges and universities**

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

Scottish Funding Council  
30 June 2017