

Board of Management Report and Financial Statements

For the year ended
31 July 2018

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PERFORMANCE REPORT

Principal's Statement on Ayrshire College's Performance 2017-18

The College plays a key role in economic development across Ayrshire and Scotland. Working with our employers, key stakeholders and third sector partners, we have successfully delivered on key government priorities in STEM, Health and Social Care and Early Years Education and exceeded targets set.

Over the last year, the collective talent and commitment of our students, staff and partners has enabled us to continue to improve our performance and student outcomes. The College achieved the core credit target set by Scottish Funding Council (SFC) and demonstrated an improvement in performance across all of the SFC key priority groups KPI's. Over a three year period full time student success increased by 4%.

The College supported the implementation of Developing the Young Workforce and provided seamless support for students to enable them to achieve their full potential at all points of transition. Data published by SFC notes that 95% of Ayrshire College students move into a positive destination.

The range of prevention and intervention strategies adopted by the College in partnership with other key stakeholders has continued to support the health and well-being of students. These early interventions have improved the retention and attainment of full-time students from areas of multiple deprivation. The number of care experienced students has grown significantly and the attainment rates for this cohort of students continues to improve.

Our focus on access, inclusion and diversity has created a strong ethos amongst staff and students and this has been a critical success factor in increasing student outcomes. The College received a number of awards throughout 2017-18 in recognition of the sector leading provision offered and the positive student experience.

Development of new and innovative learning spaces and digital resources continued to improve the student experience in 2017-18. Investment in our infrastructure supported innovative practice across all curriculum and service teams.

The long term future of the College will be influenced by funding decisions surrounding the legal contract for the PFI campus in Kilwinning and cost of living pay awards agreed through national bargaining.

The College positively engaged with individuals, communities and employers across Ayrshire in 2017-18 and we are proud of the impact we make on people's lives every day.

Overview of Performance Report

The Board of Management of Ayrshire College presents its Performance Report together with the Audited Financial Statements for the year ended 31 July 2018.

This Performance Report provides a detailed summary of the performance of the College during 2017-18 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's 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 a 31 July year end. Annual accounts to 31 July are therefore now prepared.

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

Strategic Plan 2017-20

The Board of Management published the College's Strategic Plan 2017-2020. The Plan sets out the next stage in the development of Ayrshire College. It presents the basis of the College's future ambitions as it continues to drive forward, pushing boundaries and embracing opportunities.

The Strategic Plan demonstrates how the College's values, visions and strategic goals are all centred round its core mission. The College's core mission is to:

“Provide excellent learning opportunities which enable students of all ages and backgrounds to fulfil their potential.”

The College's vision is to ***“raise aspirations, inspire achievement and increase opportunities”***.

The Strategic Plan 2017-2020 sets out the College's strategic goals for this period. These are as follows:

- To be an ambitious, innovative and inclusive learning and skills organisation in which students and staff thrive
- To develop people and communities, and support inclusive growth, through high quality learning and skills
- To be a high-performing, sustainable college recognised for excellence and integrity.

The Strategic Plan provides the context for ambitions set out in other College strategies such as learning and teaching. The Plan also provides the overarching framework for the College's Outcome Agreement for 2017-20 agreed with the Scottish Funding Council (SFC).

SFC Outcome Agreement

In 2017-18, the College agreed an Outcome Agreement with the Scottish Funding Council for the period 2017-20. This Outcome Agreement focuses on the following four outcomes:

- Learning is accessible and diverse, attracting and providing more equal opportunities for people of all ages, and from all communities and backgrounds
- An outstanding system of learning, where all students are progressing successfully and benefiting from a world-class learning experience, in the hands of expert lecturers delivered in modern facilities
- Well prepared and skilled students progressing into jobs with the ability, ideas, and ambition to make a difference to the economy
- High-performing, sustainable institutions with modern, transparent and accountable governance arrangements

The College produces a separate report on performance against the 2017-18 Outcome Agreement, this is in addition to the performance data collated within this performance report. The performance reported in the separate outcome agreement report includes KPI's in relation to student statistics such as numbers, retention and achievement.

Performance of Ayrshire College in 2017-18

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. This annual College process ensures that its portfolio of courses is aligned to national, regional and local policy objectives.

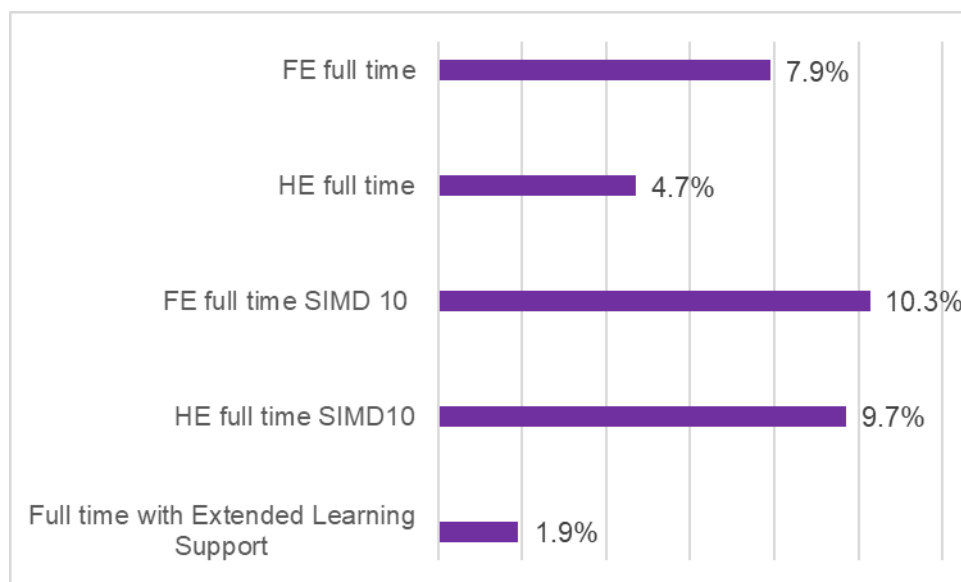
The College continues to make good progress on SFC priorities for improving outcomes for students. The College's continued strategic focus on reducing withdrawals and increasing success during 2017-18 has maintained the College's good progress towards achieving the national ambitions for success, which are to be delivered by 2021.

In 2017-18, the College exceeded the core activity target set by the SFC and delivered 126,326 credits (target 125,370 credits). This is the third year in a row that the College has exceeded the SFC core activity target.

The College is recognised locally, regionally and nationally as an organisation which makes a positive difference to the lives of its students, to our communities, to Ayrshire's economy and to Scotland. 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 2017-18, 66.9% of FE full-time and 67.2% of HE full-time students completed their courses with a successful outcome.

Student attainment levels in 2017-18 for FE full-time students were 7.9% higher than the College achieved in 2014-15 and attainments levels for HE full-time students were 4.7% higher. Attainment levels for full-time students from areas of multiple deprivation have also risen significantly, with a 10.3% increase for relevant FE students and 9.7% for relevant HE students (Figure 1).

Figure 1: Student Attainment Increases from 2014-15 to 2017-18



South Ayrshire has the second highest rate (21%) of children living in combined low income and material deprivation in Scotland, compared to the national average of 20%. North Ayrshire has the highest youth unemployment rate, and North Ayrshire has a higher proportion of people of working age with low or no qualifications. Community planning partners report that children in the poorest areas 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. Ayrshire has 26 areas of deep-rooted poverty which are among the most deprived 5% in Scotland.

To support the national aspirations for widening access the SFC has set targets for all colleges. SFC has been set the target that 19.5% of its activity should be delivered to students from a SIMD10 postcode area by 2019-20 and 20% by 2020-21. Ayrshire College is committed to targeting students from SIMD10 recognising that education provides students from these areas with significantly improved opportunities for enhanced personal wellbeing and a sustainable future. The College remains on track to meet the national targets set for 2019-20 and 2020-21. The volume of students from SIMD10 did drop to 19.2% in 2017-18 from 21.2% the previous year. This however means that the College is only 0.3% off the 2019-20 target two years ahead of the national schedule.

Ayrshire College is recognised externally as an inclusive college. Consistent and proactive focus 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.

SFC has set ambitious and stretching targets for all of Scotland's colleges to deliver successful outcomes for care experienced students, aiming for parity with their peers by 2021. In 2017-18 Ayrshire College had 250 care experienced students, with 59.2% achieving a successful course outcome.

A key priority area of focus is to improve outcomes for students with a declared disability. Over the three years from 2015-16 to 2017-18 there has been a 3% increase in the number of students declaring a disability. More importantly, over the same period there has been a 1.9% increase in the proportion of these students with a declared disability achieving a successful outcome. In 2017-18 70.1% of Ayrshire College students with a declared disability achieved a successful outcome.

A culture of partnership working is embedded across the College. Throughout 2017-18 the College invested significant time in enhancing existing private, public and third sector partnerships, as well as developing new ones. For example the College has been working in partnership with Spirit Aerosystems for a number of years delivering training to its modern apprentices. In 2017-18 Spirit Aerosystems asked the College to support the technical training and capability accreditation of their workforce. The College was asked to work with Spirit Aerosystems' global operations team to improve quality and reduce errors across the business. To support this work the College recruited a dedicated vocational trainer, a new role, to deliver the technical training. The trainer is based within Spirit Aerosystems and delivers accredited training to all of the company's workforce, as well as introductory courses for new recruits.

Our partnership approach with universities allows our students to gain 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.

The College continues to invest in its campuses and during 2017-18 major improvement works have been completed to improve the student experience. In our Ayr Campus the Health Care and Early Years curriculum area was completely refurbished, new music rehearsal facilities were created and the learning spaces for our supported learning students were refreshed to include a new kitchen facility. The Kilwinning campus also benefited from improvements to the supported learning areas and a new kitchen facility was created for students. The improvement works were facilitated by substantial funding support from the Ayrshire College Foundation (ACF) as well as utilising SFC capital grant funding.

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.

The College will continue on its journey of improvement in 2018-19 and remains focused on increasing student attainment and achievement. In particular, the College will focus efforts on continuing to improve full-time HE success.

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 (£1,068,000) before exceptional items (these are explained on page 8). The deficit represents an adverse figure of (2%) of overall trading income. This compares to a deficit before exceptional items in 2016-17 of (£1,472,000). After recording net exceptional costs amounting to (£1,250,000), the final deficit was (£2,318,000) for 2017-18. This is compared to a 2016-17 deficit of (£2,741,000).

The College, at July 2018, has £45,347,000 of net assets (excluding a pension liability of £4,395,000). At July 2017 the College had £35,188,000 of net assets (excluding a pension liability of £14,321,000).

The College has significant reliance on SFC for its funding which is largely from recurrent grants. In 2017-18, SFC provided 83.0% of the College's total operational revenue income (2016-17, 85.0% of total operational revenue income).

The cash balance of £1,723,000 shown in the Balance Sheet includes £1,610,000 made up of SFC monies held by the College for capital (in advance) and student funding (to be repaid), as well as the College's own restricted cash balances. Therefore, the College's trading cash balance as at 31 July 2018 was £113,000.

Statement of Comprehensive Income

The statement of comprehensive income shows a total deficit for the year to 31 July 2018 of (£2,318,000). This is compared to a deficit in 2016-17 of (£2,741,000).

There was one exceptional item, which impacted the deficit in 2017-18. This was the impairment of the former Kilmarnock campus site in Holehouse Road. The presentation of the Statement of Comprehensive Income in these financial statements therefore analyses trading in the period between recurring items (£1,068,000) and exceptional items (£1,250,000).

○ Recurring Items

The College recorded a deficit of (£1,068,000) which represents an adverse figure of approximately (2.0%) of overall trading income.

The recorded deficit of (£1,068,000) in 2017-18 comprises of the following elements:

• Operating position- deficit	(£14,000)
• FRS102- NPD/ PFI Capital income	£3,057,000
• Net Depreciation charge	(£2,256,000)
• FRS 102- Pension	(£2,090,000)
• Gain on sale	£235,000

○ Exceptional Items

Exceptional items are one off events that occur over and above the core business of the College. The exceptional item of (£1,250,000) in 2017-18 comprised the following element:

• Impairment of land value at Holehouse Road	(£1,250,000)
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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 2016-17 and 2017-18 – Detailing Recurring and Exceptional Items

	Recurring £'000	Exceptional £'000	2017-18 £'000	2016-17 £'000
Surplus /(deficit) after other gains and losses	(1,068)	(1,250)	(2,318)	(2,741)
(Loss) / gain on sale	235		235	(27)
Surplus / (deficit) before other gains and losses	(1,303)	(1,250)	(2,553)	(2,714)
Add back:				
Depreciation (net of deferred capital grant release)	2,256		2,256	1,943
Exceptional non-restructuring costs (e.g. impairment)		1,250	1,250	1,077
Non-cash pension adjustments	2,090		2,090	1,623
Donation to Arms-length Foundation				
Provision per 1 April 2014				
Deduct:				
Non-Government capital grants (e.g. ALF capital grant)	(1,881)		(1,881)	(374)
Exceptional income				
Revenue funding allocated to loan repayments (NPD)	(1,176)		(1,176)	(935)
Sub-Total Revenue	(14)	-	(14)	620
Revenue funding allocated to PFI loan repayments			(899)	(852)
Early retirees			(95)	(95)
Underlying operating surplus / (deficit)			(1,008)	(327)

Underlying operating position 2016-17 and 2017-18

SFC as part of its accounts direction 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 2016-17 and 2017-18

	2017-18 £'000	2016-17 £'000
Surplus (deficit) before other gains and losses	(2,553)	(2,714)
Add back:		
Depreciation (net of deferred capital grant release)	2,256	1,943
Exceptional non-restructuring costs (e.g. impairment)	1,250	1,077
Non-cash pension adjustments	2,090	1,623
Deduct:		
Non-Government capital grants (e.g. ALF capital grant)	(1,881)	(374)
Revenue funding allocated to loan repayments and other capital items	(2,170)	(1,882)
Underlying operating surplus / (deficit)	(1,008)	(327)

Cash budgets for priorities

One consequence of college reclassification as central government bodies is that while colleges 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 colleges allocate the cash funds (cash budget for priorities) (CBP) which were previously earmarked for depreciation.

Table 3 below details the allocation of the CBP and the impact on the operating position. The College has been instructed by SFC on the format of this table and also on the priorities to be allocated against. This instruction (received by the College in November 2017) requires the College to base the allocations on the requirements set out in 2015-16 rather than the underlying position in the year.

Table 3 – Cash budget for priorities spend 2016-17 and 2017-18

	2017-18 £'000	2016-17 £'000
Revenue		
Student support	-	-
2015-16 pay award	370	370
Other (give detail)	-	-
Total impact on operating position	370	370
Capital		
Loan repayments (PFI capital payment)	859	794
Early Retirees	95	-
Total Capital	954	794
Total cash budget for priorities spend	1,324	1,164

Reserves

The deficit brought forward on the income and expenditure reserve at 1 August 2017 was (£7,281,000). After the deficit for the year before exceptional items of (£1,068,000), the exceptional items noted above of (£1,250,000), 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 2018 is (£4,533,000).

Capital Additions

Tangible Fixed Asset additions in 2017-18 amounted to £3,435,000. This expenditure on the buildings of £2,220,000 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 £1,215,000 on IT and curriculum equipment.

Financial Year Resource Position 2017-18

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 2017-18 the College received a revenue resource budget (RDEL) and a capital resource budget (CDEL). The resource budgets and final outturn for 2017-18 are outlined below (Table 4):

Table 4 – Ayrshire College Resource Budgets and Final Outturns 2017-18*

	Budget RDEL £000	Actual RDEL £000	Budget CDEL £000	Actual CDEL £000
Resource budget for year ended 31 March 2018	44,284	44,151	795	595
Repayment of PFI and historic pensioners	(1,000)	(992)	-	-
Net cash for RDEL/CDEL	43,284	43,159	795	595
Total RDEL/CDEL expenditure	44,284	44,491	795	595
Net under/(overspend) against resource budget	(1,000)	(1,332)	-	-

*This table is not audited and is in line with SFC requirements

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's 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	2017-18	2016-17
1	Recurring (Deficit)/Surplus as % of total trading income	(2.2%)	(3.0%)
2	Non SFC Income as % of Total Income	16.9%	15.0%
3	Credit activity target set by SFC for year to July 2018	125,370	125,507
4	Credit activity achieved in year to July 2018	126,326	125,749
5	Activity achieved against target	100.8%	100.2%
6	Current Assets: Current Liabilities	0.4:1	0.5:1
7	Gearing/debt	Nil	Nil
8	Days of recurring expenditure represented by period end cash	8	15

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 2017-18 of £676,000. 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.

Staff Report

In the 2017-18 staffing return to the SFC, it was reported that the College employed 758 full-time equivalent employees of whom 355 were curriculum staff and 403 were service staff. This equates to a headcount of 919, comprising 598 female and 321 male members of staff.

Full disclosure on staff costs of £32,905,000 is given in note 7 of the accounts.

National Bargaining

The College is a signatory to the National Recognition and Procedures Agreement (NRPA) and a member of the Employers Association. A number of National Bargaining agreements have been reached during 2017-18 for both curriculum and service staff.

Local Joint Negotiation Committees (LJNC) continued to be held during 2017-18 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 2017-18 identified 16 strategic risks.

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

The following three risks have been assessed as High:

- The College is not able to fund beyond AY 2018/19 the principal and interest payments for the Kilwinning campus PFI contract
- External funding pressures adversely impact on future College financial sustainability and/ or the delivery of the Curriculum
- Risk that an adverse outcome to National Bargaining will result in failure in service delivery and damage to employee relations

Stakeholder Relationships

Ayrshire College has many stakeholders. These include:

- Students
- Student Association
- Staff
- Scottish Funding Council
- Education Scotland
- Scottish Government
- Local Employers/Businesses
- Community Planning Partnerships
- Local Authorities
- Colleges Scotland
- Skills Development Scotland
- Trade Unions
- Universities
- The Voluntary Sector
- Scottish Futures Trust
- 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 2017-18 and a broad range of staff learning and development activities took place during the year.

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 Strategic Plan 2017-20 sets out a cross-cutting theme of **"advancing equality of opportunity and promoting diversity"**. The Executive Management Team and Board of Management lead the College's equality and diversity strategy and monitoring arrangements. In addition, the College has an approved equality outcomes policy. A range of activities were carried out during 2017-18 to deliver this aim.

Health Safety and Wellbeing

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

A range of developments were undertaken during 2017-18 to promote our culture of health, safety and wellbeing. These developments built on the strong foundation of work undertaken by the College prior to 2017-18.

Student Involvement

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

In 2017-18 the College's internal auditors identified the College's engagement activity with students as an area of good practice. The auditors reported that the College's mechanisms for engagement provide "appropriate coverage of all curriculum areas and College campuses".

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

W Mackie

Chair

H Dunk

Principal

6 December 2018

ACCOUNTABILITY REPORT

Corporate Governance Report

Statement of Board of Management's Responsibilities

Remuneration and Staff Report

CORPORATE GOVERNANCE REPORT

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

The College is committed to exhibiting best practice in all aspects of Corporate Governance. This summary describes the 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 2018. The College has also complied with the 2016 Code of Good Governance for Scotland's Colleges (the Scottish Code).

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. The Board also receives information on 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, and the meetings of the Board's committees are available from the Secretary to the Board of Management, except those sections deemed to be confidential by the Board of Management for reasons of commercial confidentiality or data protection. These can be obtained by writing to the Secretary to the Board of Management at Ayrshire College, Dam Park, Ayr KA8 0EU and are also published on the College website.

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

Directors' Report

This section of the report sets out the members who served on the Board of Management during the year to 31 July 2018 (Table 6).

Table 6 – Serving Board Members 2017-18

Board Member	Committees Served	Status of Appointment	Date of Appointment	Date of Resignation
Mr W Mackie	<ul style="list-style-type: none"> Business, Resources & Infrastructure Performance, Review & Remuneration Search & Nomination 	Chair of Ayrshire College BOM Chair of Ayrshire Regional College BOM	01.08.13 03.03.14	
Ms N A M Beveridge	<ul style="list-style-type: none"> Business, Resources & Infrastructure Performance, Review & Remuneration Search & Nomination 	Non-Executive Board Member	01.08.14	
Ms J Bradley	<ul style="list-style-type: none"> Business, Resources & Infrastructure Learning and Teaching 	Elected Curriculum/ Support Staff	01.08.14	31.07.18
Ms M Bryan	<ul style="list-style-type: none"> Business, Resources & Infrastructure Learning & Teaching 	Non-Executive Board Member	01.08.16	
Mr B Costley	<ul style="list-style-type: none"> Business, Resources & Infrastructure Learning & Teaching 	Non-Executive Board Member	01.11.14	31.07.18
Mrs H Dunk	<ul style="list-style-type: none"> Business, Resources & Infrastructure Learning and Teaching 	Principal	01.08.14	
Ms F Fawdry	<ul style="list-style-type: none"> Audit Learning & Teaching 	Non-Executive Board Member	01.08.14	
Ms B Graham	<ul style="list-style-type: none"> Audit Learning & Teaching Performance, Review & Remuneration Search & Nomination 	Non-Executive Board Member	01.08.14	31.07.18
Mr G James	<ul style="list-style-type: none"> Audit Learning & Teaching Performance Review & Remuneration Search & Nomination 	Non-Executive Board Member	01.08.14 Reappointed from 01.08.16	
Prof A McGregor	<ul style="list-style-type: none"> Learning and Teaching Audit 	Non-Executive Board Member	01.08.14 Reappointed from 01.08.17	31.07.18
Mr D McIvor	<ul style="list-style-type: none"> Business, Resources & Infrastructure Learning & Teaching 	Non-Executive Board Member	24.03.16	31.07.18

Board Member	Committees Served	Status of Appointment	Date of Appointment	Date of Resignation
Ms L McKinlay	<ul style="list-style-type: none"> Business, Resources & Infrastructure Learning & Teaching 	Elected Student Member	01.08.16	31.07.18
Juliana Pyper-McFarland	<ul style="list-style-type: none"> Learning & Teaching 	Elected Service/Support Staff	01.08.15	
Lora Miller	<ul style="list-style-type: none"> Learning & Teaching 	Elected Student Member	01.08.17	31.07.18
Mr A Walker	<ul style="list-style-type: none"> Audit Performance, Review & Remuneration Search & Nomination 	Non-Executive Board Member	01.08.14 Reappointed from 01.08.17	
Mr T Wallace	<ul style="list-style-type: none"> Business, Resources & Infrastructure Learning & Teaching Performance Review & Remuneration Search & Nomination 	Non-Executive Board Member	01.08.14 Reappointed from 01.08.16	
Ms M Welsh	<ul style="list-style-type: none"> Audit 	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. 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.

Register of Interests

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

Appointments to the Board of Management

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. This is in line with the provisions of The Post-16 Education (Scotland) Act 2013. The other Board members include the Board Chair, who is appointed by the Scottish Government, the Principal, a curriculum/teaching staff member, a support/service staff member and two student members.

Any new appointments to the Board of Management are a matter for the consideration of the Board of Management as a whole. As such, there is a Search and Nomination Committee 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 2017-18.

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 Audit 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.

Business, Resources and Infrastructure Committee

The Business, Resources and Infrastructure Committee consists of members from the Board of Management including the Principal and the Chair of the Board. This Committee's responsibilities are to oversee the strategic and operational financial planning of the College and provide assurance to the Board on the financial expenditure, financial management and performance of the College. The Committee is responsible for overseeing the strategic and operational planning of Organisational Development within the College and providing assurance to the Board on Organisational/HR issues as well as the organisational performance of the College. In addition, the Committee oversees the strategic and operational planning of the estates function within the College and provides assurance with regard to College estates matters to the Board.

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.

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, taking account of any advice given by the SFC in the remuneration of the Principal and senior managers, taking account of any guidelines issued by the Scottish Government and/or UK Treasury and reporting 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 appointment of the College Principal, oversee the recruitment and recommendation of new board members and to consider the reappointment of current members to the Board of Management. The Committee does this by ensuring that the search and nomination process is conducted in a fair and non-discriminatory manner with due regard to issues of equality, diversity and opportunity in any appointments recommended.

Personal data-related incidents

SFC requires colleges to outline any personal data-related incidents reported to the Information Commissioner's Office (ICO). Ayrshire College reported one data-related incidents to ICO during 2017-18.

In July 2018, Effective Software, the company that hosts Ayrshire College's Safety Management System, had four laptops stolen from their office in Dublin. The College took appropriate steps to investigate the

incident and reported it to ICO. ICO was satisfied with the response taken by the College and concluded that no further action was required.

GOVERNANCE STATEMENT

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 2017-18 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 had direct access to the Chair of the Audit Committee and issued 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 every Audit Committee and Board of Management meeting. Each substantive sub-committee of the Board receives and considers the Committee's extract from the current version of the Corporate Risk Register. The committees advise the Audit Committee accordingly on any changes to the risk or to new risks that have arisen.

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
- Business, Resources and Infrastructure
- Learning and Teaching

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

Infrastructure Strategy

The College's Infrastructure Strategy sets out our vision for the Estates, Facilities and Infrastructure of Ayrshire College. Its purpose is to help facilitate the College's strategic goals outlined in the Strategic Plan 2017-2020. Its success will be crucial to the delivery of excellence in learning and teaching. The College's Infrastructure Strategy was approved by the BRIC Committee in March 2018.

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 2018.

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 the College's 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 SFC and other key agencies as they affect the College's business and monitors adherence to the regulatory requirements.

During 2017-18 a comprehensive tender process was conducted by the College and from 1 August 2018 the Internal Audit service will be provided by BDO LLP.

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 EMT 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 EMT 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 AY2018-19. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Financial Sustainability

The College's risk register notes that external funding and cost pressures beyond AY 2018-19 result in the College not being financially sustainable and able to meet its liabilities in future years. The Board of Management in September 2018 approved the submission to SFC of a five year Financial Forecast Return (FFR). The FFR projected significant cash deficits over the five year period covered. The FFR was submitted to SFC on 2 October 2018.

In line with discussions between SFC and the College (which have taken place over a period of over six months) the College has produced a two year Financial Sustainability Plan (FSP) for AY 2019-20 to AY 2020-21. The FSP is built on the financial projections within the FFR and details the College's approach to achieving financial sustainability in this period. The FSP would fully address the cash deficits identified for 2019-20 and 2020-21 within the FFR. The FSP will be delivered through a combination of SFC providing additional strategic funding for each of the two years, together with savings accruing through an organisational review.

The FSP was submitted to SFC on 30 November 2018 and at this time we are awaiting a response from SFC.

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 6 December 2018 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 2017-18 Government Financial Reporting Manual (FRoM) 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 AND STAFF 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 Leadership 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

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

The Principal could be called to attend a Remuneration Committee meeting for the purpose of presenting any paper relevant to the salary scale of members of the Vice Principals. 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 – People and Skills 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 2017-18 (Table 7).

Table 7 – Remuneration of Senior Management 2017-18

Name	12 months ended 31 July 2018			12 months ended 31 July 2017		
	Salary £'000	Pension benefit £'000	Total £'000	Salary £'000	Pension benefit £'000	Total £'000
H Dunk, Principal	135-140	5	140-145	135-140	(7)	125-130
M Breen, Vice Principal	90-95	36	125-130	85-90	29	115-120
J Galbraith, Vice Principal	90-95	32	120-125	85-90	29	115-120
J McKie, Vice Principal	90-95	34	120-125	85-90	29	115-120
D Vallance, Vice Principal	85-90	31	115-120	85-90	28	115-120

The details in the tables in this section of the report are subject to audit. The format of the tables have been set by the SFC as part of its accounts direction to colleges for 2017-18.

The pension benefit figure included within Table 7 is a new requirement for colleges to report. The benefit figure is derived by using a calculation set out by SFC in the 2017-18 accounts direction. The accounts direction states that:

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

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 remuneration of the highest paid official in the organisation in financial year 2017-18 was £135,000 to £140,000 (2016-17 £135,000 to £140,000). This was 4.2 times (2016-17 4.2 times) the median remuneration of the workforce which was £30,000 to £35,000 (2016-17 £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 percentage of gross salary for all members of the respective schemes. Employee contribution rates increase in line with gross salary as set out in the rules for each scheme.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for 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 2018 £'000	Accrued lump sum at pension age at 31 July 2018 £'000	Real increase in pension 1 August 2017 to 31 July 2018 £'000	Real increase in lump sum 1 August 2017 to 31 July 2018 £'000	CETV at 31 July 2018 £'000	CETV at 31 July 2017 £'000	Real increase in CETV £'000
H Dunk	STSS	65	195	-	1	1,485	1,435	34
M Breen	SPF	28	39	2	1	388	355	33
J Galbraith	SPF	9	-	3	-	117	87	30
J McKie	SPF	16	2	2	-	280	238	42
D Vallance	SPF	6	-	2	-	65	44	21

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:

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

Compensation for loss of office

No compensation payments were made for the loss of office during 2017-18.

No members of staff left under voluntary or compulsory exit terms during 2017-18.

Salaries and related costs for 2017-18 totalled £31,185,000 (Table 9).

Table 9 – Salaries and Related Costs 2017-18

	2018			2017
	Directly employed staff £'000	Seconded and agency staff £'000	Total £'000	Total £'000
Wages and salaries	24,715	46	24,761	24,095
Social security costs	2,401	-	2,401	2,366
Other pension costs	4,023	-	4,023	3,854
TOTAL	31,139	46	31,185	30,315
Average number of FTEs			757	752

Sickness Absence

Total sickness absence during 2017-18 was 4.08%. This was due to short-term and long-term sickness absence levels. The figures for 2017-18 are as follows:

Short-term	1.93%
Long-term	2.23%
Total	4.08%

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

Trade Union Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, Ayrshire College provided support through paid facility time for union officials working at the College. The information for the year ended 31 March 2018 is set out in the Tables 10 to 12.

Table 10 – Relevant Union Officials

Number of employees who were union officials during 2017-18	Employee number by FTE:
2.0	2.0

Table 11 – Percentage of Time Spent on Facility Time

Percentage	Number of Employees
0%	0
1%-50%	0
51%-99%	2
100%	0

Table 12 – Percentage of Pay Bill Spent on Facility Time

Total cost of facility time	£63,029
Total pay bill	£31,145,987
Percentage of total pay bill spent on facility time	0.20%

Total time spent on trade union activities as a percentage of total paid facility time hours during 2017-18 was 100%.

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 – People and Skills, the VIEW Steering Group continues 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.

During 2017-18 the College was a lead partner in establishing a new Ayrshire LGBT+ Education Network. The Network was created for those working in education and related sectors and its membership includes key local partners. The Network aims to be a forum for sharing best practice to better the educational experiences of LGBT+ children, young people and adults learning in local schools, the College and any other learning spaces in Ayrshire. The Network meets three times across an academic year. The College was also a key partner in the establishment of the first national Trans

Community of Practice for FE and HE following on from research by Strathclyde University into the experiences of trans learners in colleges and universities in Scotland.

The College developed its Equally Safe Action Plan in 2017-18. The Action Plan is framed on the four priorities identified by the Scottish Government to prevent and end gender-based violence. The College piloted the new Equally Safe in Higher Education toolkit to support its adaption and implementation to the College Sector. The toolkit has been developed by Strathclyde University and Ayrshire College is one of only two colleges in Scotland who were asked to pilot the toolkit. In addition, the College's Principal sits on the Ministerial working group 'Equally Safe in Further and Higher Education', further demonstrating the sector wide recognition of the College's work in this area.

Approval of the Remuneration Report

The Remuneration Report has been approved by the Board of Management and is signed on its behalf on 6 December 2018 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 2018 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2018 and of its 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. This description forms part of our auditor's report.

Other information in the annual report and accounts

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

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on other matters prescribed by the Auditor General for Scotland

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Lucy Nutley,
For and on behalf of Mazars LLP

100 Queen Street
Glasgow
G1 3DN

December 2018

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 2018

	Note		Exceptional	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
INCOME					
SFC grants	2	41,230	-	41,230	41,037
Tuition fees and education contracts	3	4,157	-	4,157	4,384
Other grants and contracts	4	2,026	-	2,026	510
Other income	5	2,182	-	2,182	2,331
Investment income	6	3	-	3	13
Total Income		49,598	-	49,598	48,275
EXPENDITURE					
Staff costs	7	32,905	-	32,905	31,585
Restructuring costs	7	-	-	-	165
Impairment of Buildings/Asset write downs		-	1,250	1,250	1,077
Other operating expenses	9	10,643	-	10,643	11,540
Depreciation	11	3,735	-	3,735	3,443
Interest and other financial costs	10	3,618	-	3,618	3,179
Total Expenditure		50,901	1,250	52,151	50,989
(Deficit) before other gains and losses		(1,303)	(1,250)	(2,553)	(2,714)
Gain / (loss) on disposal of assets		235	-	235	(27)
(Deficit) before tax		(1,068)	(1,250)	(2,318)	(2,741)
Taxation	13	-	-	-	-
(Deficit) for the year		(1,068)	(1,250)	(2,318)	(2,741)
Unrealised surplus on revaluation of assets				10,347	1,913
Actuarial gain / (loss) in respect of pension schemes				12,056	535
Total Comprehensive Income for the year				20,085	(293)

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

	Income and Expenditure Account £'000	Restricted Reserves £'000	Capital Reserve £'000	Revaluation Reserve £'000	Total £'000
Balance at 31 July 2017	(7,281)	466	-	27,682	20,867
Surplus/(deficit) from the income and expenditure statement	(2,318)	-	-	-	(2,318)
Transfers from pension reserve to income and expenditure reserve	12,056	-	-	-	12,056
Revaluation of land & buildings	-	-	-	10,347	10,347
Transfers from revaluation reserve to income and expenditure reserve	784	-	-	(784)	-
Disposal of Properties	42	-	-	(42)	-
Impairment of Properties	1,250	-	-	(1,250)	-
Total comprehensive income for the year	11,814	-	-	8,271	20,085
Balance at 31 July 2018	4,533	466	-	35,953	40,952

BALANCE SHEET AS AT 31 JULY 2018

	Note	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Fixed Assets			
Tangible assets	11	113,396	104,641
Total fixed assets		113,396	104,641
Current Assets			
Stocks		23	37
Debtors	14	1,301	1,099
Cash and cash equivalents		1,723	2,399
Total current assets		3,047	3,535
Less: Creditors – amounts falling due within one year	15	7,295	6,996
Net current liabilities		(4,248)	(3,461)
Total assets less current liabilities		109,148	101,180
Less: Creditors – amounts falling due after more than one year	16	50,971	53,147
Less: Deferred capital grants due to be released after one year	17	9,968	9,919
Provisions			
Early Retirement Provision	18	1,676	1,810
Other Provisions	18	1,186	1,116
Net Assets excluding pension liability		45,347	35,188
Net pension liability	21	(4,395)	(14,321)
Net Assets including pension liability		40,952	20,867
TOTAL RESERVES			
		4,533	(7,281)
		466	466
	19	35,953	27,682
TOTAL RESERVES		40,952	20,867

The financial statements on pages 35 to 61 were approved by the Board of Management on 6 December 2018 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 2018

	Year ended 31 July 2018	Year ended 31 July 2017
Note	£000	£000
Cash inflow/(outflow) from operating activities		
Deficit for the year	(2,318)	(2,741)
Adjustment for non cash items		
Depreciation	11 3,735	3,443
Net loss / (gain) on disposal of fixed assets	(235)	27
Deferred capital grants released to income	(1,479)	(1,500)
(Increase) in stock	15	(3)
(Increase)/Decrease in debtors	13 (202)	(30)
Increase/(Decrease) in creditors	15 171	867
(Decrease)/Increase in provisions	17 (64)	(656)
Impairments of Buildings	11 1,250	1,077
Net return on pension liability	21 2,130	1,603
Returns on investments and servicing of finance	(407)	(320)
Taxation	-	-
Cash flows from investing and financing activities		
Interest receivable – bank interest	6 (3)	(13)
Interest payable	10 410	333
PFI/NPD Capital Payments	16 (2,075)	(1,787)
Purchase of tangible fixed assets	11 (3,435)	(2,567)
Proceeds from sale of tangible fixed assets	277	151
Deferred Capital Grants Receipts	18 1,554	1,636
(Decrease) in cash and cash equivalents in the year	(676)	(480)
Reconciliation of net cash flow to movement in net funds		
(Decrease) in cash and cash equivalents in the year	(676)	(480)
Net funds at 1 August 2017	2,399	2,879
Net funds at 31 July 2018	1,723	2,399

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 (£1,068,000) before exceptional items, with an accumulated deficit on the income and expenditure reserve of (£4,533,000). At 31 July 2018, current assets of £3,047,000 included cash and bank balances of £1,723,000. Creditors falling due within one year were £7,295,000, with net current liabilities of (£4,248,000).

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

b) Basis of Accounting

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

c) Recognition of income

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

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

d) Grant Funding

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

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

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

e) Maintenance of premises

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

f) Pension schemes

Retirement benefits to employees of the College are provided by the Scottish Teachers' Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). The STSS is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the STSS are charged to the Statement of Comprehensive Income 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.

g) Tangible fixed assets (continued)

Land and buildings

Land and buildings inherited from the former Strathclyde Regional Council in 1993 are stated in the Balance Sheet at a valuation on the basis of depreciated replacement cost for specialised properties and open market value for non-specialised properties, as at 31 July 2018, 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.

	Year ended 31 July 2018	Year ended 31 July 2017
Note	£000	£000
2 SFC grants		
FE recurrent grant (including fee waiver)	32,996	32,564
HE & FE childcare funds	890	886
Release of deferred capital grants	1,414	1,437
Release of deferred capital grants re impairment	-	-
Maintenance grant	1,108	672
New Build Campus grants	-	1,361
NPD Unitary Charge grant	4,755	3,955
Other SFC grants	67	162
Total	41,230	41,037
	Year ended 31 July 2018	Year ended 31 July 2017
Note	£000	£000
3 Tuition fees and education contracts		
FE fees – UK	446	418
FE fees - EU	-	-
FE fees – non EU	-	-
HE fees	2,760	2,945
Education contracts	855	870
Other contracts	96	151
Total	4,157	4,384
	Year ended 31 July 2018	Year ended 31 July 2017
Note	£000	£000
4 Other grant income		
European funds	-	-
Grants from Ayrshire College Foundation	1,963	447
Release of deferred capital grants	63	63
Release of deferred capital grants re impairment	-	-
18	2,026	510
Total	2,026	510

	Note	Year ended 31 July 2018	Year ended 31 July 2017
		£000	£000
5 Other operating income			
Catering		1,186	1,208
Other income-generating activities		432	492
Other income		564	631
Total		2,182	2,331
	Note	Year ended 31 July 2018	Year ended 31 July 2017
		£000	£000
6 Investment Income			
Other interest receivable		3	13
Total		3	13

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
7 Staff costs		
Wages and salaries	24,761	24,095
Social security costs	2,401	2,366
Other pension costs	4,023	3,854
	31,185	30,315
FRS 102 pension adjustments	1,720	1,270
Total	32,905	31,585

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Curriculum Departments	16,109	15,796
Curriculum Services	5,658	5,215
Administration and Central Services	9,037	8,692
Premises	1,446	1,303
Catering	655	579
Sub-total	32,905	31,585
Exceptional restructuring costs	-	165
Total	32,905	31,750

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

	2018 No.	2017 No.
Academic/Teaching Departments	316	327
Academic/Teaching Services	140	141
Administration and Central Services	214	200
Premises staff	54	56
Catering staff	33	28
Total	757	752

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

	2018 No.	2017 No.
£50,001 to £60,000 per annum	16	15
£60,001 to £70,000 per annum	10	11
£80,001 to £90,000 per annum	0	4
£90,001 to £100,000 per annum	4	0
£130,001 to £140,000 per annum	1	1

8 Senior post-holders' emoluments

	2018	2017
	No.	No.
The number of senior post-holders, including the Principal was:	5	5
	Year ended	Year ended
	31 July	31 July
	2018	2017
	£000's	£000's
Senior post-holders' emoluments are made up as follows:		
Salaries	499	494
Benefits in kind	-	-
Pension contributions	93	93
Total emoluments	592	587

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:

	Year ended	Year ended
	31 July	31 July
	2018	2017
	£000	£000
Salary	137	136
Bonus	-	-
Benefits in kind	-	-
	137	136
Employers Pension contributions	23	23

8 Senior post-holders' emoluments (continued)

In 2017-18 the Principal was a member 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 College has paid the Chair's remuneration, set by Scottish Ministers, as follows:-

2017-18: £27,560

2016-17: £28,078

This remuneration is not pensionable.

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000
9 Other operating expenses		
Teaching departments	1,650	1,864
Administration and central services	2,671	2,744
Kilwinning Campus PFI service charge	822	783
Kilmarnock Campus NPD service charge	1,279	1,057
Other premises costs	2,659	2,343
Childcare costs	890	886
New Build Campus Costs	-	1,250
Student Support Bursary Costs	-	-
Catering costs	672	613
Total	10,643	11,540

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000

Other operating expenses include:

Auditors' remuneration		
- external audit of these financial statements	26	39
- internal audit services	9	24
- other services	-	-
Operating lease payments	239	306

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000
10 Interest payable		
Kilmarnock Campus NPD interest charge	2,740	2,329
Kilwinning Campus PFI interest charge	468	517
Pension finance costs (Note 21)	410	333
Total	3,618	3,179

11 Tangible Fixed Assets

	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	PFI Building £000	NPD Building £000	Equipment £000	Total £000
Cost or Valuation						
At 1 August 2017	35,512	1,005	18,614	49,881	11,618	116,630
Additions	1,989	-	231	-	1,215	3,435
Revaluation	697	-	866	4,074	-	5,637
Impairments	(1,250)	-	-	-	-	(1,250)
Disposals	(1,348)	-	-	-	-	(1,348)
At 31 July 2018	35,600	1,005	19,711	53,955	12,833	123,104
Depreciation						
At 1 August 2017	2,287	245	485	779	8,193	11,989
Provided during year	1,036	79	494	935	1,191	3,735
Write back re:						
revaluation	(2,017)	-	(979)	(1,714)	-	(4,710)
On disposals	(1,306)	-	-	-	-	(1,306)
At 31 July 2018	-	324	-	-	9,384	9,708
Net Book Value at 31 July 2018	35,600	681	19,711	53,955	3,449	113,396
Net Book Value at 31 July 2017	33,225	760	18,129	49,102	3,425	104,641
Inherited	20,398	44	8,494	7,018	-	35,954
Financed by capital grant	8,411	619	-	-	2,437	11,467
Other	6,791	18	11,217	46,937	1,012	65,975
At 31 July 2018	35,600	681	19,711	53,955	3,449	113,396

The College's Ayr, Kilwinning and Kilmarnock Campus properties were valued at 31 July 2018 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.

12 Land and Buildings in Kilmarnock and related matters

Included within the net book value of land and buildings as at 31 July 2018 as shown in Note 11, an amount of £1,050,000 (2017: £2,342,000) relates to the College's freehold interest in its former Kilmarnock campus at Holehouse Road. The 2017 figure includes the Craig campus. The Craig campus was sold during the year to 31 July 2018. The gain on sale was £164,000.

The College is no longer using the former Kilmarnock campus for educational purposes as from October 2016 and it will be sold.

An offer has been received for the Holehouse Road campus and the land has been impaired by £ (1,250,000) 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 2018 £000	Year ended 31 July 2017 £000
14 Debtors: Amounts falling due within one year		
Trade debtors – net of provision for doubtful debts	106	83
Other Debtors	399	263
Prepayments and accrued income	730	753
Amounts owed by the Scottish Funding Council	66	-
	1,301	1,099
	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
15 Creditors: Amounts falling due within one year		
Trade creditors	983	391
Other taxation and social security	596	613
Other Creditors	655	596
Accruals and deferred income	1,107	444
Capital Grant Deferred Income	-	-
Capital element of Kilwinning PFI expenditure (Note 16)	950	900
Capital element of Kilmarnock NPD expenditure (Note 16)	1,227	1,176
Deferred Capital Grants to be released in <1 year	1,500	1,473
Amounts owed to Scottish Funding Council	233	262
Bursaries and Student Support Funds for future disbursement	44	1,141
	7,295	6,996

Year ended	Year ended
31 July	31 July
2018	2017
£000	£000

16 Creditors: Amounts falling due after one year

Capital Element of Kilwinning PFI expenditure:

At 1 August 2017

Capital payments in year

Less amount due within one year (Note 15)

At 31 July 2018

8,330	9,182
(899)	(852)
7,431	8,330
(950)	(900)
6,481	7,430

Capital Element of Kilmarnock NPD expenditure:

At October 2017

Capital payments in year

Less amount due within one year (Note 15)

At 31 July 2018

46,893	47,828
(1,176)	(935)
45,717	46,893
(1,227)	(1,176)
44,490	45,717

Total

50,971	53,147
---------------	--------

17 Deferred Capital Grants

SFC	Non SFC	Total
£000	£000	£000

At 1 August 2017

Land and Buildings

Equipment

6,398	2,072	8,470
2,922	-	2,922
9,320	2,072	11,392

Grants received in the period

Land and Buildings

Equipment

943	-	943
611	-	611
1,554	-	1,554

Released to Income and Expenditure Account

Land and Buildings

Equipment

(318)	(64)	(382)
(1,096)	-	(1,096)
(1,414)	(64)	(1,478)

At 31 July 2018

Land and Buildings

Equipment

7,023	2,008	9,031
2,437	-	2,437
9,460	2,008	11,468

Split as follows:

Due to be released in <1 year

Due to be released in >1 year

1,436	64	1,500
8,024	1,944	9,968
9,460	2,008	11,468

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
18 Provisions for liabilities and charges		
Early Retirement Provision		
At 1 August 2017	1,810	1,886
Expenditure in the period	(95)	(95)
Additional provision required in the period	(39)	19
At 31 July 2018	1,676	1,810

The above liability is in respect of future pension liabilities arising from early retirements prior to 2006 and now relating to 27 individuals receiving benefits (2016-17: 31). The pension liability has been revalued using SFC actuarial tables.

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Other Provisions		
At 1 August 2017	1,116	1,696
Provision released	-	(580)
Additional provision required in the period	70	-
At 31 July 2018	1,186	1,116

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

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
19 Reserves		
Income & Expenditure Account		
At 1 August 2017	(7,281)	(6,920)
Surplus/(Deficit) for the period	(2,318)	(2,741)
Transfer from revaluation reserve	784	743
Disposal of Properties	42	25
Impairment of Properties	1,250	1,077
Actuarial gains/(loss) in pension scheme	12,056	535
At 31 July 2018	4,533	(7,281)

19 Reserves (continued)

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Restricted Reserves		
At 1 August 2017	466	466
Payments made	-	-
At 31 July 2018	466	466

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Revaluation Reserve		
At 1 August 2017	27,682	27,614
Revaluation	10,347	1,913
Depreciation on revalued assets	(784)	(743)
Disposal of properties	(42)	(25)
Impairment of properties	(1,250)	(1,077)
At 31 July 2018	35,953	27,682

20 Analysis of changes in cash and cash equivalents

	At 1 August 2017 £000	Cash Flows £000	Other Changes £000	At 31 July 2018 £000
Cash	2,399	(676)	-	1,723
Finance lease/hire purchase contracts	-	-	-	-
Total	2,399	(676)	-	1,723

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:

	Year to 31 July 2018	Year to 31 July 2017
STSS: contributions paid	2,139	2,130
SPF: Contributions paid	1,884	1,724
FRS 102 charge to the Income & Expenditure Account	1,720	1,270
Total pension cost (Note 7)	<u>5,743</u>	<u>5,124</u>

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 2018 was £1,884,000.

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 2018, in respect of its pension obligations under this Local Government Pension Scheme (LGPS). This information is set out below:

21 Pensions and similar obligations (continued)

Principal Actuarial Assumptions

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	3.6%	4.5%
Rate of increase for pensions in payment/inflation	2.4%	2.5%
Discount rate for liabilities	2.8%	2.7%
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 2018	At 31 July 2017
Current pensioners	Males	21.4	22.1
	Females	23.7	23.6
Future pensioners	Males	23.4	24.8
	Females	25.8	26.2

The approximate allocation of scheme assets is as follows:

	At 31 July 2018	At 31 July 2017
Equities	64%	71%
Bonds	22%	14%
Property	11%	11%
Cash	3%	4%
	100%	100%

The assets and the liabilities of the scheme were:

	At 31 July 2018 £'000	At 31 July 2017 £'000
Total market value of assets	55,541	50,488
Present value of scheme liabilities:		
Funded	(59,363)	(64,183)
Unfunded	(573)	(626)
Surplus/(deficit) in the scheme	(4,395)	(14,321)

21 Pensions and similar obligations (continued)

	At 31 July 2018 £'000	At 31 July 2017 £'000
Employer service cost (net of employee contributions)	3,604	2,994
Past service cost	-	-
	<hr/>	<hr/>
Total operating charge	3,604	2,994
	<hr/>	<hr/>
	At 31 July 2018 £'000	At 31 July 2017 £'000
Analysis of pension finance income/(costs)		
Expected return on pension scheme assets	1,379	1,052
Interest on pension liabilities	(1,789)	(1,385)
	<hr/>	<hr/>
Pension finance income/(costs)	(410)	(333)
	<hr/>	<hr/>
	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Movements on Pension Scheme Deficit		
Deficit in scheme at 1 August 2017	(14,321)	(13,253)
Movement in year:		
Current service charge	(3,604)	(2,994)
Contributions by members	1,855	1,694
Contributions in respect of unfunded benefits	29	30
Net return on pension assets	(410)	(333)
	<hr/>	<hr/>
	(2,130)	(1,603)
Actuarial gain/(losses)	12,056	535
	<hr/>	<hr/>
Deficit in scheme at 31 July 2018	(4,395)	(14,321)
	<hr/>	<hr/>
	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Asset and Liability Reconciliation		
Reconciliation of Liabilities		
Liabilities at 1 August 2017	64,809	56,488
Service cost	3,604	2,994
Interest cost	1,789	1,385
Contributions by members	580	540
Actuarial (gain)/loss	(9,668)	4,362
Estimated Unfunded Benefits Paid	(29)	(30)
Estimated Benefits Paid	(1,149)	(930)
	<hr/>	<hr/>
Liabilities at 31 July 2018	59,936	64,809
	<hr/>	<hr/>

21 Pensions and similar obligations (continued)	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Reconciliation of Assets		
Assets at 1 August 2017	50,488	43,235
Expected return on assets	1,379	1,052
Contribution by members	580	540
Contribution by employer	1,855	1,694
Contribution in respect of unfunded benefits	29	30
Actuarial (gain)/loss	2,388	4,897
Estimated Unfunded Benefits Paid	(29)	(30)
Estimated Benefits paid	(1,149)	(930)
Assets at 31 July 2018	55,541	50,488
	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Amounts for the current and previous accounting periods		
Fair value of employer assets	55,541	50,488
Present value of defined benefit obligation	(59,936)	(64,809)
Surplus/(Deficit)	(4,395)	(14,321)

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 2018 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 2018 the College had one outstanding balance due to related parties. This was as follows:

- Due to College Development Network - £240

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.

22 Related Party Transactions (continued)

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	Princes Trust Foundation	Sales: £240 Purchases: £nil
Mr G James	Director of Health Facilities	NHS National Services Scotland	Sales: £11,362 Purchases: £nil

There were no transactions exceeding £5,000 with any other organisations associated with Board Members in 2017-18.

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 L Miller 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 2018	Year ended 31 July 2017
	£000	£000	£000	£000	£000	£000
Balance brought forward	832	-	(65)	21	788	790
Allocation received in year	8,371	448	683	141	9,643	10,184
Interest	-	-	-	-	-	-
	9,203	448	618	162	10,431	10,974
Expenditure	(8,257)	(572)	(684)	(139)	(9,652)	(9,431)
Repaid to SAAS re 2016-17	-	-	-	(21)	(21)	(157)
Repayable to SFC as clawback	(832)	-	-	-	(832)	(609)
College contribution to funds	-	-	-	-	-	-
Virements	-	124	-	-	124	11
Balance carried forward	114	-	(66)	2	50	788

Represented by:

Repayable to SFC as clawback	114	-	-	-	114	832
Retained by College for students	-	-	(66)	2	(64)	(44)
	114	-	(66)	2	50	788

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 2018	Year ended 31 July 2017
	£000	£000
Balance brought forward: August 2017	353	-
Allocation received in period	942	1,250
	1,295	1,250
Expenditure	(890)	(886)
Repayable to SFC as clawback	(353)	-
Virements	(124)	(11)
Balance carried forward	(72)	353

Represented by:

Net repayable to SFC as clawback	(72)	353
	(72)	353

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 2018 the College had annual commitments under non-cancellable operating leases as set out below:

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Operating Leases which are:		
Amounts due within one year	166	143
Amounts due between one and five years	<u>291</u>	<u>394</u>
Total	<u>457</u>	<u>537</u>

26 Capital Commitments

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Contracted for at 31 July 2018	<u>75</u>	<u>162</u>

The amounts committed at 31 July 2018 and 31 July 2017 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. This is as part of a planned programme of investment in the College's facilities.

In 2017-18 the Foundation agreed grant funding of £1,963,000 to the College in respect of Capital Works and educational projects.

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

28 PFI Contract at Kilwinning Campus

Payments remaining to be made under the PFI contract at 31 July 2018 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	950	418	2,181
Amounts due between one and five years	3,252	4,367	1,107	8,726
Amounts due in more than five years	1,311	2,114	167	3,592
Total	5,376	7,431	1,692	14,499

	Year ended 31 July 2018	Year ended 31 July 2017
	£000's	£000's
Balance at start of year	8,330	9,182
Payments made in the year	(899)	(852)
Balance outstanding at end of the year	7,431	8,330

29 NPD Contract at Kilmarnock Campus

Payments remaining to be made under the NPD contract at 31 July 2018 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	1,287	1,227	2,670	5,184
Amounts due between one and five years	5,258	5,551	9,931	20,740
Amounts due in more than five years	7,731	7,693	10,501	25,925
Amounts due in more than ten years	22,141	31,246	14,017	67,404
Total	36,417	45,717	37,119	119,253

	Year ended 31 July 2018	Year ended 31 July 2017
	£000's	£000's
Balance at start of year	46,893	47,828
Payments made in the year	(1,176)	(935)
Balance outstanding at end of the year	45,717	46,893

30 Post Balance Sheet Events

The College was formally notified in September 2018 that C3 (as Project Co.) had crystallised a delay event notice in line with the provisions contained within the NPD contract for the Kilmarnock campus.

The College has completed an assessment of the delay event claim with the support of professional advisers and an outcome to the claim expected early in 2019. If the delay event claim being made by C3 is successful this could result in a significant payment to C3.

31 Contingent Liabilities

There are no contingent liabilities at 31 July 2018 (31 July 2017: £ 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.

	2017-18	2016-17
	£000	£000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	(2,553)	(2,714)
Add back: Non-cash allocation for depreciation (net of deferred capital grant)	2,256	1,943
Operating (deficit) on Central Government accounting basis	(297)	(771)

Under the FE/HE SORP, the college recorded an operating deficit of (£2,553,000) for the year ended 31 July 2018. After taking account of the Government noncash budget, the college shows an “adjusted” deficit of (£297,000) on a Central Government accounting basis.

Appendix 1

Accounts Direction for Scotland's Colleges and Universities 2017-18

- 1 It is the Scottish Funding Council's direction that colleges comply with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.
- 2 Colleges must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (for assigned colleges).
- 3 Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2017-18 (FReM) where applicable.
- 4 Incorporated colleges are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2018.
- 5 The annual report and accounts should be signed by the chief executive officer and by the chair, or one other member of the governing body
- 6 Incorporated colleges should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
13 July 2018