

Report and Financial Statements for the Year Ended 31 July 2018

Also available in large print (16pt)
and electronic format.

Ask Student Services for details.

www.perth.uhi.ac.uk

Perth College is a registered Scottish charity, number SC021209.



Perth College – for the year ended 31 July 2018

Key Management Personnel, Board of Management and Professional Advisers

Key Management personnel

Key management personnel are defined as members of the Senior Management Team and were represented by the following in 2017-18:

Dr Margaret Cook, Principal and Chief Executive; Accounting Officer
Lorenz Cairns, Interim Depute Principal (From 2nd April 2018)
Jacqueline Mackenzie, Chief Operating Officer
Veronica Lynch, Vice Principal, External (From 7th May 2018)

External Auditor:

Ernst & Young LLP
Atria One
144 Morrison Street,
Edinburgh,
EH3 8EB

Internal Auditor:

Henderson Loggie
The Vision Building
20 Greenmarket
Dundee
DD1 4QB

Bankers:

Bank of Scotland
10-16 King Edward Street
Perth
PH1 5UT

Solicitors:

Thornton Solicitors
17-21 George Street
Perth
PH1 5JY

Perth College – for the year ended 31 July 2018

Contents

	Page
Performance Report	1
Accountability Report	12
- Remuneration and Staff Report	12
- Corporate Governance Statement	16
- Statement of Responsibilities of the Members of the Board of Management	25
Independent Auditor Report	27
Consolidated and College Statement of Comprehensive Income	31
Consolidated and College Statement of Changes in Reserves	32
Consolidated and College Balance Sheets	33
Consolidated Statement of Cash Flows	34
Notes to the Accounts	35
Appendix 1 – 2017/18 Accounts Direction	59

Perth College – for the year ended 31 July 2018

Performance Report

Overview

The members present their report and the audited financial statements for the year ended 31 July 2018.

Legal Status

The Board of Management was established under the Further and Higher Education (Scotland) Act 1992 for the purposes of managing and conducting Perth College.

Provisions of the Post-16 Education (Scotland) Act 2013, which received Royal Assent on 7 August 2013, are being commenced in several stages and will have far reaching effect on the provision of education. Based on this legislation, the Office for National Statistics reclassified colleges as part of Central Government. This has resulted in colleges being determined as part of the local government sector for National Accounts purposes from 1st April 2014.

The College is correctly registered with the Office of the Scottish Charity Regulator for charity status and is recognised by HM Revenue & Customs as a charity for tax purposes.

Our Vision for the Future

In June 2016, the Board of Management adopted Vision 2021: Strategic Plan 2016-21.

Our Vision is...

To be an inspirational partner in economic and social transformation

Our Mission is...

To change lives through excellence in education, research and innovation, developing knowledge and skills and the experience to succeed.

Our Values are...

Ambition, Integrity and Respect.

Implementation of Strategic Plan

The College Strategic Plan 2016-21 aligns to the University of the Highlands and Islands Regional Outcome Agreement to ensure a strong and ambitious contribution to the success of Perth and Kinross,

Perth College – for the year ended 31 July 2018

Performance Report (continued)

our wider region and University, and beyond. Vision 2021 is the outcome of extensive consultation with students, staff, partners and community groups and is designed to take the college forward in the future as a tertiary institution and recognises the contribution of all areas of the College to the 5 underlying aims to:

- Inspire and empower our students, regardless of background, to recognise and achieve their potential;
- Work in partnership to foster and drive positive change and growth in local, regional, national and international economies;
- Provide dynamic learning and research experiences within a curriculum that meets economic and societal needs and aspirations;
- Optimise the sustainable use of our systems, processes and resources to provide the best possible student experience and outcomes;
- Have a talented, confident and inspirational staff who contribute to and make a vital difference the success of students, the life of the College, the University and our communities.

Each underlying aim articulates supporting aims with specific, aspirational targets to be achieved by July 2021.

The Board monitors the performance of the College against these targets using a balanced scorecard supplemented by a narrative which reports on four cross-cutting themes:

- Students and staff achieving their potential;
- Sustainability;
- Student activity measures and
- Student Satisfaction.

These perspectives are reviewed by the Board of Management who have also delegated the responsibility for more detailed review of them to the Finance and General Purposes Committee and to the Academic Affairs Committee. The balanced scorecard records and reports past trends and thus includes performance, actual and forecast, over the period until 2017-18.

In June 2018 the Board of Management reviewed the College's progress for the academic year 2017-18 against the Strategic Plan 2016-2021.

The top achievements were:

- Recruitment targets for FE and HE students were met for 2017-18
- In FE the number of students achieving a qualification has slightly increased and overall remains at a satisfactory level
- An overall student satisfaction score of 85% for the UHI has put the partnership 2% above the Scottish average. Here at Perth College UHI we had an overall student satisfaction score of 88%

Perth College – for the year ended 31 July 2018

Performance Report (continued)

- Those students entering a positive destination after completion remain at a high satisfactory level (FE being 87%; HE being 91%)

Financial Objectives

Our goal is to optimise financial stability through innovative and careful management. Every effort will be made to maximise the efficient and effective use of funds to support the academic aims and objectives of the College within the constraints of ONS. Scottish Government budgeting and accounting requirements require the College to at least break even on both an operational and resource basis in each fiscal year and to minimise cash balances.

Performance Indicators

The targets set for 2018 in the College Strategic Plan are set in the context of national, regional and local priorities. This integration ensures that we contribute fully to the outcomes of the region as a whole and College performance against these targets is monitored using the balanced scorecard of key performance indicators.

The performance of the College is regularly reviewed by a range of external bodies and agencies. During 2017-18 these reviews have all been complimentary of the services that the College offers to its community and learners.

Financial Position

Financial Results

The Group generated a deficit in the year of £1,450k (2016-17 surplus of £6,494k) with total comprehensive income of £5,624 (2016-17 (£7,401k)). The deficit in the year is attributable to an operating deficit of £470k and £979k of defined benefit pension scheme costs recognised through the Statement of Comprehensive Income.

The surplus generated in 2016-17 is attributable to £7,305k of non-government grant income released in line with the performance model and £817k of defined benefit pension scheme costs recognised through the Statement of Comprehensive Income.

During the year 2013-14 the college generated a deficit of £6,192k as a result of transfers it made to the Scottish Colleges Foundation, a charity registered in Scotland for the advancement and promotion of further and higher education in Scotland. The surplus generated in the current year offsets this prior year deficit and is as a direct result of successful funding applications made to the foundation in relation the construction of the new Academy of Sport and Wellbeing building. In accordance with the SORP, this income is treated as non-government grant income and accounted for under the performance model. This essentially requires it to be released in full to the I&E in year rather than deferred and released in line with depreciation over the useful economic life of the asset it relates to.

Total comprehensive income also includes an actuarial gain in respect of the defined benefit pension scheme of £7,075k (2016-17 £907k). Both pension adjustment

Perth College – for the year ended 31 July 2018

Performance Report (continued)

figures are as a result of the annual valuation of the scheme by qualified actuaries and represent non-cash movements.

Reconciliation of Total Comprehensive Income to Underlying Operating Position

	2017/17	2016/17
	£000	£000
Total Comprehensive Income	(1,451)	6,494
Add Back:		
Depreciation (net of Deferred Capital Grant release)	884	867
Exceptional Non-Restructuring Costs	-	-
Non Cash Pension Adjustment - Net Service Cost	979	871
Non Cash Pension Adjustment - Net Interest Cost	230	225
Non Cash Pension Adjustment - Early Retirement Provision	194	(13)
Donation to Arm's Length Foundation	-	-
Deduct:		
Non Government Capital Grants (e.g. ALF Grant)	-	7305
Exceptional Income	-	-
CBP Allocated to Loan Repayments & Other Capital Items	300	400
NPD Income applied to reduce NPD Balance Sheet Debt	-	-
Adjusted Operating Surplus/Deficit	536	739

The College complies with government accounting and budgeting rules on a financial year basis (i.e. to the end of March). The College is given a revenue resource budget (RDEL) and a capital resource budget (CDEL) and must account for this budget on a financial year basis. The College has fully utilised both the resource and capital budgets with no overspend or underspend other than that representing repayment of its long term loan as per SFC guidelines.

The Group has accumulated reserves of £26,254k and cash balances of £2,188k. Since the change in the status of colleges which brings them within the regulations of the National Statistics Office, the College will no longer be allowed to continue to accumulate reserves and cash balances as it previously did as part of its objective to achieve continued financial security.

Total non Scottish Funding Council (SFC) Income as a % of total income for 2017-18 was 39% (2016-17 54% and 2015-16 42%).

The College has a strong commitment to diversity and equality and issues of compliance with the disability provisions contained within the Equality Act 2010 are always incorporated in refurbishment and building works.

The College has a subsidiary company, Air Service Training (Engineering) Limited (AST). The principal activity of AST is the provision of aeronautical engineering

Perth College – for the year ended 31 July 2018

Performance Report (continued)

courses for both the aviation industry worldwide and individual students. In the current year, AST achieved a breakeven operating position after a donation of £208k to the College.

Treasury Policies and Objectives

The College has a separate treasury management policy in place and defines treasury management as the management of the organisation's cash flows, its banking and investment transactions; the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks. The College had short term borrowings at 31 July 2018 of £300k.

Cash Flows and Liquidity

The College maintained a positive cash flow during the year. During the year the College had long term debt of £nil (2016-17 £300K) and at the year end the liquidity ratio stands at 0.61:1 (2016-17 0.54:1). Days ratio of Cash to Total expenditure, at 31 July 2018 was 33 days (2016-17 22 days). The College's gearing ratio at 31 July 2018 was 0.00:1 (2016-17 0.02:1).

Payment Performance

The College has a policy of paying its suppliers within 30 days of invoice unless other separate terms are in place, and excluding invoices held in dispute. The level of creditors in terms of the year end creditors to the aggregated invoiced amounts during the year was 28 days (2016-17 24 days). No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Current and Future Development and Performance

Student Numbers

In 2017-18 the College has delivered activity that has produced £12,993k in SFC main grant allocation (2016-17 - £12,624k). The College had approximately 3,733 SFC fundable students (expressed as full time equivalents) and 249 non SFC funded students.

Student Achievements

We are extremely proud of our students' achievements. These are wide in range and in level and our formal KPIs for 2017-18 on retention, attainment and progression at all levels remain at a good overall level.

We have a strategic aim that every programme of study at the College will return at least 70% as the percentage of attainers to starters. This has been used by us in self-evaluation and action planning to raise the bar through taking a holistic view on both retention and attainment across the portfolio and then taking action.

Perth College – for the year ended 31 July 2018

Performance Report (continued)

Our focus is not only on student attainment but also on wider achievement. We celebrate student success in citizenship, being enterprising, improving health and wellbeing and taking an active role in environmental sustainability. We are confident that our students leave the College with enhanced employability skills and are job ready.

We exceeded our student recruitment target for 2017-18 both at Further Education (FE) and at Higher Education (HE) and our student achievement KPIs have attained a satisfactory level.

Curriculum Developments

The following have been new and successful implementations for 2017-18:

Further Education

- NQ Gateway to Creative Industries
- NC Wellness Therapies
- NC Accounting

Higher Education

- PGDE Teaching Primary
- BAH Outdoor Education and Learning

Estates Strategy

During 2017-18 the ongoing improvement programme for the College Estate continued to encompass the upgrading of student and teaching facilities together with addressing backlog maintenance. The major projects undertaken included improving accessibility, student reception and one stop shop projects and the creation of a state of the art teaching kitchen to support the provision of new teaching degrees.

Future Developments

The College continues to diversify its income through the development of greater specialist expertise leading to increased research funding, knowledge transfer, consultancy and international recruitment. Our focus remains on employment skills development and career opportunities for our students and this is being enhanced through our relationships with local businesses, the Chamber of Commerce, Federation of Small Businesses and our Business Link activities. We are diversifying our international activity and new relationships are being developed which are taking an increasingly greater UHI and internationalisation perspective to the benefit of home and international students. We are pursuing active collaborations with other Colleges and Universities, in particular through the UHI

Perth College – for the year ended 31 July 2018

Performance Report (continued)

Partnership, to have a coherent curriculum offering and appropriate sharing of best practice and services.

Future developments within the College estates programme include:

- Improving and re-purposing existing facilities to provide an integrated approach to the development and delivery of curriculum, research and wider stakeholder engagement within all areas.
- Growth in student numbers and diversity will require additional accommodation, and discussions are ongoing to identify options on campus.
- The College is now undertaking a review of its estate which will underpin a forward strategy to ensure an estate that is fit for purpose in the 21st century.

Resources

Tangible resources include the main College site consisting of 4 major buildings, 1 outreach centre, the nursery and 3 student residence buildings.

Financial

The College has £26.1 million of net assets after deducting long term liabilities of £8.1 million.

People

The College employs 421 people (expressed as full time equivalents), of whom 188 are teaching staff. Permanent staff turnover for the year to 31 July 2018 expressed as a full time equivalent was 18% (21% in 2016/17). Working days lost through sickness absence expressed as a percentage of lost time against the total available working days was 6.2%.

Reputation

The College has a good reputation locally, nationally and internationally. Maintaining a quality brand is essential for the College's success in attracting students and developing and maintaining external relationships.

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 Senior Management Team monitors key performance and risk indicators and considers possible control issues brought to their attention by early warning

Perth College – for the year ended 31 July 2018

Performance Report (continued)

mechanisms embedded within the operational units and reinforced by risk awareness in operational planning. The Senior Management Team and the Audit Committee also receive regular reports from Internal Audit and Health, Safety and

Environmental monitoring functions which include recommendations for improvement. Internal Audit concentrates on areas of key activities determined by a risk analysis and in accordance with the annual internal audit plan approved and amended by the Audit Committee. The internal auditor has direct access to the Chair of the Audit Committee and issues an annual report with an opinion of the adequacy, reliability and effectiveness of the College's internal control system.

The Audit Committee considers risk at each Committee Meeting and receives a copy of the College Strategic Risk Register which is updated quarterly by the College Senior Management Team.

The Board of Management receive reports thereon from the Audit Committee, the emphasis being on obtaining the relevant degree of assurance and not merely reporting by exception.

The Board of Management is of a view that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place throughout the year ended 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Management and accords with the Turnbull guidance on internal control, as applicable to the further education sector.

Outlined below is a description of the principal risk factors that may affect the College. Not all factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1 Government Funding

The College has considerable reliance on continued Government funding through the SFC and UHI. In 2017-18, 61% of the College's recurrent revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

This risk is mitigated in a number of ways:

- The College seeks to maximise income from non-Exchequer sources through a number of direct and indirect contractual arrangements.
- By delivering consistently dynamic, excellent learning and training throughout the College.
- Maintaining and managing key relationships with the various funding bodies.
- Regular interaction and dialogue with funding bodies.

Perth College – for the year ended 31 July 2018

Performance Report (continued)

2 Unfunded Pension Liabilities

The financial statements report the provision made for pension costs arising from past early retirements in line with the valuation carried out by an independent firm of actuaries. The College's share of the Local Government Pension Scheme deficit is reported in the College's balance sheet in line with the requirements of FRS 102.

3 Overseas Students

Our overseas student population is looked after by our experienced and dedicated team in our International Centre. The strategic and operational risks associated with overseas students are actively monitored by the international team and our academic structures.

The College has built up a network of overseas agents which is being supplemented by a growing number of partnerships of well-established educational establishments abroad and we have successfully retained our highly trusted status with the UK Borders Agency.

The College's subsidiary company, AST, is acknowledged worldwide as a leading provider of aeronautical engineering training.

Stakeholder Relationship

In line with other colleges and universities, Perth College has many stakeholders. These include:

- Students and alumni.
- Staff.
- Scottish Funding Council.
- Local, national and international employers.
- Local authorities.
- Government offices and agencies.
- The local community.
- Community planning partnership.
- Chamber of Commerce and other business organisations.
- Scotland's Colleges, other FE and HE institutions.
- Partner institutions of UHI.
- Trade unions.
- Professional bodies.

Perth College – for the year ended 31 July 2018

Performance Report (continued)

EQUALITY & DIVERSITY

Equality and Diversity Vision

The College consulted on and developed a vision for its commitment to equality and diversity:

At Perth College UHI we have a passion for achieving more, a passion to become the most inclusive college in Scotland.

Equality Reporting

On 30 April 2013 we published our Equality Report and Mainstreaming Plan 2013-2018 which showed how we were integrating equality into the day-to-day working of the college, having built on good practice from the work already carried out on the previous equalities duties for race, gender and disability and recognising the importance of considering ways to broaden our approach to include the newer protected characteristics.

We continue on our journey of ensuring the student and staff experience at Perth College UHI is excellent. We continue to mainstream equality and diversity into all aspects of our operations and in doing so provide a learning and working environment which is founded on key principles of fairness, opportunities and respect for everyone.

Central to mainstreaming has been the gathering and consideration of further relevant data. This has involved assessing existing available evidence and also considering what other evidence may be available to help us make progress in further meeting the general equality duty.

Reporting on this work will help us to demonstrate to our staff, students and other stakeholders that we are taking steps to further mainstream the equality duty into the exercise of the functions of our College, and the progress we have made.

Our Equality Mainstreaming Report 2015 shows the progress made towards achieving the equality outcomes we published in 2013, and how this progress has helped us mainstream equality in the College.

Our Equality Reports are published on our website:

<http://www.perth.uhi.ac.uk/about-us/policies-regulations-and-guidelines/equality-and-diversity>

Perth College – for the year ended 31 July 2018

Performance Report (continued)

The College also published an Equal Pay Statement and this can also be found on the College website at:

<http://www.perth.uhi.ac.uk/about-us/policies-regulations-and-guidelines/equality-and-diversity>

The Equal Pay Statement details the College's gender pay gap and shows that this decreased as a result of the implementation of job evaluation, the living wage and flat cash increases for lower graded posts. The Statement also provides information on occupational segregation and an Equal Pay Action plan to address the remaining equal pay gap.

Disclosure of Information to Auditor

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditor is 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 auditor is aware of the information.

Approved by order of the member of the Board of Management on 12 December 2018 and signed on its behalf by:

**Brian Crichton
Chair**

Perth College – for the year ended 31 July 2018

Accountability Report

Remuneration and Staff Report

Introduction

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2017-18 Government Financial Reporting Model (FRoM) issued by the Scottish Government, which came into force for the period ending 31 March 2018.

The report sets out the remuneration and accrued pension benefits of the Senior Management Team members of the College.

The report also provides information on the number of College employees (including Senior Management Team members) whose total actual remuneration was £60,000 or more, this information being disclosed in salary bandings of £5,000 above £60,000. The following report has been prepared in accordance with the aforementioned Regulations.

The College's External Auditor is required to audit certain parts of the Remuneration Report and give a separate opinion in his report on the Statement of Accounts as to whether the Remuneration Report has been properly prepared in accordance with the Regulations. All the tables in this report are subject to audit except those relating to Staff Members Allowances and Expenses.

Remuneration arrangements

Senior Management Team

The Remuneration Committee makes recommendations to the Board of Management on the service arrangements and remuneration of the Principal and determines the service arrangements and remuneration of the other senior post holders.

Remuneration of the Senior Management Team is as set out in note 8 to the financial statements. In addition, the following table provides detail of the remuneration and pension interests of senior management.

Name	12 months ended 31 July 2018			12 months ended 31 July 2017		
	Salary	Pension Benefit	Total	Salary	Pension Benefit	Total
	£000	£000	£000	£000	£000	£000
M Cook	105	22	127	0	0	0
M Munckton	0	0	0	113	14	127
P Wilson	22	-9	13	76	11	87
S Bald	0	0	0	76	24	100
V Lynch	18	2	20	0	0	0
J Mackenzie	79	28	107	76	24	100

Perth College – for the year ended 31 July 2018

Accountability Report (continued)

The Regulations require information to be published on the total number of College employees (including Senior Management Team members) whose total actual remuneration was £60,000 or more. This information is to be disclosed in salary bandings of £5,000 above £60,000 and is shown in the following table:

Salary Band	2017-18	2016-17
£000	Number of staff	Number of staff
60-65	3	1
65-70	0	1
70-75	1	0
75-80	1	3
85-90	0	0
100-105	1	1

During the year, the College made payments of £180k to two individuals for compensation on early retirement or for loss of office (2016-17 £Nil).

During the year, the College made no non-cash benefits available to staff (2016-17 None).

Median Remuneration:

	2017-18	2016-17
	£	£
Median Remuneration	25,401	29,520
Mid-Point of Banded Remuneration of Highest Paid Official	105,000	112,500

During 2017-18, the mid-point of the banded remuneration of the highest paid official was 4.1 times (2016-17 3.7 times) the median remuneration of the workforce.

Accrued pension benefits

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

Prior to 1st April 2015 both STSS and LGPS were final salary pension schemes. This meant that pension benefits were based on the final year's pay and the number of years that the person had been a member of the scheme. From 1st April 2015 both pension schemes became Career Average Revalued Earnings (CARE) schemes. This means that pension benefits are now built up using an accrual rate of 1/57th of annual pensionable pay for STSS and 1/49th of annual pensionable pay for LGPS. Benefits built up prior to April 2015 will be protected and continue to be calculated on final pensionable pay.

Perth College – for the year ended 31 July 2018

Accountability Report (continued)

The scheme's normal retirement age is now linked to the members own State Pension Age.

Contribution rates are set annually for all employees and are based on salary bandings. 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.

Senior Management Team Pension

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

Name	Accrued pension at pension age at 31 July 2018	Accrued lump sum at pension age at 31 July 2018	Real increase in pension 1 August 2017 to 31 July 2018	Real increase in lump sum 1 August 2017 to 31 July 2018	CETV at 31 July 2018	CETV at 31 July 2017	Real increase in CETV
	£000	£000	£000	£000	£000	£000	£000
M Cook	2	0	2	0	2	26	24
P Wilson	19	57	1	2	434	432	- 17
J Mackenzie	6	0	2	0	91	63	28
V Lynch	19	25	19	25	290	0	290

Cash equivalent Transfer Value (CETV)

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

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

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

Perth College – for the year ended 31 July 2018

Accountability Report (continued)

- i. 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. accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

Real increase in CETV

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

Staff Numbers and Costs

	2018	2018	2018	2017
	Staff on Permanent Contracts	Other staff	Total	Total
Total staff costs (£000)	14,602	2,193	16,795	16,039
Average number of FTE	353	68	421	424

Based on headcount, the College employed 409 females and 269 males as at 31 July 2018.

Sickness Absence Rates

The following table provides the total sick days lost, average sick days per head and % working time lost as at the end of July 2017-18 with comparatives to the end July 2016-17.

	2017-18			2016-17		
	Total sick days	Average sick days per head	% working time lost	Total sick days	Average sick days per head	% working time lost
Total	6,824	14.58	6.23%	4,140	7.6	3.45%

Perth College – for the year ended 31 July 2018

Accountability Report (continued)

Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements Regulations 2017), the College provided 5 Union Representatives with a maximum of 4 hours per week Facility Time during the year ended 31 July 2018.

The College is currently undertaking work to capture, cost report on the uptake of Facility Time.

Statement of Corporate Governance and Internal Control

From 1 August 2014, Perth College was assigned to the University of the Highlands and Islands as its Regional Strategic Body and the provisions of the Post-16

Education (Scotland) Act 2013 commenced for the College. As an assigned college, the Board is accountable to the Regional Strategic Body.

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 main principles of the 2017 code of good governance for Scotland's Colleges. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

The College complies with all the principles of the 2016 Code of Good Governance for Scottish Colleges with the exception of A14 – the requirement to appoint a senior independent member, C19 the requirement for remuneration Committee Members to complete the online training module, C27 – the requirement for the Board to comply with the nationally agreed college sector Staff Governance Standard and D23 – the requirement for the Board to undertake an annual effectiveness review. The College is taking action to address these and expects to be fully compliant by 31 March 2019. The delay in undertaking an effectiveness review was due to the appointment of a new Chair during late summer 2018.

There have been no significant lapses of data security and no personal data related incidents reported to the Information Commissioner's Office during the period.

The College's ongoing commitment to good governance is noted.

The Board of Management

The members who served on the Board of Management during the year and up to the date of signing the accounts were as follows:

		Date of Appointment	Date of Resignation	Status of Appointment	Committees Served
Dr Margaret Cook	Principal and Chief Executive	1 August 2017		Principal and Chief Executive	Chair: Academic Affairs; Chairs'; Finance & General

Perth College – for the year ended 31 July 2018

					Purposes; Engagement; AST undertook the role of Chair until 30 September 2017
Dr Harold Gillespie	Retired	20 March 2013		Independent member	Academic Affairs; Finance & General Purposes
Ian Jackson	Director Scotland General Dental Council	15 December 2011	31 October 2017	Independent Member	Member of Audit Committee; Engagement
John McDonald	Executive Director Real Life Options	27 June 2012	16 October 2017	Independent Member	Chair: Engagement; Finance and General Purposes; Chairs'; Remuneration
David Littlejohn	Head of Tay Cities Deal	18 December 2013		Independent Member	Chair: Finance & General Purposes; Vice Chair: Engagement; Chairs'; Remuneration
Grant Myles	Business Change Consultant	18 December 2013 Appt to Chair 1 December 2014	17 August 2018	Independent Member	Finance and General Purposes; Capital Projects; Chairs'; Remuneration
Lindsey Farquharson (now McLeod)	Careers Consultant	1 August 2015	31 July 2018	Independent Member	Audit; Engagement
Prince Honeysett	HISA Perth President	1 July 2017		Student Member	Academic Affairs; Engagement
Nurina Sharmin	HISA Perth Vice President	1 July 2017	30 June 2018	Student member	Academic Affairs
Brian Crichton	Crichton Consulting	15 June 2016 Appt to Chair 20 August 2018		Independent Member	Audit; Chair from 12 September 2018 Academic Affairs; Remuneration; Chair's
Jim Crooks	Church Pastor	15 June 2016		Independent Member	Finance and General Purposes; Academic Affairs; AST
Sharon Hammel	Head of Strategic Change & Engagement NHS Scotland	15 June 2016		Independent Member	Engagement; AST
Anne Irvine	Retired Manager, Aberdeen City Council	15 June 2017		Independent Member	Audit; Engagement
Sharon McGuire	Sector Manager, Perth College	15 June 2017	13 June 2018	Teaching Staff Member	Academic Affairs; Capital Projects

Perth College – for the year ended 31 July 2018

Lorna Nicoll	Self Employed, Alba Accountancy Services	15 June 2017	22 February 2018	Independent Member	Audit
Charlie Shentall	Director, The Lodge, Perth Racecourse	15 June 2017		Independent Member	Engagement; AST Chair from 10 October 2018; Health and Safety Champion
Deborah Hutchison	Director, Merlin ERD; Marketing Consultant	1 November 2017		Independent Member	Finance and General Purposes Committee
Lynn Oswald	Team Leader, Finnace Support Team, Education & Childrens Services, Perth & Kinross Council	1 November 2017		Independent Member	Audit
Anna Zvarikova	Company Secretariat, SSE Plc, Utility and Energy	1 November 2017			Audit
Donald MacLean	FOI & Data Protection Officer, Perth College	22 March 2017	29 March 2018	Staff Member	Engagement; Academic Affairs
John Dare	Library Adviser/Subject Network Librarian, Perth College	14 June 2018		Staff Member	Engagement
Andrew Comrie	Director of Fair Access (Part-Time, Royal Conservatoire of Scotland	24 September 2018		Independent Member	Academic Affairs, Audit
Declan Gaughan	Lecturer, Perth College UHI	21 September 2018		Staff Member	Academic Affairs
Craig Ritchie	Hymans Robertson LLP, Pensions Consultancy	24 September 2018		Independent Member	AST, F&GPC

Maureen Masson served as Clerk to the Board during the year.

Perth College – for the year ended 31 July 2018

Accountability Report (continued)

It is the Board of Management's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Board of Management complies with the internal control guidance published by the Turnbull Committee and the good practice in the Guide for Board Members in the College Sector 2015 issued by Scotland's Colleges. The College also complies with the principles of the Code of Good Governance for Scotland's Colleges (Dec 2014 and updated in August 2017).

The Board of Management is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board of Management meets at least 4 times a year.

The Board conducts its business through a number of committees. Each committee has formally constituted terms of reference. These committees include: Finance and General Purposes Committee; Audit Committee; Academic Affairs Committee; Engagement Committee; Capital Projects Committee (disbanded after the completion of the Academy of Sport and Wellbeing); Chairs' Committee; and a Remuneration Committee. In addition, the Board of Management holds development planning days and training evenings during the course of the year for the purposes of training, self-evaluation and development. The Board is supported by an Independent Clerk.

Full minutes of all Board meetings, except those deemed to be confidential by the Board, are available on the College website or from the Clerk to the Board at:

Perth College
Crieff Road
Perth PH1 2NX

The Clerk to the Board maintains a register of financial and personal interests of the Board members. The Register is available for inspection at the above address or on the College website.

All Board members are able to take independent professional advice in furtherance of their duties at the College's expense and have access to an independent Clerk, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Board as a whole.

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

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

Perth College – for the year ended 31 July 2018

Accountability Report (continued)

management and free from any business or other relationship which could materially interfere with the exercise of independent judgment.

Board members are required to self-evaluate collectively as Board and as individually as Board members. The self-evaluation process includes consideration of the performance of the Chair and individual Committee Chairs and of the collective effectiveness of the Board of Management, and individual reflection on their adherence to the Nine Principles' of Public Life.

There is a clear division of responsibility in that the roles of the Chair and Principal are separate.

Appointments to the Board of Management

From 1 August 2014, the authority for appointments to the Board of Management of Perth College resides with the University of the Highlands and Islands and must be made in accordance with Ministerial Guidance on Board Appointments.

The Board of Management ensures that a process is in place to provide appropriate induction training to new Board of Management members and new Board members are expected to undertake induction training.

Members of the Board of Management are appointed for an initial term of office not exceeding 4 years and may be reappointed.

Remuneration Committee

The Remuneration Committee comprises of the Chair, the Vice Chair and the Chair of each of the Standing Committees. The committee is responsible for making recommendations to the Board on the remuneration and benefits of the Principal and the Clerk to the Board.

Details of the remuneration of senior post-holders for the year ended 31 July 2018 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises at least 4 non-executive members of the Board of Management (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Board of Management.

The Audit Committee meets 4 times a year and provides a forum for reporting by the College's external and internal auditor, who have access to the Committee for independent discussion, without the presence of College management.

Perth College – for the year ended 31 July 2018

Accountability Report (continued)

The Audit Committee advises the College on the appointment of the internal auditor and the auditor's remuneration. The Audit Committee establishes the College's risk tolerance and monitors risk.

The College's internal auditor monitors 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 internal audit undertakes periodic follow-up reviews to the Audit Committee to ensure such recommendations have been implemented.

The Audit Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Scottish Funding Council and Audit Scotland as they affect the College's business and monitors adherence to the regulatory requirements.

Finance and General Purposes Committee

The Finance Committee comprises 4 non-executive members of the Board of Management and includes the Principal. The Committee operates in accordance with written terms of reference approved by the Board of Management.

The Finance Committee meets at least 4 times a year and, among other matters, recommends to the Board of Management the College's annual revenue and capital budgets and monitors performance in relation to approved budgets. It monitors the College's financial and business perspectives. It approves all key financial decisions, approves the annual budget, considers the annual accounts and recommends for approval, oversees the system of financial control and delegated authority. It also considers any other matters relevant to the financial duties of the Board including estates strategy.

Corporate Strategy

The Board of Management is responsible for the overall strategic development of the College and is the guardian of its vision and values. Strategic development takes place at an annual Board of Management away day, with the College's Senior Management Team. This is supported by horizon scanning and futures work and has led to the development of strategic plans underpinned by operational plans. Progress against the agreed strategic priorities in the plan is monitored through a balanced scorecard approach by the appropriate Board committees on a regular basis.

Perth College – for the year ended 31 July 2018

Accountability Report (continued)

Risk Management and Internal Control

Scope of Responsibility

The Board of Management is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board of Management has delegated the day-to-day responsibility to the Principal, as Chief Executive Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets of Perth College including those derived from the Regional Strategic Body. The Principal is also responsible for reporting to the Board of Management any material weaknesses or breakdowns in internal control.

The 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 an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Perth College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

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 these risks. The Board of Management is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Board of Management.

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:

Perth College – for the year ended 31 July 2018

Accountability Report (continued)

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Management.
- Regular reviews by the Board of Management of periodic and annual financial reports which indicate financial performance against forecasts.
- Setting targets to measure financial and other performance.
- Clearly defined capital investment control guidelines.
- The adoption of formal project management disciplines, where appropriate.

Perth College appoints an Internal Audit service, which operates in accordance with the requirements of the Scottish Funding Council's mandatory requirements. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board of Management on the recommendation of the Audit Committee. The Internal Auditor provides the Board of Management with a report on internal audit activity within the College. These reports include the Internal Auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of Effectiveness

As Accountable Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditor.
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework.
- The comments made by the College's external auditor in their management letters and other reports.

The Board of Management has been advised on the implications of the review of the effectiveness of internal control by the Audit Committee, which oversees the work of the internal auditor.

The internal audit service concentrates on areas of key activities determined by a risk analysis and in accordance with the annual internal report plan amended and approved and by the Audit Committee. The internal auditor has direct access to the Chair of the Audit Committee and issues an annual report with an opinion of the adequacy, reliability and effectiveness of the College's internal control system.

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. The Senior Management Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements

Perth College – for the year ended 31 July 2018

Accountability Report (continued)

for internal control. The Audit Committee considers risk at each Committee meeting and receives a copy of the College Strategic Risk Register which is updated quarterly by the College Senior Management Team. The Board of Management receives reports thereon from the Audit Committee, the emphasis being on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Board of Management carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the

Senior Management Team and internal audit, and taking account of events since 31 July 2018.

Going Concern

The Board of Management confirms that they consider the College to be a going concern as described in the Code (section C.1.3) and that the financial statements have been prepared on this basis.

Approved by order of the members of the Board of Management on 12 December 2018 and signed on its behalf by:

Brian Crichton
Chair

Dr Margaret Cook
Principal and Chief
Executive

Perth College – for the year ended 31 July 2018

Accountability Report (continued)

Statement of Responsibilities of the Members of the Board of Management

The Board of Management are 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 ensuring that proper accounting records are maintained 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, the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the relevant Government Financial Reporting Model (FReM) and other relevant accounting standards.

In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Management, the Board, through its Chief Executive, the Principal, is required to prepare financial statements for each financial year 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 year.

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; and
- prepare financial statements on a 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, including those derived through the Regional Strategic Board, 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; and

Perth College – for the year ended 31 July 2018

Accountability Report (continued)

- 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, heads of academic and administrative areas;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management;
- Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Finance Committee; and
- 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 member of the Board of Management on 12 December 2018 and signed on its behalf by:

Brian Crichton
Chair

Independent auditor's report to the members of the Board of Management of Perth 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 Perth College and its group 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 Consolidated and College Statement of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheet, and the Consolidated Cash Flow 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 affairs of the college and its group as at 31 July 2018 and of the college's surplus and the group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the college and its

Independent auditor's report to the members of the Board of Management of Perth College, the Auditor General for Scotland and the Scottish Parliament (Continued)

group 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

Independent auditor's report to the members of the Board of Management of Perth College, the Auditor General for Scotland and the Scottish Parliament (Continued)

www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual report and accounts

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

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on other prescribed matters

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

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

Independent auditor's report to the members of the Board of Management of Perth College, the Auditor General for Scotland and the Scottish Parliament (Continued)

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

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

Matters on which we are required to report by exception

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

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

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

We have nothing to report in respect of these matters.

Stephen Reid, (for and on behalf of Ernst & Young LLP)
Ernst & Young LLP,
Atria One
144 Morrison Street,
Edinburgh,
EH3 8EB

Date:

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Perth College
Consolidated and College Statements of Comprehensive Income for the year ended
31 July 2018

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Group	College	Group	College
		£000	£000	£000	£000
Income					
Funding council grants	2	14,669	14,669	14,420	14,420
Tuition fees and education contracts	3	5,629	3,897	5,737	3,978
Other grants and contracts	4	125	125	154	154
Other income	5	3,602	3,832	11,173	11,175
Investment income	6	3	3	3	3
Total Income		24,028	22,525	31,487	29,730
Expenditure					
Staff costs	7	17,774	16,719	16,858	15,755
Other operating expenses	9	6,596	6,185	7,032	6,417
Depreciation	13	1,081	1,049	1,064	1,030
Interest and other finance costs	10	27	23	39	39
Total Expenditure		25,478	23,975	24,993	23,241
(Deficit)/Surplus before tax		(1,450)	(1,450)	6,494	6,489
Taxation	11	(1)	-	(4)	-
(Deficit)/Surplus for the year	12	(1,451)	(1,450)	6,490	6,489
Actuarial gain in respect of pension schemes	23	7,075	7,075	907	907
Total Comprehensive Income for the year		5,624	5,625	7,397	7,396

The income and expenditure account is in respect of continuing activities. There were no operations that were acquired or discontinued by Perth College during the year.

Perth College

Consolidated and College Statement of Changes in Reserves for the year ended 31 July 2018

	Income and expenditure reserve	Revaluation reserve	Total
Group	£000	£000	£000
Balance at 1st August 2016	(5,355)	14,586	9,231
(Deficit) from the income and expenditure account	6,490	-	6,490
Other comprehensive (expenditure)	907	-	907
Transfers between revaluation and income and expenditure reserves	279	(279)	-
	<u>7,676</u>	<u>(279)</u>	<u>7,397</u>
Balance at 31st July 2017	<u>2,321</u>	<u>14,307</u>	<u>16,628</u>
Surplus from the income and expenditure account	(1 450)	-	(1 450)
Impact of Revaluation		4,001	4,001
Other comprehensive (expenditure) / income	7,075	-	7,075
Transfers between revaluation and income and expenditure reserves	359	(359)	-
	<u>5,984</u>	<u>3,642</u>	<u>9,626</u>
Balance at 31 July 2018	<u>8,305</u>	<u>17,949</u>	<u>26,254</u>
College	£000	£000	£000
Balance at 1 August 2016	(5,355)	14,586	9,231
Surplus from the income and expenditure account	6,490	-	6,490
Impact of Revaluation		-	-
Other comprehensive income	907		907
Transfers between revaluation and income and expenditure reserves	279	(279)	-
	<u>7,676</u>	<u>(279)</u>	<u>7,397</u>
Balance at 31st July 2017	<u>2,321</u>	<u>14,307</u>	<u>16,628</u>
Deficit from the income and expenditure account	(1 450)	-	(1 450)
Other comprehensive (expenditure) / income	7,075	4,003	4,003
Transfers between revaluation and income and expenditure reserves	359	(359)	-
	<u>5,983</u>	<u>3,644</u>	<u>9,627</u>
Balance at 31 July 2018	<u>8,304</u>	<u>17,951</u>	<u>26,255</u>

Perth College
Consolidated and College Balance Sheets as at 31 July 2018

	Notes	Group 2018	College 2018	Group 2017	College 2017
		£000	£000	£000	£000
Non current assets					
Tangible fixed assets	13	36,533	36,375	33,611	33,421
Investments	14		20		20
		36,533	36,395	33,611	33,441
Current assets					
Stock		19	15	18	14
Trade and other receivables	15	1,194	971	1,172	884
Cash and cash equivalents	22	2,188	1,522	1,411	852
		3,401	2,507	2,601	1,751
Less: Creditors - amounts falling due within one year	17	(5,528)	(4,500)	(4,842)	(3,824)
Net current (liabilities)		(2,128)	(1,993)	(2,241)	(2,073)
Total assets less current liabilities		34,405	34,402	31,370	31,368
Creditors - amounts falling due after more than one year	18	(5,266)	(5,266)	(5,763)	(5,763)
Pension provision	20	(2,883)	(2,883)	(8,979)	(8,979)
Total net assets		26,254	26,254	16,628	16,626
Unrestricted Reserves					
Revaluation reserve		17,949	17,949	14,307	14,307
Designated reserve		500	500	500	500
Pension reserve	23	(2,883)	(2,883)	(8,979)	(8,979)
Income and expenditure reserve		10,688	10,688	10,800	10,800
Total unrestricted reserves		26,254	26,254	16,628	16,626

The financial statements on pages 31 to 58 were approved by the Board of Management on 12 December 2018 and were signed on its behalf by:

B Crichton - Chair

Dr M Cook - Principal and Chief Executive

Perth College

Consolidated Statement of Cash Flows for the year ended 31 July 2018

	Notes	Year ended 31 July 2018	Year ended 31 July 2017
		£000	£000
Cash flow from operating activities			
(Deficit) / Surplus for the year		(1 451)	6,490
Adjustment for non-cash items			
Depreciation	13	1,081	1,064
Deferred capital grants released to income		(197)	(7,502)
(Increase) in stocks		(1)	(3)
(Increase)/Decrease in debtors		(22)	704
Increase/(Decrease) in creditors		787	(1,203)
(Decrease) in provisions		-	-
Pension costs less contribution payable		979	817
Taxation		1	4
Adjustment for investing or financing activities			
Interest receivable	6	(3)	(3)
Interest payable	10	27	41
Net cash flow from operating activities		<u>1,201</u>	<u>409</u>
Cash flows from investing activities			
Deferred capital grant		-	755
Payments made to acquire fixed assets		-	(1,897)
		<u>-</u>	<u>(1 142)</u>
Cash flows from financing activities			
Interest received		3	3
Interest paid		(27)	(41)
Repayments of amounts borrowed		(400)	(400)
		<u>(424)</u>	<u>(438)</u>
Increase/(Decrease) in cash and cash equivalents in the year	22	<u>777</u>	<u>(1 171)</u>
Cash and cash equivalents at beginning of the year		1,411	2,582
Cash and cash equivalents at end of the year		2,188	1,411

Notes to the Accounts for the year ended 31 July 2018

1. Statement of Accounting Policies and estimation techniques

Basis of preparation

The financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the Accounts Directions issued thereunder by the Scottish Funding Council, which requires compliance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), and the relevant Government Financial Reporting Model (FReM).

The statements have also been prepared in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS102).

The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Basis of accounting

The financial statements have been prepared under the historic cost convention.

Basis of consolidation

The consolidated accounts include the financial statements of the College and its subsidiary undertaking made up to 31 July 2018. Intra group sales and profits are eliminated fully on consolidation.

Non-current assets - Tangible fixed assets

Land and buildings

Land and buildings inherited from Tayside Regional Council are stated in the balance sheet at a value based on the depreciated replacement cost basis. Land and Buildings acquired since incorporation are included in the balance sheet at cost less accumulated depreciation and accumulated impairment losses. Revaluations will be carried out in accordance with the applicable FReM. Feuhold land associated with the buildings and undeveloped feuhold land is not depreciated. Buildings are depreciated over their economic life on a straight line basis to the College of between 20 to 50 years.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. Government grants are credited to a deferred capital grant account and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Non-government grants are released to income when performance related conditions have been met. The deferred income is allocated between creditors due within one year and those due after more than one year.

Notes to the Accounts for the year ended 31 July 2018

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

Equipment

Equipment purchased as part of a capital building project is capitalised and depreciated over its useful economic life. Individual items of equipment purchased with values greater than £1,000 are capitalised at cost if deemed to have a minimum economic useful life of 3 years and not regarded as a repair to existing assets. Capitalised equipment is depreciated on a straight line basis over its useful economic life as follows:

Motor vehicles and general equipment	10%, 25% and 33% per year
Computer equipment	20% and 25% per year

Where equipment is acquired with the aid of specific government grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the Statement of Comprehensive Income over the expected useful economic life of the related equipment.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

Rental costs in respect of operating leases are charged to expenditure at the cost incurred during the year. Leasing arrangements which 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 elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements.

Notes to the Accounts for the year ended 31 July 2018

The capital element is applied to reduce the outstanding obligations and the interest element is charged to the Statement of Comprehensive Income 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 held under hire purchase contracts, which have the characteristics of finance leases, are depreciated over their useful economic lives.

Investments

Fixed asset investments are carried at historical cost less any provision for a permanent diminution in their value.

Recognition of Income

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Income from tuition fees is recognised in the period for which it is received. Income from donations is included to the extent of the relevant expenditure incurred during the year. Recurrent grants from the SFC are recognised in the period to which they relate.

Capital grants from SFC or other government bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets, under the accrual method as permitted by FRS102.

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

Accounting for post-employment benefits

The College participates in 2 multi-employer defined benefit pension schemes.

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA). Perth College is unable to identify its share of the underlying assets and liabilities of the STSS on a consistent and reasonable basis and therefore, as permitted by FRS102, applies multi-employer exemption and accounts for its participation in the STSS as if it were a defined contribution scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations and are recognised in the accounting periods in which they arise.

Administrative and support staff may join the Local Government Pension Scheme (LGPS) which is administered by Dundee City Council. The fund is a defined benefit scheme, providing benefits based on a career average revalued earnings (CARE) basis, which is contracted out of the State Earnings-Related Pension Fund.

Notes to the Accounts for the year ended 31 July 2018

The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. Qualified actuarial valuations are obtained annually and are updated at each balance sheet date.

The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other comprehensive income.

Short term employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Stocks

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

Cash and Cash Equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial Liabilities and Equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Notes to the Accounts for the year ended 31 July 2018

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded at the exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the year.

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary company, Air Service Training (Engineering) Limited is subject to corporation tax and VAT in the same way as any other commercial organisation. Tax relief is available on Air Service Training (Engineering) Limited's profits that are gift aided to the College.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the Accounts for the year ended 31 July 2018

Provisions

Provisions are recognised when the institution 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. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

Revaluation reserve

Surpluses arising on the revaluation of the College's properties are transferred to the revaluation reserve. Additional depreciation charged on the revalued amount of these assets is transferred from revaluation reserve to the Income and Expenditure reserve together with any surplus or deficit on disposal.

Agency arrangements

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the Statement of Comprehensive Income, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, and these funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College Statement of Comprehensive Income.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets

Tangible fixed assets, other than investment properties, 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. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Notes to the Accounts for the year ended 31 July 2018

- 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 27, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- Post Balance Sheet Events

As a result of a High Court decision on 26 October 2018, pension schemes which have members with Guaranteed Minimum Pensions (GMPs) must take action to address inequalities in those GMPs if they were contracted-out of the State scheme between 1978 and 1997. The University / College considers it is likely that this ruling will impact the defined benefit scheme in which it is a participating employer and may result in the recognition of additional liabilities. As a consequence of this ruling, trustees of pension schemes will need to consider the integrity of their pension scheme data, the adjustments to benefits that may be necessary and any implications for scheme liabilities and funding. The High Court ruling on 26 October 2018 creates an obligation on that date for the Trustees to amend the scheme rules to reflect the consequences of the ruling. Therefore this is considered to be a non-adjusting event after the reporting period. The calculation of any additional liabilities will be a complex and lengthy process and as such the financial effect of any adjustment that may arise cannot be estimated at this stage. Any adjustment will be reflected in the financial statements for the year ended 31 July 2019.

Perth College
Notes to the Accounts for the year ended 31 July 2018

2 Funding Council grants

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
SFC FE recurrent grant (including fee waiver)	7,073	6,867
University of the Highlands and Islands recurrent grant	6,129	6,069
FE Childcare funds (note 30)	489	458
Release of government capital grants	197	197
Other SFC grants	427	203
Other University of the Highlands and Islands grants	354	626
	<u>14,669</u>	<u>14,420</u>

3 Tuition fees and education contracts

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
UK Higher Education students	3,185	3,132
UK Further Education students	487	466
	<u>3,672</u>	<u>3,598</u>
Management of Skills Development Scotland contract	225	380
Tuition fees of subsidiary	1,732	1,759
	<u>5,629</u>	<u>5,737</u>

4 Other grants and contracts

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Research grants	125	154
	<u>125</u>	<u>154</u>

Perth College
Notes to the Accounts for the year ended 31 July 2018

5 Other income

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Residences and catering	1,081	1,091
Other income generating activities	1,596	1,849
Releases from deferred capital grants (non Funding Council)	-	7,305
Other income	925	928
	<u>3,602</u>	<u>11,173</u>

6 Investment income

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Interest receivable	3	3
	<u>3</u>	<u>3</u>

7 Staff costs

	Year ended 31 July 2018	Year ended 31 July 2017
--	----------------------------	----------------------------

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

	Number	Number
Teaching departments - teaching staff	188	191
Teaching departments - other staff	61	63
Teaching support services	43	43
Administration and central services	46	45
Premises	42	40
Subsidiary (AST) staff	27	29
Other	14	13
	<u>421</u>	<u>424</u>

Analysed as:

Staff on indefinite contracts	353	356
Staff on temporary contracts	68	68
	<u>421</u>	<u>424</u>

Perth College

Notes to the Accounts for the year ended 31 July 2018

7 Staff costs (continued)

Staff costs for these persons:

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Wages and salaries	13,548	12,816
Social security costs	1,243	1,216
Other pension costs	2,983	2,826
	<u>17,774</u>	<u>16,858</u>
Teaching departments - teaching staff	8,957	8,604
Teaching departments - other staff	1,452	1,223
Teaching departments - AST staff	611	976
Teaching support services	1,387	1,398
Administration and central services	2,392	2,123
Premises	1,137	949
Other income generating activities	859	768
Charge in relation to defined benefit pension	979	817
	<u>17,774</u>	<u>16,858</u>
Analysed as:		
Staff on indefinite contracts	14,602	13,662
Staff on temporary contracts	2,193	2,379
Charge in relation to defined benefit pension	979	817
	<u>17,774</u>	<u>16,858</u>

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

	Year ended 31 July 2018		Year ended 31 July 2017	
	Number Senior post- holders	Number Other Staff	Number Senior post- holders	Number Other Staff
£60,001 to £70,000	-		-	2
£70,001 to £80,000	-	4	-	2
£80,001 to £90,000		-	3	-
£90,001 to £100,000	1			
£110,001 to £120,000	-	-	-	-
£120,000 to £130,000	1	-	-	-
£130,001 to £140,000		-	1	-
	<u>2</u>	<u>4</u>	<u>4</u>	<u>4</u>

Perth College
Notes to the Accounts for the year ended 31 July 2018

8 Senior post-holders' emoluments

	Number 2018	Number 2017
The number of senior post-holders including the Principal was:	4	4
Senior post-holders' emoluments are made up as follows:	£000	£000
Salaries	224	353
Pension contributions	38	59
	<u>262</u>	<u>412</u>

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of:

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Salary	<u>105</u>	<u>113</u>
	<u>105</u>	<u>113</u>
Pension contributions	<u>18</u>	<u>19</u>

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Scottish Teachers Superannuation Scheme or Tayside Superannuation Scheme and are paid at the same rate as for other employees.

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

No pay award was paid during the year to senior post holders, including the Principal and other senior management staff. No bonuses were paid or payable to senior post holders for 2017/18.

Perth College
Notes to the Accounts for the year ended 31 July 2018

9 Other operating expenses

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Teaching departments	898	1,067
Teaching support services	467	597
Administration and central services	1,456	1,410
Premises costs	1,808	1,926
Other income generating activities	413	572
Catering and residence operations	1,065	1,002
Other expenses - Childcare Grant	489	458
	<u>6,596</u>	<u>7,032</u>

Other operating expenses include:

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Auditors' remuneration:		
external audit	17	15
internal audit	13	11
other services from external audit	2	5
other services from internal audit	-	4
Hire of plant and machinery - operating leases	95	95
Hire of other assets - operating leases	<u>164</u>	<u>167</u>

10 Interest payable

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	<u>27</u>	<u>41</u>

11 Taxation

The College is not liable for any corporation tax arising out of its activities during the year (2017 - £nil). There is a taxation debit arising in its subsidiary of £1k (2017 - £17k debit) , in relation to taxation.

12 (Deficit)/Surplus on continuing operations for the year

The (Deficit)/Surplus on continuing operations for the year is made up as follows:

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
College's (Deficit)/Surplus for the year	(1,657)	1
(Deficit)/Surplus generated by subsidiary undertaking	206	1
	<u>(1,451)</u>	<u>2</u>

Perth College
Notes to the Accounts for the year ended 31 July 2018

13 Tangible Fixed Assets (Group)

	Freehold Land and Buildings £000	Equipment £000	Total £000
Cost or Valuation			
At 1 August 2017	35,580	5,030	40,610
Additions	1,627	-	1,627
At 31 July 2018	<u>37,207</u>	<u>5,030</u>	<u>42,237</u>
Depreciation			
At 1 August 2017	2,387	4,612	6,999
Charge for year	(1 385)	90	(1 295)
At 31 July 2018	<u>1,002</u>	<u>4,702</u>	<u>5,704</u>
Net book value At 31 July 2018	<u><u>36,205</u></u>	<u><u>328</u></u>	<u><u>36,533</u></u>
Net book value At 1 August 2017	<u><u>33,193</u></u>	<u><u>418</u></u>	<u><u>33,611</u></u>
Inherited	5,749	-	5,749
Financed by capital grant	5,160	107	5,266
Other	25,296	252	25,549
Net book value At 31 July 2018	<u><u>36,205</u></u>	<u><u>359</u></u>	<u><u>36,564</u></u>

A full revaluation of Perth College Group land and buildings was completed during 2017/18. This was completed by J & E Shepherd Chartered Surveyors, an independent valuer with a recognised and relevant professional qualification and recent experience in the valuation of the category of building being valued.

The valuation was conducted on the Depreciated Replacement Cost basis in accordance with the Appraisal & Valuation manual of the Royal Institution of the Chartered Surveyors.

Perth College
Notes to the Accounts for the year ended 31 July 2018

13 Tangible Fixed Assets (College only)

	Freehold Land and Buildings £000	Equipment £000	Total £000
Cost or Valuation			
At 1 August 2017	35,580	4,408	39,988
Additions	1,627	-	1,627
At 31 July 2018	<u>37,207</u>	<u>4,408</u>	<u>41,615</u>
Depreciation			
At 1 August 2017	2,387	4,180	6,566
Charge for year	(1 385)	59	(1 326)
At 31 July 2018	<u>1,002</u>	<u>4,238</u>	<u>5,240</u>
Net book value At 31 July 2018	<u>36,205</u>	<u>170</u>	<u>36,375</u>
Net book value At 1 August 2017	<u>33,193</u>	<u>228</u>	<u>33,421</u>
Inherited	5,749	-	5,749
Financed by capital grant	5,160	107	5,266
Other	25,296	63	25,359
Net book value At 31 July 2018	<u>36,205</u>	<u>170</u>	<u>36,375</u>

Land and buildings were revalued during the year and depreciated replacement cost by J & E Shepherd (Chartered Surveyors). Other tangible fixed assets inherited from the Local authority at incorporation have not been valued.

Inherited Land and buildings with a net book value of £5.7M have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council to surrender the proceeds.

Perth College
Notes to the Accounts for the year ended 31 July 2018

13 Tangible Fixed Assets (College only) (continued)

If inherited land and buildings had not been valued they would have been included at the following amounts:

	£000
Cost	-
Aggregate depreciation based on cost	-
Net book value based on cost	<u>-</u>

14 Investments

	College Year ended 31 July 2018 £000	College Year ended 31 July 2017 £000
Investments in subsidiary company	<u>20</u>	<u>20</u>

The college owns 100% of the issued ordinary £1 shares of Air Service Training (Engineering) Limited, a company incorporated in Great Britain and registered in Scotland.

The principal business activity of Air Service Training (Engineering) Limited is the provision of training and education in the field of aeronautical engineering.

In the year to 31st July 2018, the Company made an operating profit before tax of £206k and had a net asset position of £23k at that date.

15 Debtors

	Group Year ended 31 July 2018 £000	College Year ended 31 July 2018 £000	Group Year ended 31 July 2017 £000	College Year ended 31 July 2017 £000
Amounts falling due within one year				
Trade Debtors	738	340	506	249
Amounts owed by group undertakings:				
Subsidiary undertaking	-	234	-	20
Prepayments and accrued income	455	397	666	615
	<u>1,194</u>	<u>971</u>	<u>1,172</u>	<u>884</u>

Perth College
Notes to the Accounts for the year ended 31 July 2018

16 Deferred taxation	Group Year ended 31 July 2018 £000	College Year ended 31 July 2018 £000	Group Year ended 31 July 2017 £000	College Year ended 31 July 2017 £000
-----------------------------	---	---	---	---

The deferred tax included in the Balance Sheet is as follows:

Included in debtors/creditors (Note 15/17)	4	-	-	-
--	---	---	---	---

The movement in the deferred taxation account during the year was:

At 1 August 2016	-	-	-	-
Profit and loss account movement arising during the year	4	-	-	-
At 31 July 2017	4	-	-	-

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

Other timing differences	-	-	-	-
--------------------------	---	---	---	---

17 Creditors - amounts falling due within one year

	Group Year ended 31 July 2018 £000	College Year ended 31 July 2018 £000	Group Year ended 31 July 2017 £000	College Year ended 31 July 2017 £000
Bank loans and overdrafts	300	300	400	400
Trade creditors	511	459	458	411
Amounts owed to group undertakings:				
Other creditors	208	179	169	154
Other taxation and social security	326	299	339	310
Accruals and deferred income	3,694	2,772	3,000	2,073
Deferred income - capital grants	197	197	197	197
Unspent student support funds	293	293	279	279
	<u>5,528</u>	<u>4,500</u>	<u>4,842</u>	<u>3,824</u>

18 Creditors - amounts falling due after more than one year

	Group Year ended 31 July 2018 £000	College Year ended 31 July 2018 £000	Group Year ended 31 July 2017 £000	College Year ended 31 July 2017 £000
Bank of Scotland term loan	-	-	300	300
Deferred income - capital grants	5,266	5,266	5,463	5,463
	<u>5,266</u>	<u>5,266</u>	<u>5,763</u>	<u>5,763</u>

19 Borrowings

	Group Year ended 31 July 2018 £000	College Year ended 31 July 2018 £000	Group Year ended 31 July 2017 £000	College Year ended 31 July 2017 £000
--	---	---	---	---

Repayable loans

The Repayable loans are repayable as follows:

In one year or less	300	300	400	400
Between one and two years	-	-	300	300
Between two and five years	-	-	-	-
	<u>300</u>	<u>300</u>	<u>700</u>	<u>700</u>

The term loan taken out with the Bank of Scotland is secured over the property known within the Standard Security as the Student Accommodation, Perth College, Brahan Campus, Crieff Road, Perth. The loan is repayable over 5 years and carries an interest rate of 4.38% p.a.

Perth College
Notes to the Accounts for the year ended 31 July 2018

20 Pension Provisions

	Group and College	
	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
At 1 August	8,979	9,069
Movement	<u>(6,096)</u>	<u>(90)</u>
At 31 July	<u><u>2,883</u></u>	<u><u>8,979</u></u>

The provision is solely in relation to defined benefit obligations relating to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in note 23.

21 Deferred capital grants included within creditors

	Government £000	Non Government £000	Total £000
Balance at 1 August			
Land and buildings	686	4,852	5,538
Equipment	37	85	122
Cash received			
Land and buildings	-	-	-
Released to income and expenditure account			
Land and buildings	(182)	0	(182)
Equipment	(15)	-	(15)
At 31 July			
Land and buildings	<u>504</u>	<u>4,852</u>	<u>5,356</u>
Equipment	<u>22</u>	<u>85</u>	<u>107</u>
	<u><u>526</u></u>	<u><u>4,937</u></u>	<u><u>5,463</u></u>

22 Cash and cash equivalents

	At 1 August 2017 £000	Cash flows £000	At 31 July 2018 £000
Group Cash and cash equivalents	1,411	777	2,188
College Cash and cash equivalents	852	669	1,522

Perth College
Notes to the Accounts for the year ended 31 July 2018

23 Defined benefit obligations

The College's employees belong to two principal post-employment benefit schemes: the Scottish Teachers' Superannuation Scheme (STSS) and Tayside Superannuation Scheme, the Local Government Pension Scheme (LGPS), which is managed by Dundee City Council. Both are multi-employer defined-benefit schemes.

Total pension cost for the year	2018	2017
	£000	£000
Scottish Teachers' Superannuation Scheme: contributions paid	1,118	1,068
Local Government Pension Scheme:		
Contributions paid	920	871
FRS102 (28) charge	<u>979</u>	<u>817</u>
Charge to the Statement of Comprehensive Income	1,899	1,688
Total pension cost for year within staff costs	<u><u>3,017</u></u>	<u><u>2,756</u></u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal valuation of the STSS was 31 March 2012 and of the LGPS 31 March 2014.

Scottish Teachers' Superannuation Scheme

The STSS is an unfunded multi-employer defined benefit scheme. It is accepted that the treatment can be as a defined contribution scheme as the STSS is unable to identify its share of the underlying assets and liabilities of the scheme. As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the schemes actuaries at a level to meet the costs of the pensions as they accrue.

Under the definitions set out in FRS102 (28.11), the STSS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS102 and has accounted for its contributions as if it were a defined contribution scheme.

The current contribution paid by Perth College for the year was 17.2%.

Local Government Pension Scheme (Tayside Superannuation Fund)

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contributions made for the year ended 31 July 2018 were £1,217k, of which employer's contributions totalled £920k and employee's contributions totalled £297k. The agreed contribution rates for future years are 17% for employers and range from 5.5% to 11.2% for employees, depending on salary.

In previous years the College claimed multi-employer exemption in relation to its participation in the Tayside Superannuation Fund and as such did not apply the provisions of the previous reporting standard FRS17 (Retirement Benefits). On transition to FRS102 the College has fully applied the accounting provisions in relation to defined benefit plan pension costs. This is consistent with other employers within the fund and reflects actuarial advice that scheme assets can be tracked in a consistent and reasonable basis.

Perth College
Notes to the Accounts for the year ended 31 July 2018

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2014 updated to 31 July 2018 by a qualified independent actuary.

	At 31 July 2018	At 31 July 2017
Discount rate	2.65%	2.7%
Pension increases	2.35%	2.7%
Salary increases	3.35%	3.7%
Inflation assumption (CPI)	2.35%	2.7%
Commutation of pensions to lump sums	50%	50%

The assumed life expectations from age 65 are:

	At 31 July 2018	At 31 July 2017
	years	years
<i>Retiring today</i>		
Males	20.3	21.5
Females	22.3	23.5
<i>Retiring in 20 years</i>		
Males	22.1	23.7
Females	24.1	25.8

The College's estimated share of assets in the scheme at the balance sheet date were:

	Fair value as at	
	31 July 2018	31 July 2017
	£000	£000
Equities	20,653	17,944
Gilts	1,576	1,688
Other bonds	3,200	2,680
Property	3,494	2,549
Cash	475	316
Alternatives	7	-
Total fair value of scheme assets	<u>29,405</u>	<u>25,177</u>

The return on the Fund for the year to 31 July 2019 is estimated to be 11%

Actual return on scheme assets	<u>2,897</u>	<u>3,337</u>
---------------------------------------	--------------	--------------

Perth College
Notes to the Accounts for the year ended 31 July 2018

The amount included in the balance sheet in respect of the defined benefit pension scheme is as follows:

	2018	2017
	£000	£000
Fair value of scheme assets	29,405	25,177
Present value of scheme liabilities	(31,046)	(32,720)
Present value of unfunded liabilities	(1,242)	(1,436)
Net pensions (liability) (Note 20)	<u>(2,883)</u>	<u>(8,979)</u>

Amounts recognised in the Statement of Comprehensive Income in respect of the scheme are as follows:

	2018	2017
	£000	£000
Amounts included in staff costs		
Current service cost	1,657	1,452
Finance charges	230	225
Admin expenses	12	11
Total	<u>1,899</u>	<u>1,688</u>

Amounts included in investment income

Net interest income	-	-
	<u>-</u>	<u>-</u>

Amount recognised in Other Comprehensive Income

Return on scheme assets in excess of interest	2,209	2,775
Change in financial assumptions	2,070	(1,831)
Experience (loss)/gain on defined benefit obligation	333	(37)
Other Actuarial Gains/Losses	749	
Change in Demographic Assumptions	1,714	
Amount recognised in Other Comprehensive Income	<u>7,075</u>	<u>907</u>

Movement in net defined benefit (liability) during the year

	2018	2017
	£000	£000
Net defined benefit (liability) in scheme at 1 August	(8,979)	(9,069)
Movement in year:		
Current service cost	(1,657)	(1,452)
Employer contributions	920	871
Net interest on the defined (liability)	(230)	(225)
Administration expenses	(12)	(11)
Actuarial gain or loss	7,075	907
Net defined benefit (liability) at 31 July	<u>(2,883)</u>	<u>(8,979)</u>

Perth College
Notes to the Accounts for the year ended 31 July 2018

Asset and liability reconciliation

	2018	2017
	£000	£000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	34,156	30,478
Current service cost	1,657	1,452
Interest cost	918	787
Change in financial assumptions	(2,070)	1,831
Change in demographic assumptions	(1,714)	
Experience loss on defined benefit obligations	(333)	37
Estimated benefits paid net of transfers in	(513)	(597)
Contributions by Scheme participants and other employers	297	276
Unfunded pension payments	(110)	(108)
Defined benefit obligations at end of period	<u>32,288</u>	<u>34,156</u>

	2018	2017
	£000	£000
Changes in fair value of Fund assets		
Fair value of Fund assets at start of period	25,177	21,409
Interest on assets	688	562
Return on assets less interest	2,209	2,775
Other Actuarial Gains/Losses	749	
Administration expenses	(12)	(11)
Contributions by employer including unfunded	920	871
Contributions by Scheme participants and other employers	297	276
Estimated benefits paid plus unfunded net of transfers in	(623)	(705)
Fair value of Fund assets at end of period	<u>29,405</u>	<u>25,177</u>

Perth College
Notes to the Accounts for the year ended 31 July 2018

24 Post balance sheet events

There are no post balance sheet events to report.

As a result of a High Court decision on 26 October 2018, pension schemes which have members with Guaranteed Minimum Pensions (GMPs) must take action to address inequalities in those GMPs if they were contracted-out of the State scheme between 1978 and 1997. The University / College considers it is likely that this ruling will impact the defined benefit scheme in which it is a participating employer and may result in the recognition of additional liabilities. As a consequence of this ruling, trustees of pension schemes will need to consider the integrity of their pension scheme data, the adjustments to benefits that may be necessary and any implications for scheme liabilities and funding. The High Court ruling on 26 October 2018 creates an obligation on that date for the Trustees to amend the scheme rules to reflect the consequences of the ruling. Therefore this is considered to be a non-adjusting event after the period. The calculation of any additional liabilities will be a complex and lengthy process and as such the financial effect of any adjustment that may arise cannot be estimated at this stage. Any adjustment will be reflected in the financial statements for the year ended 31 July 2019.

25 Capital commitments

	Group and College	
	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Commitments contracted for at 31 July	<u>-</u>	<u>-</u>
Authorised but not contracted for at 31 July	<u>-</u>	<u>-</u>

26 Lease obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	Group Year ended 31 July 2018 £000	College Year ended 31 July 2018 £000	Group Year ended 31 July 2017 £000	College Year ended 31 July 2017 £000
Future minimum lease payments due				
Land and Buildings				
Expiring within one year	138	30	138	30
Expiring within two and five years inclusive	-	-	138	30
Other				
Expiring within one year	76	76	25	25
Expiring within two and five years inclusive	-	-	76	76
Total	<u>214</u>	<u>106</u>	<u>377</u>	<u>161</u>

27 Contingent liability

The College and Air Service Training (Engineering) Limited has executed a Corporate Guarantee under which each Borrower guarantees the payment of all Indebtedness now or in the future owing by each Borrower to Bank of Scotland.

Perth College
Notes to the Accounts for the year ended 31 July 2018

28 Related party transactions

Due to the nature of the College's operations and the composition of the Board of Management (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Management may have an interest. All transactions involving organisation in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. Transactions during the year with non-public bodies in which a member of the Board of Management may have a material interest and which in aggregate exceeded £5,000 are noted below:

Company	Member(s)	Contract	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
None to disclose				

*The Perth College Development Trust 2004 was established to provide financial and other assistance for Perth College and its students. There are therefore transactions between the two entities. Perth College nominates Trustees to the board of the Trust and administers the Trust on a day to day basis.

29 Bursaries and other student support funds

					Year ended 31-Jul-18	Year ended 31-Jul-17
	Bursary £000	FE H'ship £000	EMAs £000	Other £000	Total £000	Total £000
Balance brought forward	160	38	-	6	204	120
Allocation received in year	2,100	81	137	112	2,430	2,485
Expenditure	(2,100)	(81)	(137)	(112)	(2,430)	(2,254)
Repaid to SFC/UHI (Clawback)	-	-	-	-	-	(91)
Virements	-	-	-	-	-	(56)
Balance carried forward	<u>160</u>	<u>38</u>	<u>(0)</u>	<u>6</u>	<u>204</u>	<u>204</u>
Represented by:						
Repayable to SFC/UHI as clawback	160	20	-	6		
Retained by College for students	-	18	-	-		

Bursary funds, Higher Education Hardship, Further Education Hardship and Education Maintenance Allowances (EMAs) are available solely for students; the college acts only as a paying agent. The income and related disbursements are therefore excluded from the Income and Expenditure Account.

30 Childcare funds

		Year ended 31-Jul-18	Year ended 31-Jul-17
		Total	Total
		£000	£000
Balance brought forward		63	35
Allocation received in year		489	429
Expenditure		(489)	(457)
Repaid to SFC (Clawback)		-	-
Virements			56
Balance carried forward		<u>63</u>	<u>63</u>
Represented by:			
Repayable to SFC as clawback		28	28
Retained by College for students		35	35

The income and related disbursements are included in the Income and Expenditure Account.

Perth College

Appendix 1

2017-18 Accounts direction for Scotland's colleges

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

Scottish Funding Council
13 July 2018