

Argyll College UHI Limited
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 July 2018

Registered Number SC172157

Scottish Charity Number SC026685

Argyll College UHI Limited
(A company limited by guarantee)

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Legal and Administrative Information

Charity Name:	Argyll College UHI Ltd	
Registered Office and Operational Address:	West Bay Dunoon PA23 7HP	
Charity Registration Number:	SC026685	
Company Registration Number:	SC172157	
Trustees:	Andrew Campbell	(Chair)
	Martin Jones	(Principal, appointed 05/11/18)
	Fraser Durie	(Principal, resigned 20/10/18)
	John Colston	(Vice Chair)
	Kenneth John Jones	
	Lesley McInnes	
	Amber Crowley	
	Stella Leitch	
	Scott Matheson	(Appointed 08/12/17)
	Gillian McCready	
	Shannen Docherty	(Resigned 16/06/18)
	James Findlay	(Appointed 24/11/17)
	Tony Dalgaty	(Appointed 08/12/17)
	Jennifer Swanson	(Appointed 08/12/17)
	Laura Hogg	(Appointed 1/11/18)
Secretary	Fraser Durie	(Resigned 20/10/18)
	Ailsa Close	(Appointed 21/10/18)
Senior Management Team	Martin Jones	College Principal
	Elaine Munro	College Depute Principal
	Ailsa Close	Finance Director
External Auditors	Henderson Loggie Chartered Accountants The Vision Building 20 Greenmarket Dundee DD1 4QB	
Internal Auditors	TIAA 53-55 Gosport Business Centre Aerodrome Road Gosport PO13 0FQ	
Bankers	Bank of Scotland 78 Argyll Street Dunoon PA23 7NH	
Solicitors	Burness Paull LLP 120 Bothwell Street Glasgow G2 7JL	

Argyll College UHI Limited (A company limited by guarantee)

Report of the Trustees' and Strategic Report for the Year Ended 31 July 2018

The trustees present their annual report with the financial statements of the company for the year ended 31 July 2018.

Reference and Administrative Details

The charity information set out on page 1 forms part of this report. The financial statements comply with current statutory requirements, the Memorandum and Articles of Association of the company and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102) published on 16 July 2014.

Structure, Governance and Management

Constitution and Objects

The organisation is a charitable company limited by guarantee, incorporated on 7 February 1997 and registered as a Scottish charity on 20 May 1997. The company was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association. In the event of the company being wound up, members are required to contribute an amount not exceeding £1.

Recruitment and Appointment of Trustees

Members of the Board of trustees, who are directors for the purpose of company law and trustees for the purpose of charity law, and who served during the year are set out on page 1. The only trustees who are employees of the charity are the College Principal Martin Jones and the elected staff representative Amber Crowley.

New trustees are appointed by existing trustees. The charity has placed open advertisements in the local newspapers in Argyll and the Islands from time to time. Some trustees have been directly appointed as a result and others following nomination. The last open advertisements were placed on our website in September 2017 and three trustees were appointed to the Board in November 2017. A student representative is also appointed to the Board, this trustee is voted for by Argyll College UHI students. Various factors are used to select new trustees including background, skills, abilities, interest in further and higher education, previous Board or senior management responsibilities etc. Some account is also taken of geographical location so that there is a broad geographical spread to the trustees from the various scattered communities of Argyll and the Islands.

Key Management Personnel Remuneration

The trustees consider the senior management team personnel of the charity, in charge of directing and controlling the charity on a day to day basis. All trustees give their time freely and no remuneration was paid in the year. Reasonable travel expenses were reimbursed to trustees during the year totalling £943 (2017 - £915).

Trustees are required to disclose all relevant interests and register them with the Chair in accordance with the charity's policy and withdraw from decisions where conflicts of interest arise.

The pay of the senior management team is reviewed annually in line with other support staff. A pay increase of £425 per full-time equivalent (FTE) was awarded to all support staff for 2017/18. A further 2% from 1 April 2018 was awarded to the senior management team members in line with national bargaining agreements.

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Report of the Trustees' and Strategic Report for the Year Ended 31 July 2018 (continued)

Trustee Induction and Training

New trustees are provided with induction and training by other trustees, usually the Chair of the trustees and the Principal of the College. This covers background to the College, current issues, trustee responsibilities, College governance and management etc. Trustees are encouraged to take part in the various forms of training for college Board members offered by the College Development Network which tends to be specific to the further education sector. The Board Secretary, while not a trustee, attends various forms of training in charity administration and, where appropriate, advises the trustees.

Organisational Structure

The full Board generally meets four times per year. The Depute Principal, Finance Director and the Board Secretary normally attend all Board meetings.

The Board has an Audit Committee comprising five trustees, a Finance and General Purposes (F & GP) Committee comprising five trustees, a Learning, Teaching and Engagement (L, T & E) Committee comprising five trustees, a nominations committee comprising three trustees, and a Human Resources & Remuneration (HR & R) Committee comprising four trustees. The Audit, F & GP and L, T & E committees have four scheduled meetings a year, and report to the Board. The other committees are held as and when necessary, and report to the Board.

The College has a Senior Management Team which was set up in late 2017 following a restructure in 2016/17. It was been agreed that this will meet six times per year and will be attended by the Principal, Depute Principal, Finance Director, two Heads of Curriculum, Head of Registry & Support, Head of Property and Head of Communications of the College.

At an operational level, the management style is consultative whenever possible so that decisions are taken with as many views as possible taken into account. This sometimes slows the decision making process but the benefit is that for many decisions there is a commitment to them by most staff.

Risk Management

The College has a risk register which is maintained by the College Principal and updated quarterly as a minimum. The draft risk register is presented to the Audit Committee for approval or amendment and then finalised. All decisions of the audit committee are provided to the full Board of trustees for comment and approval. This ensures that all formal decisions are placed before the trustees. In addition, the Principal regularly consults and informs the trustees on issues that may arise between Board or senior management team meetings. From May 2018, the Principal Fraser Durie was on long term sick leave, and during his absence which lasted until he left the organisation in October 2018, the Depute Principal and Finance Director were in regular contact with the Chair of the Board on any issues arising.

Related Parties

All related party transactions are disclosed both internally and to the external auditors. It is not unusual for there to be some related party transactions with other organisations which may have trustees on the College Board. Declarations of interest are expected and provided at each meeting of the trustees.

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Report of the Trustees' and Strategic Report for the Year Ended 31 July 2018 (continued)

Objectives and activities

The primary objective of the company as set out in the objects contained in the company's memorandum of association is the advancement of education, including the provision of training and guidance, for the public benefit in Argyll & Bute.

The charity tries to meet these objectives by providing a range of further and higher education to as many of the communities of the area as possible. It does this by having a network of centres, some small, some large, in all the main centres of population. There is a wish to provide roughly the same range of educational activities at all sites but for technical reasons this is sometimes not possible. The charity also provides pre-5 education at its nursery in Oban.

The main annual objectives of the charity are to meet the educational delivery targets set by Scottish Funding Council (SFC); to maintain quality standards as agreed internally and as assessed by external bodies and to do all of this within the financial resources made available to the charity. There is generally a target to make a modest return on annual income for the sole purposes of re-investing that return to improve the ability of the charity to meet its key charitable objective.

Strategic Report

• **Achievements and Performance**

The charity is primarily funded by the SFC, the arm's-length body responsible for funding colleges and universities in Scotland. The further education funding is routed through North Highland College (NHC) and NHC accounts for the funds provided to SFC. The same obligations from SFC on NHC are passed to the company. There is a similar arrangement for higher education with the SFC funds coming via the University of the Highlands and Islands.

There are delivery and quality targets for all education delivered and failure to meet these can result in a clawback of funds.

In 2017/18, the College exceeded its FE Credit target of 6,617 by approximately 300 Credits and fulfilled all contractual obligations. In 2017/18, the HE target was 189 FTEs, up from 171 FTEs in 2016/17. Our actual final HE FTE value for the year was 220, which was 16% above our target. The College also met the qualitative targets with some very good results from a series of approval and assessment/verification visits for qualifications offered. The Success KPI for FE full time courses was 75%, up from 71% in 2016/17. In October 2017, the College submitted its first 'How good is your college' report to Education Scotland, and a further updated report has just been submitted. Gradings from that report will be published online for the first time for Argyll College in 2019. Records of all this are available from the charity on request.

• **Financial review**

The charity's financial performance in 2017/18 was to realise an operating deficit of £121k prior to FRS102 pension net adjustments of £1,401k, whilst our original budget was a deficit of £40k. There were however a number of reasons for the disparity with budget. Firstly, a new centre was opened in Helensburgh. This had not been included in the budget as it was intended that it would not be opened without full funding being in place. Funding for the centre was finally confirmed by the UHI Strategic

Investment Fund in late June 2018, but to date no income has been received from UHI, and therefore no income has been accrued for this centre in the accounts for 2017/18. There are costs of £95k which have been incurred relating to this centre. Against this, the College exceeded its HE target by around 16%, and received HE income of £130k in excess of that budgeted. However, National Bargaining changes to terms, conditions and salaries plus the increased teaching hours resulting from the increased student numbers, plus increases in pension costs for both NEST and SPF pension meant that salary costs for the year were around £610k higher than budgeted. Funding from SFC was received towards elements of this cost, but increases to support salaries was not, and this accounts for the additional £26k over budget.

Grants were received from the Scottish Government for the Developing Young Workforce project (£126k), and from Scottish Government Greenfleet for the lease of three new electric vehicles (£42k).

The FRS102 pension adjustment included £138k of payroll costs, a net interest charge of £42k, and £1,581k actuarial gain due to changes in actuarial assumptions, giving an overall surplus of £1,280k post FRS102 pension adjustments.

- **Principal Funding Sources**

Principal funding sources of the charity are SFC's further and higher education funds. Fees also are collected from students, and Individual Training Accounts are used instead of student fees in some instances. There are a range of other, much smaller, funding sources. The College continues to be challenged by the funding climate.

- **Investment Policy**

Under the Memorandum and Articles of Association, the College has the power to invest in any way the trustees wish. The trustees, having regard to the liquidity requirement of the College, and the reserves policy, have created a policy of keeping available funds in interest bearing deposit accounts. Funds are held with Bank of Scotland in current, deposit and 32 day notice accounts.

- **Reserves Policy**

The College receives funds primarily from the Scottish Funding Council via North Highland College and the University of the Highlands and Islands. These funds are required to enable the College to provide educational delivery of a specified volume to students.

Reserves arise as a consequence of volume of activity. It is the policy of the College to maintain its reserves at a level which would enable it to continue to operate for a period of up to 1.5 months in the event of funding sources not being available. The College's funding tends to be predictable, but with National Bargaining (NB), costs have become less predictable and significantly higher. At present, funding is being provided to cover the NB cost implications, but this is due to end in 2020. The College Board is aware of the financial issues that may result from this.

Based on planned expenditure of £5,571k in 2018/19, the target level of reserves would be £696k. At 31 July 2018, the College had unrestricted reserves, net of pension fund liability (£97k), of £1,612k (2017 - £1,710k).

Report of the Trustees' and Strategic Report for the Year Ended 31 July 2018 (continued)

At 31 July 2018, the College had freely available unrestricted reserves of £777k, being the total unrestricted reserves of £1,515k less the designated Pension Fund of £97k, designated to meet potential pension liabilities, and plus the designated Tangible Fixed Assets Fund of £835k, representing the Net Book Value of the charity's unrestricted fixed assets less applicable loan balances.

• **College Achievements for the Year in Summary**

The College continues to develop as a partner within the University of the Highlands and Islands contributing to a regional surplus of Credits in Further Education. In Higher Education the College has continued to increase in both the number of students it delivers to and its relative position in terms of volume. It has delivered the post graduate primary teaching qualification in Oban for the third year and is now also delivering secondary teaching training. Student success in Further Education in 2017/18 was above the national average. Post course employment is very high, with only a small number of colleges achieving higher rates.

In December 2018, the College will be granted assigned status.

• **Future Developments**

A budget has been set for 2018/19 for the College which shows a surplus of £32k. However, this is based on the college receiving £991k towards the additional costs incurred because of National Pay Bargaining.

We have planned for HE targets of 220 FTEs in 2018/19 which is in line with the numbers achieved in 2017/18. In 2017/18, this was around 30 FTEs higher than we had originally planned for.

We continue to be challenged by the space available in our learning centres. Backlog maintenance funding of £193k has been awarded for 2018/19 from the SFC, and we will be utilising this to make improvements to our centres but will continue to seek ways of increasing the space and the quality of space that we can provide to our students. In November 2018, a new Principal was appointed following the departure in October 2018 of the former principal after a lengthy period of sickness absence. We look forward to a new outlook and future developments with new leadership in place.

The College also continues to shadow the NRPA agreement and has been awarded funding from SFC for additional staff costs relating to this. The funding is confirmed for a limited period only (up to the end of 2019/20), and costs will be increased by the amount of any funding. The Board is aware of the sustainability issues for a college of our size having to take on these additional costs, and that our ability to meet these costs will be entirely dependent on further funding being made available in future years. However, SFC is keen that the College formally signs up to NRPA, and a decision on this will be taken in the next few months.

We will continue, as in previous years, to reforecast income and expenditure throughout the year, and will report against the original budget.

Principal Risks and Uncertainties

The Board have assessed that the following constitutes risks to the charity:

- National Pay Bargaining continues to be a huge risk for the College, as stated above. Without continuing additional funding, already imposed pay changes are a risk to the financial sustainability of the organisation.
- Key staff replacement and cover is a risk given specific areas of expertise covered by them, as duplication of skills in the area is difficult and there is no succession plan currently in place.
- Through national bargaining, the College will be offering the Teachers' Pension Fund (SPP) to all relevant teaching staff who are currently auto-enrolled on the Government pension scheme (NEST). Employer contributions to NEST are currently 2%, the contribution rate to the SPP is 17.2% and this is to rise to 22.4% from 1 April 2019.
- College estates not able to provide flexible response to demand for courses.
- Failure to recruit the numbers of students necessary to achieve our targets.

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Report of the Trustees' and Strategic Report for the Year Ended 31 July 2018 (continued)

Corporate Governance Statement

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 good governance during the year.

The College's Board of Trustees is responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board of Trustees have put in place a process going forward for identifying, evaluating and managing the College's significant risks and this will be reviewed on a regular basis.

The College's Board of Trustees comprises lay members, students and employees appointed as charity trustees under the Charities and Trustee Investment (Scotland) Act 2005. The roles of Chairman and Vice-Chairman of the Board of Trustees are separated from the role of the College's Principal.

The Board acknowledges the responsibility for the ongoing strategic direction of the College, approval of major developments and the receipt of regular reports from the Principal on the day to day operations of its business.

In May 2017, a report was carried out by the UHI Internal Auditor on our compliance with the Scotland's Colleges Code of Good Governance. This report was prepared as part of our move towards assigned status. Assigned status has now been approved as of 5 December 2018.

There remains only one specific area from this report in which we are not compliant, and this is:

The college Board must comply with collective agreements placed on it through national collective bargaining for colleges. It has not been possible for the College to sign up to this given the issues this would have for our financial sustainability. We will instigate those agreements as far as it is possible for us to do with funding provided, but we cannot make any firm commitments without a having a firm commitment from our funders of additional funding which would cover all of the associated costs of such a collective agreement.

The Full Board meets four times a year as do the sub-committees: Finance and General Purposes Committee, Learning, Teaching & Engagement Committee, and Audit Committee. The HR & Remuneration Committee is held as and when necessary. All of these Committees are formally constituted with terms of reference.

The Finance and General Purposes Committee inter alia recommends to the Board the College's annual revenue and capital budgets. The Learning, Teaching & Engagement Committee focuses on the quality of learning and teaching and the student experience. The Audit Committee meets with the College's external and internal auditors in attendance when required. The 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. Whilst the Principal attends meetings of the Audit Committee as necessary, he is not a member of the Committee.

The Board and its sub-committees participate in annual self-evaluation reviews of its performance. These are facilitated by the Secretary to the Board using a self-evaluation questionnaire with all questions being discussed by the Board or Committee as a group and their consensus view recorded. Any actions for improvement are noted and followed up at subsequent meetings of the Board or Committees. The evaluation of the effectiveness of individual members is considered informally by the Chair of the Board or relevant Committee, and if concerns are noted they will follow these up with the member directly.

Statement of Internal Control

We, the Board of Trustees are aware of the need for effective internal control, and acknowledge our responsibility for the system for such control operated by Argyll College UHI. The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Our review of the effectiveness of the system of internal control is conducted through the work of the Board of Trustees, the Finance and General Purposes Committee and the Audit Committee. Argyll College also has an internal audit service, the work of which concentrates on areas of key activities determined in accordance with the annual internal audit plan approved by the Board. In the financial year ended 31 July 2018, TIAA provided our internal audit service. In 2017/18, this considered the areas of Internal communications, Website administration, Student Registry and HR administration.

The Board has reviewed the effectiveness of the College's system of internal control as follows:

- The College's risk management framework has been reviewed, including considering management's review of operational risks and the Audit Committee's review of strategic risks.
- Reports by management have been received and reviewed by the Board and Board Committees which have provided information as to how risks are being managed and what internal controls are in place. The Board committees in place and their main roles are outlined above.

The College also has a range of internal financial controls which include:

- a budgeting system with an annual budget which is approved by the Board of Trustees;
- the provision of management information on a planned, regular basis and as required;
- regular reviews by the Finance and General Purposes Committee of quarterly and annual financial reports and key performance indicators which indicate financial performance against the forecasts; and
- financial regulations, which identify policy and set up a control system within which management can delegate authority whilst informing staff of correct financial procedures.

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Report of the Trustees' and Strategic Report for the Year Ended 31 July 2018 (continued)

Statement of Trustees' Responsibilities

The trustees (who are also directors of Argyll College UHI Ltd for the purposes of company law) are responsible for preparing the Trustees' Annual Report, Strategic Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Disclosure of Information to Auditor

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This report has been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (March 2015) and in accordance with the provisions applicable to companies subject to the small companies regime of the Companies Act 2006.

Approved by the Trustees and signed on their behalf by:

Name: Andrew MG Campbell
Date: 2018

Argyll College UHI Limited
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Independent Auditor's Report to the Trustees and Members of Argyll College UHI Ltd

Opinion

We have audited the financial statements of Argyll College UHI Ltd (the 'charitable company') for the period ended 31 July 2018 which comprise the Statement of Financial Activities, the Balance sheet, the Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2018 and of its income and expenditure for the period 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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Independent Auditor's Report to the Trustees and Members of Argyll College UHI Ltd
(continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Report of the Trustees and the Strategic Report which includes the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees and the Strategic Report which includes the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Trustees and the Strategic Report which includes the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- adequate accounting records have not been kept by the charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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Independent Auditor's Report to the Trustees and Members of Argyll College UHI Ltd
(continued)

In preparing the financial statements, the trustees are responsible for assessing the charitable company'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 the trustees either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's trustees, as a body, in accordance with Section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the members and the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity, its members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Cartwright (Senior statutory Auditor)
For and on behalf of Henderson Loggie
Chartered Accountants & Statutory Auditors
Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006
The Vision Building
20 Greenmarket
Dundee
DD1 4QB

Date:

Argyll College UHI Limited
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Statement of Financial Activities (including Income and Expenditure Account) for the year ended 31 July 2018

	Note	Unrestricted funds £	Restricted funds £	2018 Total funds £	2017 Total funds £
Income from					
Donations	3	3,153,958	254,580	3,408,538	3,128,642
Charitable activities	4	1,180,356	-	1,180,356	980,445
Other trading activities	5	21,292	-	21,292	23,546
Investments	6	12,551	-	12,551	1,308
Other income	7	4,716	-	4,716	295
Total income		4,372,873	254,580	4,627,453	4,134,236
Expenditure on:					
Raising funds	8	1,029	-	1,029	3,592
Charitable activities	9	4,649,894	277,270	4,927,164	4,468,297
Total expenditure		4,650,923	277,270	4,928,193	4,471,889
Net expenditure		(278,050)	(22,690)	(300,740)	(337,653)
Transfers between funds		-	-	-	-
Net movement in funds before other recognised gains and losses		(278,050)	(22,690)	(300,740)	(337,653)
Other recognised gains and losses					
Actual gains/(losses) on defined benefit pension schemes	22	1,581,000	-	1,581,000	54,000
Net movement in funds		1,302,950	(22,690)	1,280,260	(283,653)
Reconciliation of funds					
Total funds brought forward 1 August 2017		212,547	3,228,550	3,441,097	3,724,750
Total funds carried forward 31 July 2018		1,515,497	3,205,860	4,721,357	3,441,097

Argyll College UHI Limited
(A company limited by guarantee)

Balance sheet at 31 July 2018

	Note	£	2018 £	£	2017 £
Non-current assets					
Fixed assets	15		4,013,424		4,090,296
Current assets					
Debtors	16	156,051		199,782	
Cash at bank and in hand		1,116,166		1,247,482	
			1,272,217	1,447,264	
Creditors					
Amounts falling due within one year	17	(453,430)		(561,820)	
Net Current Assets					
			818,787		885,444
Creditors: amounts falling due after more than one year	18		(13,854)		(36,643)
Net pension liability	22		(97,000)		(1,498,000)
Net Assets					
			4,721,357		3,441,097
Reserves					
Restricted reserves	19		3,205,860		3,228,550
Unrestricted reserves	20		1,515,497		212,547
	21		4,721,357		3,441,097

The notes on pages 17 to 35 form part of these financial statements.

The financial statements were approved by the Board of Trustees on 8 December 2018 and signed on its behalf by Andrew MG Campbell and John Colston

Name:

Name:

Date: 2018

Date: 2018

Argyll College UHI Limited
(A company limited by guarantee)

Statement of cash flows for the year ended 31 July 2018

	Note	2018 £	2017 £
Cash used in operating activities:			
Net cash used in operating activities	27	(6,823)	9,641
Cash flows from investing activities:			
Purchase of property, plant and equipment	15	(102,955)	(107,411)
Net cash used by investing activities		(109,778)	(107,411)
Cash flows from financing activities			
Loan repayments		(21,538)	(20,355)
Net cash used in financing activities		(21,538)	(20,355)
Change in cash and cash equivalents in the year		(131,316)	(118,125)
Cash and cash equivalents at 1 August 2017		1,247,482	1,365,607
Cash and cash equivalents at 31 July 2018		1,116,166	1,247,482

1 Status of company and liability of members

On the winding up of the company every member has undertaken to contribute to the assets of the company for the payment of the debts and liabilities and of the cost of winding up of the company, such amount as may be required, not exceeding one pound. If the winding up occurs within one year of a member ceasing to be a member then the above applies for debts and liabilities of the company contracted for before he or she ceased to be a member.

2 Accounting policies

a) Basis of preparation

The financial statements are prepared under the historical cost convention and include the results of the operations of the charity as indicated in the Trustees' Report, all of which are continuing.

The financial statements have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice Accounting and Reporting by Charities; preparing their financial statements in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and Financial Reporting Standards applicable in the United Kingdom and Republic of Ireland (FRS 102); and comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The company constitutes a public benefit entity as defined by FRS 102.

The Trustees consider that there are no material uncertainties about the company's ability to continue as a going concern.

The following is a summary of the significant accounting policies adopted by the charity in the preparation of the financial statements.

b) Fund accounting

With the adoption of the SORP all income and expenditure is dealt with through the statement of financial activities. In the statement of financial activities funds are classified as either restricted funds or unrestricted funds, defined as follows:

- Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity.
- Designated funds are unrestricted funds earmarked by the Trustees for particular purposes.
- Restricted funds are subjected to restrictions on their expenditure imposed by the donor or through the terms of an appeal.

A transfer is made from unrestricted funds to restricted funds to compensate fully all restricted funds which would otherwise be in deficit at the accounting date.

Notes to the financial statements (continued)

2 Accounting policies (continued)

c) Incoming resources

All incoming resources are included in the Statement of Financial Activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

- Donations are included within the financial statements when received by the charity. The value of services provided by volunteers has not been included in these accounts.
- Investment income is included when receivable.
- Incoming resources from charitable trading activities are accounted for when earned.
- Government grants in respect of capital expenditure are credited to the income and expenditure account over the estimated useful life of the relevant fixed assets. The grants shown in the balance sheet represent the total grants receivable to date less the amount so far credited to the income and expenditure account.
- Government and other grants towards revenue expenditure are credited to the income and expenditure in the year to which they relate.

Income is only deferred when:

- The donor specifies that the grant or donation must only be used in future accounting periods; or
- The donor has imposed conditions which must be met before the charity has unconditional entitlement.

d) Resources expended

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered and is reported as part of the expenditure to which it relates:

- Costs of raising funds are those incurred in attracting voluntary income, and those incurred in trading activities that raise funds.
- Charitable activities include expenditure associated with the delivery of its activities and services for its beneficiaries. It includes direct costs, governance costs and support costs relating to these activities.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the strategic management of the charity.
- All costs are allocated between the expenditure categories of the SoFA on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly, others are apportioned on an appropriate basis e.g. floor areas, per capita or estimated usage as set out in Note 9.

2 Accounting policies (continued)

e) Fixed assets and depreciation

• **Land and buildings**

Fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its useful life.

Freehold Buildings are depreciated over their expected useful life to the College of 50 years. Leasehold property is depreciated over the life of the lease, 33.3 years and 100 years for Leasehold properties at Oban.

• **Equipment**

Equipment costing less than £2,500 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All equipment is depreciated over its useful economic life as follows:

Land and Buildings - Leasehold Oban	3% Straight Line
Land and Buildings - Heritable	2% Straight Line
Land and Buildings - Leasehold	Straight line over the lease term ranging from 20 years to 33.3 years
Fixtures, Fittings and Equipment	10% Straight Line
Plant and Equipment	10% Straight Line
Motor Vehicles	14% Straight Line
Library Books and Software	20% Straight Line
Capitalised Hand Tools	25% Straight Line
Computing Equipment	33% Straight Line

f) Operating leases

Rentals paid under operating leases are charged to the statement of financial activities. The obligation to pay future rentals on operating leases is shown by way of a note to the Accounts.

g) Pension scheme

Support staff may join the Strathclyde Pension Fund (SPF), which is administered by Glasgow City Council and which requires contributions to be made to its number 1 fund. This is a defined benefit scheme that is externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the scheme are charged to the SOFA so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of periodic valuations.

The College operates a defined contribution scheme for other eligible staff. The assets of the scheme are administered by Trustees in a fund independent from those of the college. The pension costs charged against profits represent the amount of employer's contributions payable to the scheme in respect of the accounting period.

Argyll College UHI Limited
(A company limited by guarantee)

Notes to the financial statements (continued)

2 Accounting policies (continued)

h) Taxation

The company is a charitable company within the meaning of Section 467 of the Corporation Tax Act 2010. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 and section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied for charitable purposes only.

The College receives no further exemption in respect of Value Added Tax.

i) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of trade discounts due.

j) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

k) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discount.

l) Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

3 Donations

	Unrestricted	Restricted	2018	2017
	£	£	Total	Total
			£	£
Capital Grant Income	62,400	88,069	150,469	183,354
Core Funding	2,615,938	-	2,615,938	2,407,168
Other Revenue Grants	475,620	166,511	642,131	538,120
	<u>3,153,958</u>	<u>254,580</u>	<u>3,408,538</u>	<u>3,128,642</u>
	=====	=====	=====	=====

Argyll College UHI Limited
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Notes to the financial statements (continued)

4 Income from Charitable Activities

	Unrestricted £	Restricted £	2018 Total £	2017 Total £
Education Provision	1,180,356	-	1,180,356	980,445
	=====	=====	=====	=====

5 Other Trading Activities

	Unrestricted £	Restricted £	2018 Total £	2017 Total £
Rental Income	14,874	-	14,874	14,156
Vending Machine Income	6,418	-	6,418	9,390
	-----	-----	-----	-----
	21,292	-	21,292	23,546
	=====	=====	=====	=====

6 Income from Investments

	Unrestricted £	Restricted £	2018 Total £	2017 Total £
Bank Interest	12,551	-	12,551	1,308
	-----	-----	-----	-----
	12,551	-	12,551	1,308
	=====	=====	=====	=====

7 Other Income

	Unrestricted £	Restricted £	2018 Total £	2017 Total £
Branded Clothing Income	658	-	658	-
Education Provision	355	-	355	295
Feed-in Tariff	3,703	-	3,703	-
	-----	-----	-----	-----
	4,716	-	4,716	295
	=====	=====	=====	=====

Argyll College UHI Limited
(A company limited by guarantee)

Notes to the financial statements (continued)

8 Expenditure on Raising Funds

	Direct Costs £	Support Costs £	2018 Total £	2017 Total £
Vending Machine Expenditure	1,029	-	1,029	3,592
	=====	=====	=====	=====

9 Analysis of Charitable Expenditure and Governance Costs

	Charitable Activities £	Governance Costs £	2018 Total £	2017 Total £
Education Provision	4,881,326	-	4,881,326	4,435,780
Staff Costs	-	30,351	30,351	15,320
Board Secretary	-	-	-	5,110
Auditor's Remuneration	-	15,487	15,487	11,847
Professional Fees	-	-	-	240
	-----	-----	-----	-----
	4,881,326	45,838	4,927,164	4,468,297
	=====	=====	=====	=====

10 Support costs – Breakdown by Activities

	Support £	Governance £	Basis of Allocation
Education Provision	1,302,328	30,351	Time spent
	=====	=====	

11 Operating Surplus

	2018 £	2018 £	2017 £	2017 £
This is stated after charging:				
Depreciation		179,827		194,309
Auditor's remuneration				
- External audit	7,566		6,305	
- Internal audit	7,921		5,542	
	-----		-----	
		15,487		11,847
		=====		=====

Argyll College UHI Limited
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Notes to the financial statements (continued)

12 Staff costs

	2018	2017
	£	£
Wages and salaries	2,907,494	2,460,793
Social security costs	230,429	201,576
Other pension costs	211,450	195,261
	3,349,373	2,857,630
<u>Exceptional staff costs:</u>		
Redundancy payments	45,879	52,387
FRS102 adjustment	138,000	136,000
	3,533,252	3,046,017
	=====	=====

The average monthly number of employees during the year, calculated on the basis of full time equivalents, was as follows:

	2018	2017
	No.	No.
Teaching	47	40
Other Staff	52	45
	99	85
	==	==

13 Senior Post-Holders' Emoluments

Number of high paid staff (including the Principal) who received emoluments including benefits in kind and excluding pension contributions for the year ended:

	2018		2017	
	Senior Post-Holders	Other Staff	Senior Post-Holders	Other Staff
	No.	No.	No.	No.
£60,000 - £69,999	1	-	1	-

	2018	2017
	£	£
Senior Post-Holder Emoluments		
Principal's emoluments		
Salary	66,117	65,550
Pension	13,266	12,651
	79,383	78,201
	=====	=====

Argyll College UHI Limited
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Notes to the financial statements (continued)

13 Senior Post-Holders' Emoluments (continued)

The total remuneration for the senior management team as noted on page 1 of these accounts was £188,801 (2016/17 - £172,995).

14 Trustees' Remuneration and Related Party Transactions

The Board of Management received £943 (2017 - £915) in the year for reimbursement of travel expenses.

Amber Crowley is a salaried employee of the College but received no remuneration in respect of their role as trustee

During the year the College transacted with Argyll and Bute Council of which £8,588 (2017 - £3,108) was due from Argyll and Bute Council and £6,113 (2017 - £1,083) was due to Argyll and Bute Council. During the year, the College made purchases of £19,294 (2017 - £14,652) and sales of £22,264 (2017 - £22,229) excluding pre-5 Nursery funding. James Findlay is a councillor on Argyll & Bute Council.

During the year, the College transacted with West Highland Housing Association of which £Nil (2017 - £Nil) was due to West Highland Housing Association. During the year, the College made purchases of £31,659, including property lease costs of £21,247 (2017 - £18,120). Lesley McInnes is Chief Executive of West Highland Housing Association.

Argyll College UHI Limited is a constituent partner of the University of the Highlands and Islands (UHI). During the year the College transacted with UHI of which £541 (2017 - £3,621) was due from UHI and £Nil (2017 - £291) was due to UHI. During the year income of £716,804 was received in relation to higher education activities, £107,119 was received in relation to the provision of education and costs of £159,234 were paid to UHI.

Argyll College UHI Limited
(A company limited by guarantee)

Notes to the financial statements (continued)

15 Fixed assets

	Land & Buildings Leasehold £	Land & Buildings Freehold £	Plant & Equipment £	Computer Equipment £	Motor Vehicles £	Total £
Cost						
At 1 August 2017						
Additions	2,243,897	3,275,236	438,133	41,700	61,953	6,060,919
Disposals	7,883	35,427	13,284	19,969	26,392	102,955
	-	-	(17,387)	-	(21,884)	(39,271)
At 31 July 2018	2,251,780	3,310,663	434,030	61,669	66,461	6,124,603
Depreciation						
At 1 August 2017						
Charge for year	966,309	609,297	292,956	40,108	61,953	1,970,623
On disposals	67,553	66,213	33,109	7,674	5,278	179,827
	-	-	(17,387)	-	(21,884)	(39,271)
At 31 July 2018	1,033,862	675,510	308,678	47,782	45,347	2,111,179
Net book value At 31 July 2018	1,217,918	2,635,153	125,352	13,887	21,114	4,013,424
At 1 August 2017	1,277,588	2,665,939	145,177	1,592	-	4,090,296

The net book value at 31 July 2018 represents fixed assets used for:

	£	£	£	£	£	£
Direct charitable purposes	1,219,258	2,633,813	125,352	13,887	21,114	4,013,424

Argyll College UHI Limited
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Notes to the financial statements (continued)

16 Debtors	2018	2017
	£	£
Trade debtors	53,538	45,516
Prepayments and accrued income	102,513	154,266
	156,051	199,782
	=====	=====
17 Creditors	2018	2017
	£	£
Amounts falling due within one year:		
Loans	22,789	21,538
Trade creditors	119,697	70,071
Taxes and social security costs	61,950	54,183
Other creditors	26,159	68,109
Accruals and deferred income	222,835	347,919
	453,430	561,820
	=====	=====
18 Creditors	2018	2017
	Total	Total
	£	£
Amounts falling due after one year:		
Loans	13,854	36,643
	=====	=====
Falling due:	2018	2017
	Total	Total
	£	£
In one to two years	22,789	21,538
In two to five years	13,854	36,643
After five years	-	-
	36,643	58,181
Loans	36,643	58,181
	=====	=====

There is standard security over the charity's premises in Lorne Street, Lochgilphead

Argyll College UHI Limited
(A company limited by guarantee)

Notes to the financial statements (continued)

19 Restricted Reserves

	Balance at 1 August 2017 £	Income in year £	Expenditure in year £	Transfers between funds £	Balance at 31 July 2018 £
Restricted Funds					
Capital fund	3,177,350	88,069	124,311	-	3,141,108
Princes Trust	10,000	-	-	-	10,000
Beam Suntory	9,206	-	-	-	9,206
Scottish Government Greenfleet	14,418	44,875	29,376	-	29,917
Developing Young Workforce	-	121,636	121,636	-	-
Foundation Scotland	2,000	-	-	-	2,000
Muir of Laurieston Trust	15,576	-	1,947	-	13,629
Total restricted reserves	3,228,550 =====	254,580 =====	277,270 =====	- =====	3,205,860 =====

Purposes of restricted reserves

Capital Fund	The restricted capital fund has arisen as a result of the restatement of the accounts from under the FE Colleges SORP to the Charities SORP. This relates to capital grants received by the College which have ongoing restrictions placed on them.
Princes Trust	Funding specifically for a project with the Princes Trust.
Beam Suntory	Funding vocational courses in Islay.

Notes to the financial statements (continued)

Purposes of restricted reserves (continued)

Scottish Government Greenfleet	Funding to support the leasing of electric vehicles for use by the College.
Developing Young Workforce	Funding for development of 'Field to Fork' project.
Foundation Scotland	Funding towards a maritime skills course in Islay.
Muir of Laurieston Trust	Funding for the purchase of a tractor to be used on the agriculture course in Campbeltown.

Argyll College UHI Limited
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Notes to the financial statements (continued)

20	Unrestricted Reserves	Balance at 31 July 2017 £	Income In year £	Expenditure In year £	Other Recognised Gains/(losses) £	Transfers Between Funds £	Balance at 31 July 2018 £
	General charitable funds	817,782	4,372,873	4,415,406	-	1,575	776,824
	Designated funds:						
	Pension fund	(1,460,000)	-	180,000	1,581,000	(38,000)	(97,000)
	Tangible fixed assets	854,765	-	55,517	-	36,425	835,673
		(605,235)	-	235,517	1,581,000	(1,575)	738,673
		212,547	4,372,873	4,650,923	1,581,000	-	1,515,497
		=====	=====	=====	=====	=====	=====

Pension Fund – the pension liability fund is designated to meet potential pension liabilities under FRS102.

Fixed Assets – representing the Net Book Value of the charity’s unrestricted fixed assets less applicable loan balances.

Argyll College UHI Limited
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Notes to the financial statements (continued)

21 Analysis of net assets between funds

	Tangible Fixed Assets £	Net Current Assets £	Net pension liability £	Creditors > 1 year £	Total £
Restricted Funds	3,141,108	64,752	-	-	3,205,860
Unrestricted Funds	872,316	754,035	(97,000)	(13,854)	1,515,497
Total Funds	4,013,424 =====	818,787 =====	(97,000) =====	(13,854) =====	4,721,357 =====

22 Pension Costs

Argyll College UHI Ltd operates two pension schemes, the Strathclyde Pension Fund (SPF) and NEST. The total employer's pension cost for the period was as follows:

	31 July 2018 £000	31 July 2017 £000
NEST: Contributions paid	14	10
SPF scheme:		
Contributions paid	255	196
FRS102 charge	138	136
Charge to the Statement of Financial Activities	393	332
Total pension cost for the year within staff costs	407 =====	342 =====

NEST

NEST is a workplace pension scheme that has been created for auto enrolment. It is run as a trust by NEST Corporation. This means that there are no shareholders or owners and it is run for the benefit of its members. The College pays contributions of 2% (1% prior to 1 April 2018) of pensionable salary for eligible employees and the employee's contribution rate is 3% of eligible salary from 1 April 2018.

Strathclyde Pension Fund (SPF)

The College's support staff belong to one principal pension scheme, the Strathclyde Pension Fund (SPF), which is of the Defined Benefit Type. The assets of the SPF scheme are held in a separate, trustee administered fund.

The total contributions made for the year ended 31 July 2018 were £325k of which employer's contributions totalled £259k and employees' contributions totalled £66k. The agreed contribution rates from 1 April 2018 are 21.6% for employers and from 5.5% up to 8.7% for employees.

22 Pension Costs (continued)

Principal Actuarial Assumptions

In accordance with Section 28 of FRS102. "Employee Benefits" the College has recognised a liability relating to its obligation towards funding the pension schemes deficit. The following information is based upon a full actuarial valuation of the fund at 31 July 2018 by a qualified independent actuary.

	31 July 2018	31 July 2017
Rate of increase in salaries	3.6%	4.5%
Future pension increases	2.4%	2.5%
Discount rate for scheme liabilities	2.8%	2.7%

Commutation of pensions to lump sums – An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

Life expectancy is based on the Fund's VitaCurves, with improvements in line with the CMI 2016 model assuming current rates of improvements have peaked and will converge to a long-term rate of 1.5% per annum for males and 1.25% per annum for females. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	At 31 July 2018	At 31 July 2017
Current pensioners		
- Males	21.4	22.1
- Females	23.7	23.6
Future pensioners		
- Males	23.4	24.8
- Females	25.8	26.2

Argyll College UHI Limited
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Notes to the financial statements (continued)

22 Pension Costs (continued)

The College's share of the assets in the plan at the balance sheet date and the expected rates of return were as follows. The expected rate of return is set equal to the discount rate as per FRS102 disclosure requirements.

	Estimated split of assets at 31 July 2018	Fair Value at 31 July 2018 £'000	Estimated split of assets at 31 July 2017	Fair Value at 31 July 2017 £'000
Equities	64%	3,654	71%	3,650
Bonds	22%	1,256	14%	718
Property	11%	628	11%	567
Other	3%	171	4%	206
Total fair value of plan assets		5,709		5,141
Weighted average expected long term rate of return		2.8%		2.7%
Actual return on plan assets		199 =====		495 =====

The amount included in the balance sheet in respect of the defined benefit pension plan enhanced pensions benefits is as follows:

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Fair value of plan assets	5,709	5,141
Present value of plan liabilities	(5,806)	(6,639)
Net pensions liability	(97) =====	(1,498) =====

Argyll College UHI Limited
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Notes to the financial statements (continued)

22 Pension Costs (continued)

Amounts recognised in the Statement of Financial Activities in respect of the plan are as follows:

	2018	2017
	£'000	£'000
Amounts included in staff costs		
Current Service cost	380	338
Past service cost	27	4
Total	407	342
	=====	=====

Amounts included in interest payable

Net interest cost / (income)	42	34
Total	42	34
	=====	=====

Amounts recognised in other gains and losses

Return on pension plan assets	199	495
Experience gains and losses on liabilities	921	-
Changes in assumptions underlying the present value of plan liabilities	461	(441)
Amounts recognised in other gains and losses	1,581	54
	=====	=====

Movement in net defined benefit / (liability) in scheme at 1 August during

	2018	2017
	£'000	£'000
Net defined liability in scheme at 1 August	(1,498)	(1,382)
Movement in year:		
Current service cost	(380)	(338)
Past service cost	(27)	(4)
Employer contributions	269	206
Net interest on the defined liability	(42)	(34)
Actuarial gain/(loss)	1,581	54
Net defined liability at 31 July	(97)	(1,498)
	=====	=====

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Notes to the financial statements (continued)

22 Pension Costs (continued)

Asset and Liability Reconciliation

	2018	2017
	£'000	£'000
<u>Changes in the present value of defined benefit obligations</u>		
Defined benefit obligations at start of year	6,639	5,727
Current service cost	380	338
Past service cost	27	4
Interest cost	184	141
Contribution by scheme participants	66	62
Experience gains and losses on defined benefit obligations	(921)	-
Changes in financial assumptions	(461)	441
Estimated benefits paid	(108)	(74)
	<hr/>	<hr/>
Closing Defined Benefit Obligation	5,806	6,639
	=====	=====

Changes in fair value of plan assets

	2018	2017
	£'000	£'000
Fair value of plan assets at start of year	5,141	4,345
Interest on plan assets	142	107
Return on plan assets	199	495
Employer contributions	269	206
Contributions by scheme participants	66	62
Estimated benefits paid	(108)	(74)
	<hr/>	<hr/>
Closing Fair Value of Employer Assets	5,709	5,141
	=====	=====

23 Capital Commitments

There are no capital commitments at the year-end requiring disclosure.

Argyll College UHI Limited
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Notes to the financial statements (continued)

24 Lease Commitments

At 31 July 2018 the College had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Property 2018 £	Equipment 2018 £	Total 2018 £	Total 2017 £
Within one year	36,109	43,935	80,044	86,073
Within two to five years	117,066	107,292	224,358	141,073
Over five years	243,919	-	243,919	273,186
	397,094 =====	151,227 =====	548,321 =====	500,332 =====

25 Contingent Liability

There are no known matters of contingent liability and consequently no financial provision has been made in these financial statements.

26 Post-Balance Sheet Events

There are no post balance sheet events to note.

27 Reconciliation of net income to net cash from operating activities

	2018 £	2017 £
Net movements in funds before other recognised gains and losses	(300,740)	(337,653)
Adjustments for:		
Depreciation charges	179,827	194,309
Net cost of defined benefit pension	180,000	170,000
Decrease/(increase) in debtors	43,731	(155,295)
(Decrease)/increase in creditors	(109,641)	138,280
Net cash (used)/provided by operating activities	(6,823) =====	9,641 =====