



Board of Management Report and Financial Statements

For the year ended
31 July 2020

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PERFORMANCE REPORT

Principal's Statement on Ayrshire College's Performance 2019-20

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

Over the last year, the collective talent and commitment of our students, staff and partners has enabled the College to continue to improve our performance and student outcomes. The College achieved the core credit target set by Scottish Funding Council (SFC) and demonstrated an improvement in performance across all of the SFC key priority groups KPIs.

The COVID-19 pandemic impacted on how the College delivered its curriculum and how it provided support services during 2019-20. The College took proactive steps to support its students and staff during the COVID-19 pandemic. This included awarding additional payments in March 2020 to students who receive discretionary financial support.

The College supported the implementation of Developing the Young Workforce and provided seamless support for students to enable them to achieve their full potential at all points of transition. Data published by SFC notes that 95.4% of Ayrshire College students move into a positive destination.

Development of new and innovative learning spaces and digital resources continued to improve the student experience in 2019-20. Continued investment in our infrastructure supported innovative practice across all curriculum and service teams.

The College engaged positively with individuals, communities and employers across Ayrshire in 2019-20 and we are proud of the impact we made on people's lives.

Overview of Performance Report

The Board of Management of Ayrshire College presents its Performance Report together with the Audited Financial Statements for the year ended 31 July 2020.

This Performance Report provides a detailed summary of the performance of the College during 2019-20 and how it measures and monitors its performance. The Report also includes the strategic issues and risks facing the College.

Legal Status

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

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

Strategic Plan 2017-20

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

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

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

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

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

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

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

SFC Outcome Agreement

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

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

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

Performance of Ayrshire College in 2019-20

The College reviews its portfolio of courses on an annual basis. It is an evidence-based approach which uses national and regional Labour Market Information. Courses no longer in demand, not achieving success or not related to skills are removed from the Curriculum Delivery Plan (CDP) for the following academic year. This annual College process ensures that its portfolio of courses is aligned to national, regional and local policy objectives.

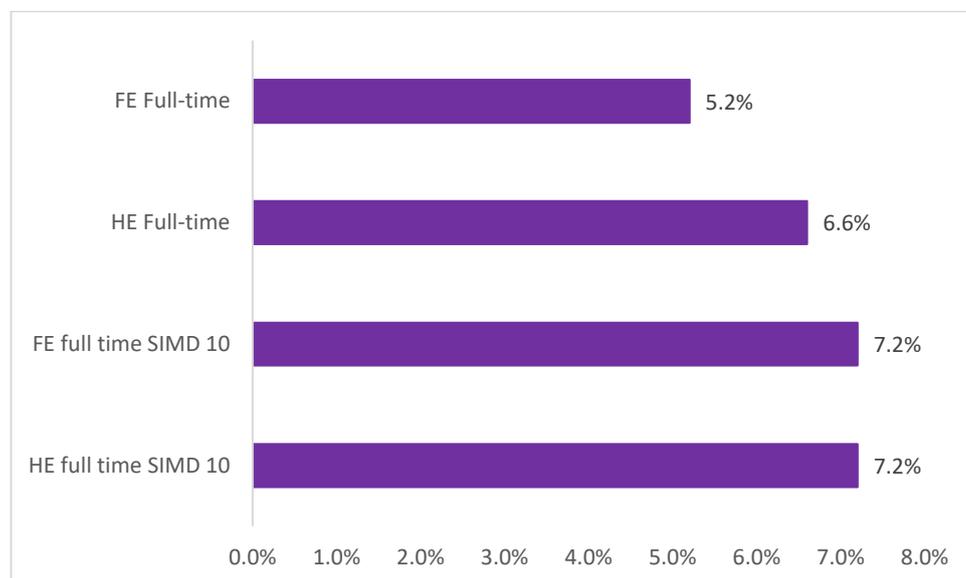
The College's progress on improving outcomes for students, against SFC priorities, was significantly impacted by the implications of COVID-19. The College's strategic focus on reducing withdrawals and increasing success, during 2019-20 continued, but the impact of COVID-19 meant that achieving national ambitions for FE programmes was undermined.

In 2019-20, the College exceeded the core activity target set by the SFC and delivered 125,751 credits (target 124,957 credits). This is the fourth year in a row that the College has exceeded the SFC core activity target.

The College is recognised locally, regionally and nationally as an organisation which makes a positive difference to the lives of its students, to our communities, to Ayrshire's economy and to Scotland. In 19-20, 63.8% of FE full-time students (2018-19 66.2%) and 68.9% of HE full-time students (2018-19 66.8%) completed their courses with a successful outcome.

Student attainment levels in 2019-20 for FE full-time students were 5.2% higher than the College achieved in 2014-15 and attainments levels for HE full-time students were 6.6% higher. Attainment levels for full-time students from areas of multiple deprivation have also risen significantly, with a 7.2% increase for relevant FE students and 7.2% for relevant HE students (Figure 1).

Figure 1: Student Attainment Increases from 2014-15 to 2019-20



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

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

To support the national aspirations for widening access, the SFC has set targets for all colleges. SFC has been set the target that 20% of its activity should be delivered to students from a SIMD10 postcode area by 2020-21. Ayrshire College is committed to targeting students from SIMD10 recognising that education provides students from these areas with significantly improved opportunities for enhanced personal wellbeing and a sustainable future. The College remains on track to meet the national targets set for 2020-21.

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

The most recent SFC College Leaver Destination Survey reported that 95.4% of Ayrshire College's students achieved a positive destination six months after completing their course of study. This is a decrease of 0.5% from the previous year. It is however above the national average of 95.1%.

SFC has set ambitious and stretching targets for all of Scotland's colleges to deliver successful outcomes for care experienced students, aiming for parity with their peers by 2020-21. In 2019-20, Ayrshire College had 478 care experienced students, with 55.8% achieving a successful course outcome.

A key priority area of focus is to improve outcomes for students with a declared disability. Over the five years from 2015-16 to 2019-20 there has been a significant increase in the number of students declaring

a disability. More importantly, over the same period there has been a 1.9% increase in the proportion of these students with a declared disability achieving a successful outcome. In 2019-20 62.9% of Ayrshire College students with a declared disability achieved a successful outcome.

A culture of partnership working is embedded across the College. Throughout 2019-20, the College continued to invest significant time in enhancing existing private, public and third sector partnerships, as well as developing new ones. The College's partnership approach with universities also allows its students to gain access to degree programmes with advanced standing.

The College is a strategic business partner of the Ayrshire Chamber of Commerce and a member of the Developing the Young Workforce Ayrshire Steering Group. Significant economic sectors in the region are aerospace, engineering, health and social care, early education, and hospitality and tourism. The College collaborates with employers and industry bodies to plan the provision of courses to address growth in these and other economic sectors. With approximately 900 apprentices in training at any given time, the College is the main provider of STEM apprenticeships in Scotland.

Ayrshire College has put sustainability towards the forefront including reducing waste within the College. The College's successful drive towards sustainability has been recognised at a national level, with the College being highly commended for the 2019 College Development Network sustainability award.

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

The College continues on its journey of improvement in 2019-20 and remains focused on increasing student attainment and achievement. In particular, the College will focus efforts to address the impact of COVID-19 and improve outcomes on FE programmes in line with national ambitions.

COVID-19

Ayrshire College established a Campus Operations Steering Group to help coordinate and direct the College's response to COVID-19. The Steering Group was responsible for overseeing the return of staff and students to campus operations. The Steering Group also reviews relevant Scottish Government and other advice (SFC etc.) in relation to campus operations and the delivery of service provision, modifying the College's arrangements as appropriate.

The College took proactive steps to support its students during the COVID-19 pandemic. This included awarding additional payments in March 2020 to students who receive discretionary financial support. This category of students is the most financially disadvantaged out of all the College's student cohort, as they do not qualify for any other external source of financial support when many others now will. Further financial support and guidance was also made available to students who were not within this category but who were experiencing additional financial hardship due to the COVID-19 pandemic.

The College took a range of proactive measures to support its partners, its local communities and its students during the COVID-19 pandemic. For example, the College donated hand-sanitiser, supplies of PPE equipment including masks, gloves and aprons to local community partners to help them through the COVID-19 pandemic. In addition, the College donated stocks of food from its training restaurants and catering outlets to food banks and other local charities and made financial donations to local foodbanks across Ayrshire.

The College worked with key awarding bodies to ensure that alternative models of certification could be adopted which recognised, fairly, students' achievements, allowing them to progress to work or further study, while maintaining the integrity of qualifications. In the school and university sectors there was an application of no detriment to students.

Due to colleges working with over 100 awarding bodies, there was variation in the length of time which it took for each one to communicate their guidance to colleges. In some cases, the guidance was not finalised until during the summer holiday period.

Where it was not possible for assessment conditions to be adapted the student was defined as deferred. Ayrshire College had a number of students for whom results for academic session 2019-20 could not be processed. The College is supporting students who are deferred to complete their studies and to do so has had to allocate staff and other resources to assess and/or teach these students.

In preparation for the return of staff and students in September 2020, the College has implemented multiple arrangements to mitigate the risk of COVID-19 when people are on campus. These include specific entry and exit points, a one-way system, a keep left system, sanitisation points throughout the building, restricted access to and occupancy of toilet facilities, and the closure of all non-essential areas including the LRCs, refectory space and access to catering facilities.

Brexit

Ayrshire College recognises that there are specific risks arising from the United Kingdom's decision to leave the European Union (herein after referred to as 'Brexit'). These include potentially significant increases in the cost of materials, increased competition for UK resident HE students between colleges and universities, and the loss of student placements and apprenticeships due to business decisions.

The College has worked closely with SFC's EU Exit Team to assess the potential impacts of Brexit on its services. The College has assessed its readiness for Brexit using the British Chamber of Commerce guidance. Whilst this was a centrally coordinated exercise, lead staff for each area covered by the guidance have taken ownership for their parts of the organisation covered by the guidance. Any potential loss of ESF funding has been offset by SFC guaranteeing to provide the equivalent level of funding for all colleges up to 2021-22.

The College will continue to monitor and review Brexit negotiations and dialogue so that it can plan and prepare accordingly. This includes continuing to monitor information on relevant government sites for any updates or changes. In addition, the College will continue to maintain support mechanisms in place for individual students to enable them to continue their studies.

Financial Objectives

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

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

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

Financial Review

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

The College generated a deficit in the year of (£1,557,000) before non-recurring items. The deficit represents an adverse figure of (3%) of overall trading income. This compares to a deficit before non-

recurring items in 2018-19 of (£1,717,000). After recording net non-recurring costs amounting to £10,000, the final deficit was (£1,567,000) for 2019-20. This is compared to a 2018-19 deficit of (£1,352,000).

The College, at July 2020, has £48,207,000 of net assets (excluding a pension liability of £27,344,000). At July 2019 the College had £46,813,000 of net assets (excluding a pension liability of £12,613,000). The pension liability is excluded as this is outwith the College's control.

The College has significant reliance on SFC for its funding which is largely from recurrent grants. In 2019-20, SFC provided 86.5% of the College's total operational revenue income (2018-19, 85.0%). Excluding specific funding to support the Unitary Charge for the NPD contract for the Kilmarnock campus, SFC revenue income totalled 77.2% of total income (2018-19 73.9%)

The cash balance of £3,912,000 shown in the Balance Sheet includes £2,457,000 of monies held by the College (in advance) and student funding (to be repaid) and the College's own restricted and designated cash balances. Therefore, the College's trading cash balance as at 31 July 2020 was £1,455,000.

Statement of Comprehensive Income

The statement of comprehensive income shows a total deficit for the year to 31 July 2020 of (£1,567,000). This is compared to a deficit in 2018-19 of (£1,352,000).

There was one area of non-recurring expenditure which impacted the deficit in 2019-20. These were exceptional restructuring costs. The presentation of the Statement of Comprehensive Income in these financial statements therefore analyses trading in the period between recurring items (£1,557,000) and non-recurring items £10,000.

○ Recurring Items

The College recorded a deficit of (£1,557,000) which represents an adverse figure of approximately (3%) of overall trading income.

The recorded deficit of (£1,557,000) in 2019-20 comprises of the following elements:

| | |
|-----------------------------------|--------------|
| • Operating position- surplus | £2,258,000 |
| • Non-Government Capital Grant | £209,000 |
| • FRS102- NPD/ PFI Capital income | £1,980,000 |
| • Net Depreciation charge | £(2,759,000) |
| • FRS 102- Pension | £(3,245,000) |

○ Non-recurring Items

Non-recurring items are one off events that occur over and above the core business of the College. The non-recurring items amounting to a surplus of £10,000 in 2019-20 comprised the following elements:

| | |
|-----------------------------------|---------|
| • Exceptional restructuring costs | £10,000 |
|-----------------------------------|---------|

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

Table 1 – Adjusted operating position 2018-19 and 2019-20 – Detailing Recurring and Non-recurring Items for 2019-20

| | Recurring £000 | Non- recurring £000 | 2019-20 £000 | 2018-19 £000 |
|--|---------------------------|------------------------------------|-------------------------|-------------------------|
| Surplus /(deficit) after other gains and losses (Loss) / gain on sale | (1,557) - | (10) - | (1,567) - | (1,352) - |
| Surplus / (deficit) before other gains and losses | (1,557) | (10) | (1,567) | (1,352) |
| Add back: | | | | |
| Provision released | | | - | (332) |
| Depreciation (net of deferred capital grant release) | 2,759 | | 2,759 | 2,713 |
| Exceptional non-restructuring costs (e.g. impairment) | - | | - | - |
| Non-cash pension adjustments | 3,245 | | 3,245 | 2,510 |
| Donation to Arms-length Foundation | - | | - | |
| Provision per 1 April 2014 | | | | |
| Deduct: | | | | |
| Non-Government capital grants (e.g. ALF capital grant) | (209) | | (209) | (618) |
| Exceptional income | - | | - | - |
| Revenue funding allocated to loan repayments (NPD) | (1,280) | | (1,280) | (1,227) |
| Additional revenue funding allocated by SFC | (700) | | (700) | - |
| Sub-Total Revenue | 2,258 | (10) | 2,248 | 1,694 |
| Retention of sale proceeds to fund PFI Capital and Interest payments | | | - | 1,050 |
| CBP allocated to PFI loan repayments | | | (867) | (863) |
| Early retirees | | | (87) | (91) |
| Adjusted operating surplus / (deficit) | | | 1,294 | 1,790 |

Underlying operating position 2018-19 and 2019-20

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

Table 2 – Adjusted operating position 2018-19 and 2019-20

| | Note | 2019-20 £000 | 2018-19 £000 |
|--|------|-----------------|-----------------|
| Surplus (deficit) before other gains and losses | | (1,567) | (1,352) |
| Add back: | | | |
| Depreciation (net of deferred capital grant release) | | 2,759 | 2,713 |
| Exceptional non-restructuring costs (e.g. impairment) | | - | - |
| Pension adjustments – Net Service cost | | 2,669 | 2,658 |
| Pension adjustments – Net Interest cost | | 292 | 160 |
| Pension adjustments – Early Retirement Provision | | 284 | (308) |
| Retention of sale proceeds to fund PFI capital and interest payments | | - | 1,050 |
| Provision released | | - | (332) |
| Deduct: | | | |
| Non-Government capital grants (e.g. ALF capital grant) | | (209) | (618) |
| CBP allocated to loan repayments and other capital items | | (954) | (954) |
| NPD Income applied to reduce NPD Balance Sheet debt | | (1,280) | (1,227) |
| Additional revenue funding allocated by SFC | | (700) | - |
| Adjusted operating surplus / (deficit) | | 1,294 | 1,790 |

Cash budgets for priorities

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

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

Table 3 – Cash budget for priorities spend 2018-19 and 2019-20

| | 2019-20 £000 | 2018-19 £000 |
|---|-----------------|-----------------|
| Revenue | | |
| Student support | - | - |
| 2015-16 pay award | 370 | 370 |
| Other (give detail) | - | - |
| Total impact on operating position | 370 | 370 |
| Capital | | |
| Loan repayments (PFI capital payment) | 867 | 863 |
| Early Retirees | 87 | 91 |
| Total Capital | 954 | 954 |
| Total cash budget for priorities spend | 1,324 | 1,324 |

Reserves

The deficit brought forward on the income and expenditure reserve at 1 August 2019 was £(197,000). After the deficit for the year before non-recurring items of (£1,557,000), the non-recurring items noted above of £10,000, the transfers in respect of the pension reserve, and the transfers from the revaluation reserve are taken into account, the deficit on the College's income and expenditure reserve as at 31 July 2020 is £(12,585,000).

Capital Additions

Tangible Fixed Asset additions in 2019-20 amounted to £395,000. This expenditure on the buildings of £41,000 relates mainly to small capital works. In addition, there was expenditure of £354,000 on IT and curriculum equipment.

Core Performance Indicators

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

Table 4 – Ayrshire College Performance against SFC Core Performance Indicators

| No | Performance Indicator | 2019-20 | 2018-19 |
|----|--|---------|---------|
| 1 | Recurring (Deficit)/Surplus as % of total trading income | (3.0%) | (3.3%) |
| 2 | Non SFC Income as % of Total Income | 14% | 15% |
| 3 | Credit activity target set by SFC for year to July 2020 | 124,943 | 124,958 |
| 4 | Credit activity achieved in year to July 2020 | 125,751 | 125,961 |
| 5 | Activity achieved against target | 100.6% | 100.8% |
| 6 | Current Assets: Current Liabilities | 0.9:1 | 0.6:1 |
| 7 | Gearing/debt | Nil | Nil |
| 8 | Days of recurring expenditure represented by period end cash | 11 | 15 |

Treasury Management Policies and Objectives

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

The College has a policy of placing any surplus funds with the College's retail banker with a view to maintaining security of capital; maximising the yield from any short term deposits made whilst maintaining accessibility to funds.

Cash Flows

The College had a net increase in cash in 2019-20 of £1,207,000. This is detailed in the Cash Flow Statement.

Liquidity

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

Payment Performance

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

Resources

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

Property

Tangible resources include the three main campuses of Ayrshire College together with smaller satellite campuses. Ayrshire College has prominent main campuses in all three local authority areas. Our main campuses are located in Ayr, Kilwinning and Kilmarnock. Other campuses are used to support specialist curriculum provision, such as our Nethermains Campus in Kilwinning which focuses on our STEM curriculum.

Estates Development

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

Staff Report

In the 2019-20 staffing return to the SFC, it was reported that the College employed 721 full-time equivalent employees, of whom 361 were curriculum staff and 360 were service staff. This equates to a headcount of 898, comprising 578 female and 320 male members of staff.

Full disclosure on staff costs is given in note 7 of the accounts.

National Bargaining

The College is a signatory to the National Recognition and Procedures Agreement (NRPA) and a member of the Employers Association. A number of National Bargaining agreements have been reached during 2019-20 for both curriculum and service staff.

Local Joint Negotiation Committees (LJNC) continued to be held during 2019-20 with both EIS-FELA and Unison.

Principal Risks and Uncertainties

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

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

Due to the current COVID-19 pandemic, the College adapted its risk management arrangements to reflect the circumstances in which it is currently operating. This has included how the College is managing issues as well as how it is managing and reporting risks. In March 2020 the Board of Management agreed to include a new strategic risk relating to the potential impact of COVID-19. This was the risk that:

“The Coronavirus outbreak forces an unplanned closure of the College’s campuses / significant loss of staff resulting in a failure to provide curriculum service delivery and the inability to maintain core college services.”

The College therefore recognised that there were two main groupings of risk. These were as follows:

1. *Existing issues and addressing risks that could impact before 31 July 2020*
2. *Risks that could occur following 1 August 2020 (i.e. once the College commences delivering services from its campuses).*

The College collated the existing college risks within these two groupings and then detailed the actions in place across key services to mitigate the risks.

On behalf of the Board of Management, the Audit Committee reviews the Board’s risk management position and considers the arrangements to mitigate the two risk groupings identified. Business, Resources and Infrastructure Committee and the Learning and Teaching Committee have both discussed and considered their own risk management responsibilities in the current cycle of meetings.

The High Level COVID-19 College Risk Register at the end of 2019-20 identified these two strategic risk groupings. These risk groupings were assessed as follows:

- 1 risk was assessed as High
- 0 risk was assessed as Medium
- 1 risk was assessed as Moderate
- 0 risks were assessed as Low
- 0 risk was assessed as Very Low.

Stakeholder Relationships

Ayrshire College has many stakeholders. These include:

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

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

Staff Involvement and Participation

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

Staff Development

A range of CPD activities took place during the 2019-20 academic term, with a significant focus on digital skills to support the workforce. Examples of other activity that the College engaged in is as follows:

- 14 staff successfully completed their Teaching Qualification in Further Education (TQFE) through the University of Stirling
- 5 members of staff undertook the PDA Teaching Practice
- 13 staff completed the L&D 9 Assessor Award
- 5 staff completed the L&D 11 Verifier Award.

57 members of staff from across the College took part in a half day 'Unconscious Bias and the Further Education Environment' workshop in February 2020, delivered by MARCH Training. The workshop considered the protected characteristics covered under the Equality Act 2010 and the consequence of unconscious bias within teaching, learning and retention, providing participants with strategies to ensure a fair student recruitment process and inclusive lessons and environments.

A number of staff have also accessed the 'Promoting Positive Behaviours' e-learning course from MARCH Training. This training provides information and techniques to minimise challenging behaviours amongst learners. It also provides staff with an understanding of the factors that increase the risk of challenges occurring, and equipping them with tools and strategies that safely help reduce challenges within both the classroom and around campus.

Equality and Inclusion

Ayrshire College is an inclusive, community-focused regional college and continues to demonstrate its commitment to equality and inclusion through, for example, its Strategic Plan 2017-2020 and Equality Outcomes 2017-2021. During the period 2019-2020, the College continued to fulfil this commitment by leading on several initiatives and activities to improve the experiences of students and staff alike. These included the award-winning student mental health campaign – Passing Positivity; the highly praised Ayrshire LGBT+ Education Network; and the hugely important, awareness raising and development of a support infrastructure regarding gender-based violence.

Following the outbreak of COVID-19, the College has been proactive in its response to student and staff equality, inclusion and wellbeing. At the same time, the College has been working successfully with its community partners to address and tackle the most pressing and prevalent issues effecting local communities in the Ayrshire region. It is clear that, the importance of ensuring the rights and opportunities of everyone are respected, valued and protected has never mattered more.

To this end, the College is in a strong position having already established structures, mechanisms and support in place including the Values, Inclusion, Equality and Wellbeing (VIEW) Steering Group and its associated sub-groups. These include the Promoting Wellbeing Group, and short-life working groups, such as the Positive about Disability project group. The VIEW Steering Group, led by the Director of HR and Organisational Development, provides leadership in the delivery of the College's Equality Outcomes 2017-2021. It has, for example, successfully overseen positive outcomes including the increased disclosure of male student mental health conditions and the increased disclosure of staff disability or long-term health conditions. Incidences such as these are attributable to the College's ongoing development of an inclusive culture as well as the steps being taken to make fundamental, organisational changes.

The College's ambitions extend to being sector-leading and playing its part in the further and higher education sector. The College's Equality and Inclusion Advisor continues to co-chair the Trans Edu Community of Practice for colleges and universities in Scotland. In November 2019, the College was

formally invited to become a member of 'Fearless Glasgow', a consortium of colleges and universities in the West of Scotland committed to working together to tackle and end gender-based violence.

Further information about the College's progress in mainstreaming equality and its Equality Outcomes 2017-2021 is published on the College's website.

Health Safety and Wellbeing

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

A range of developments were undertaken during 2019-20 (prior to COVID-19) to promote the College's culture of health, safety and wellbeing. These developments built on the strong foundation of work undertaken by the College in prior years.

The Health, Safety and Wellbeing of staff, students and visitors is of paramount importance to the College at all times. This was one of the four overall principles that led to the formation of the College's Campus Operations Steering Group in response to the COVID-19 pandemic. The duties of the Group included establishing and overseeing the work of appropriate workstreams to support and inform the work needed to reopen the College safely and effectively. The Group also ensures that the health, safety and well being of staff, students and visitors continues to be of paramount importance now that the campuses are open.

Student Involvement

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

Disclosure of Information to Auditors

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

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

W Mackie
Chair

C Turnbull
Principal

ACCOUNTABILITY REPORT

Corporate Governance Report

Statement of Board of Management's Responsibilities

Remuneration and Staff Report

CORPORATE GOVERNANCE REPORT

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

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

In the opinion of the Board of Management, the College has complied with the Scottish Public Finance Manual (SPFM) throughout the year ended 31 July 2020. The College complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges and it has complied throughout the year ended 31 July 2020.

Board of Management

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

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

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

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

Directors' Report

This section of the report sets out the members who served on the Board of Management during the year to 31 July 2020 (Table 5).

Table 5 – Serving Board Members 2019-20

| Board Member | Committees Served | Status of Appointment | Date of Appointment | Date of Resignation |
|-----------------|---|---|---|---|
| Mr W Mackie | <ul style="list-style-type: none"> • Business, Resources & Infrastructure • Performance, Review & Remuneration • Search & Nomination | Chair of Ayrshire College BOM Chair of Ayrshire Regional College BOM | 01.08.13 03.03.14 Reappointed 03.03.18 | |
| Ms E Anderson | <ul style="list-style-type: none"> • Learning & Teaching • Audit | Non-Executive Board Member | 01.08.19 | |
| Ms F Blain | <ul style="list-style-type: none"> • Learning & Teaching • Business Resources & Infrastructure | Elected Support Staff | 01.08.19 | 31.07.20 |
| Ms M Bryan | <ul style="list-style-type: none"> • Audit • Learning & Teaching | Non-Executive Board Member | 01.08.16 | 31.07.20 (completed period of appointment) |
| Mr S Cooley | <ul style="list-style-type: none"> • Business, Resources & Infrastructure | Non-Executive Board Member | 01.08.19 | |
| Mr C Hall | <ul style="list-style-type: none"> • Business, Resources & Infrastructure • Learning & Teaching | Elected Curriculum / Support Staff | 01.08.18 | 31.07.20 |
| Mr S Graham | <ul style="list-style-type: none"> • Learning & Teaching • Audit | Non-Executive Board Member | 01.08.19 | |
| Mr G James | <ul style="list-style-type: none"> • Audit • Learning & Teaching • Performance Review & Remuneration • Search & Nomination | Non-Executive Board Member | 01.08.14 Reappointed 01.08.16 | 31.07.20 (completed period of appointment) |
| Ms L Howieson | <ul style="list-style-type: none"> • Learning & Teaching • Business Resources & Infrastructure | Elected Student Member | 01.08.19 | |
| Mr J McCrindle | <ul style="list-style-type: none"> • Learning & Teaching | Elected Student Member | 01.08.18 | 31.07.20 |
| Ms Mary McClung | <ul style="list-style-type: none"> • Learning & Teaching • Business Resources & Infrastructure | Non-Executive Board Member | 01.08.19 | |
| Prof. F McQueen | <ul style="list-style-type: none"> • Business, Resources & Infrastructure • Learning and Teaching • Performance Review & Remuneration • Search & Nomination | Non-Executive Board Member | 01.08.18 | |

| Board Member | Committees Served | Status of Appointment | Date of Appointment | Date of Resignation |
|-----------------|--|----------------------------|---------------------------------------|---------------------|
| Ms H Murphy | <ul style="list-style-type: none"> Audit Business, Resources & Infrastructure | Non-Executive Board Member | 01.08.18 | |
| Mr M Stewart | <ul style="list-style-type: none"> Learning & Teaching Business Resources & Infrastructure | Non-Executive Board Member | 01.08.19 | |
| Ms A Sutherland | <ul style="list-style-type: none"> Learning and Teaching Audit | Non-Executive Member | 01.08.19 | |
| Ms C Turnbull | <ul style="list-style-type: none"> Business, Resources & Infrastructure Learning and Teaching | Principal | 01.03.19 | |
| Mr A Walker | <ul style="list-style-type: none"> Learning and Teaching Business, Resources & Infrastructure Performance, Review & Remuneration Search & Nomination | Non-Executive Board Member | 01.08.14 Reappointed from 01.08.17 | 23.09.20 |
| Mr S Wallace | <ul style="list-style-type: none"> Learning & Teaching Business, Resources & Infrastructure Performance, Review & Remuneration Search & Nomination | Non-Executive Board Member | 01.08.18 | |

Table 6 details the number of Board of Management meetings that took place during the individual members' time as a board member during 2019-20 and how many of these meetings that they were able to attend.

Table 6 – Board Members Attendance 2019-20

| Board Member | Board Meetings During Appointment | Board Meetings Attended |
|---------------|-----------------------------------|-------------------------|
| Mr W Mackie | 4 | 4 |
| Ms E Anderson | 4 | 4 |
| Ms F Blain | 4 | 2 |
| Ms M Bryan | 4 | 3 |
| Mr S Cooley | 4 | 4 |
| Mr C Hall | 4 | 3 |
| Mr S Graham | 4 | 4 |
| Mr G James | 4 | 3 |
| Ms L Howieson | 4 | 3 |

| Board Member | Board Meetings During Appointment | Board Meetings Attended |
|-----------------|-----------------------------------|-------------------------|
| Ms M McClung | 4 | 3 |
| Mr J McCrindle | 4 | 4 |
| Prof. F McQueen | 4 | 4 |
| Ms H Murphy | 4 | 3 |
| Mr M Stewart | 4 | 4 |
| Ms A Sutherland | 4 | 2 |
| Ms C Turnbull | 4 | 4 |
| Mr A Walker | 4 | 3 |
| Mr S Wallace | 4 | 3 |

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

The Board of Management conducts its business through a number of committees. The committees comprise members of the Board of Management. The Board and its committees also have the authority to co-opt members, but co-opted members may not chair or vote at meetings. In 2019-20 the only co-opted member was Mr Paul Houlden, as the requisite external member of the Search and Nomination Committee.

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

Register of Interests

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

Appointments to the Board of Management

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

Any new appointments to the Board of Management are a matter for the consideration of the Board of Management as a whole. As such, there is a Search and Nomination Committee that is responsible for the selection and nomination of any new non-executive member for the Board of Management's consideration. The Search and Nomination Committee is also responsible on behalf of the Board for the process leading to the Appointment of the College Principal. The Board of Management has an induction programme in place and Board development activities were held during 2019-20.

Audit Committee

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

Business, Resources and Infrastructure Committee

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

Learning and Teaching Committee

The Learning and Teaching Committee consists of members from the Board of Management including the Principal and at least one student member. This Committee's responsibilities are to oversee the strategic and operational planning of Learning and Teaching within the College and provide assurance to the Board on student issues and the learning and teaching performance of the College.

Performance Review and Remuneration Committee

Membership of this Committee comprises the Chair of the Board of Management, the Vice Chair, the Senior Independent Member and the chairs of each of the Board's committees. The Committee is chaired by a non-executive member of the Board and cannot be chaired by the Chair of the Board of Management. This Committee's responsibilities are to agree remuneration for the Principal, Vice Principals and Directors, taking account of any advice given by the SFC in the remuneration of the Principal and senior managers, taking account of any guidelines issued by the Scottish Government and/or UK Treasury and reporting to the Board of Management on remuneration for senior staff.

Search and Nomination Committee

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

Personal data-related incidents

SFC requires colleges to outline any significant lapses of data security that take place during the year. During 2019-20 Ayrshire College reported no data-related incidents to the Information Commissioner's Office.

GOVERNANCE STATEMENT

Principal Risks and Uncertainties

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

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

The Internal Audit service for 2019-20 was performed by BDO. Internal audit concentrated on areas of key activities determined by risk analysis and in accordance with the annual internal audit plan approved by the Audit Committee. The Internal Auditors had direct access to the Chair of the Audit Committee and issued an annual report with an opinion on the adequacy, reliability and effectiveness of the College's internal control system.

The management of strategic risks is a key responsibility for the Audit Committee, Board of Management and both the executive and senior leadership teams. The key elements and management of strategic risk faced by Ayrshire College are included in the College's Risk Register.

The Audit Committee considers the management of risk at each committee meeting. The College Risk Register is updated quarterly and presented to every Audit Committee and Board of Management meeting. Each substantive sub-committee of the Board receives and considers the Committee's extract from the current version of the Corporate Risk Register. The committees advise the Audit Committee accordingly on any changes to the risk or to new risks that have arisen.

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

- Board of Management
- Business, Resources and Infrastructure
- Learning and Teaching

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

During the final quarter of 2019-20 the College adapted its risk management framework to reflect the COVID-19 pandemic. This has included how the College is managing issues as well as how it is managing and reporting risks. In March 2020 the Board of Management agreed to include a new strategic risk relating to the potential impact of COVID-19. This was the risk that:

"The Coronavirus outbreak forces an unplanned closure of the College's campuses / significant loss of staff resulting in a failure to provide curriculum service delivery and the inability to maintain core college services."

Business, Resources and Infrastructure Committee and the Learning and Teaching Committee discussed and considered their own risk management responsibilities in the cycle of meetings. On behalf of the Board of Management, the Audit Committee reviewed the Board's risk management position and considered the arrangements to mitigate the COVID-19 risk groupings identified. The COVID-19 risk register was then presented to and considered by the Board of Management.

Impact of COVID-19 on Governance Arrangements

The Board of Management and its sub-committees continued to meet throughout the COVID-19 pandemic. These meetings were conducted remotely using digital technology. The College already used an online portal for the sharing and viewing of board and committee papers. Therefore the move to digital meetings did not impact the existing arrangements for board member oversight or the distribution of documentation.

Regular updates on COVID-19 were reported to the Board of Management and its sub-committees. The College established a Campus Operations Steering Group to oversee the College's response to COVID-19. The Steering Group identified workstreams that support and inform the work needed to reopen the College safely and effectively. These workstreams work closely together to share plans, needs and approaches to ensure that activities are joined up on a whole college basis.

Infrastructure Strategy

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

STATEMENT OF INTERNAL CONTROL

Scope of Responsibility

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

Purpose of the System of Internal Control

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

Capacity to Handle Risk

The Board of Management has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. These key risks are identified and addressed within the risk register maintained by the College during the twelve months to 31 July 2020.

The Risk and Control Framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget which is reviewed and approved by the Board of Management.
- Regular reviews by the Board of Management of periodic and annual financial reports which indicate financial performance against targets.
- Setting targets to measure financial and other performance.

- The operation of and reporting to the Board of Management from an Internal Audit service.

The College's Internal Auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input, and report their findings to Management and the Audit Committee.

Management is responsible for the implementation of agreed audit recommendations and the College's Internal Auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from SFC and other key agencies as they affect the College's business and monitors adherence to the regulatory requirements.

COVID-19 Risk Management

Due to the current COVID-19 pandemic, the College adapted its risk management arrangements to reflect the circumstances in which it is currently operating. This has included how the College is managing issues as well as how it is managing and reporting risks.

The COVID-19 virus did result in the College having to close all its campuses in late March 2020. Due to mitigating actions taken by the College there was a plan in place for closure of its campuses, working remotely and the reopening of campuses.

All areas of the College have undertaken a range of mitigating actions to minimise the impact of COVID-19. High level summaries of these actions were reported to the Board of Management and the Audit Committee. Risk assessments were developed for the College to ensure that appropriate actions were being taken to protect staff and students. These risk assessments were considered and approved in consultation with EIS-FELA and Unison representatives. Risk assessments were also prepared for each curriculum and service area, thus enabling additional localised actions to be taken. Staff members returning to campus operations were also required to undertake individual risk assessments.

The College established a review panel to ensure appropriate consideration has been given to all necessary requirements, prior to staff and teams returning to our campuses and work locations. All recommendations and outcomes from the review panel process are required to be fully implemented prior to staff and teams returning to campus.

Further information on the College's COVID-19 risk management arrangements are detailed in the College's governance statement.

Brexit Risk Management

When considering its principal risks and uncertainties Ayrshire College recognised that there are specific risks arising from Brexit. The College therefore established a separate Brexit risk register in 2019-20 to set out the specific risks arising from Brexit and the steps being taken to mitigate those risks. These were contained within one overarching risk. The risk was defined as follows:

"There is a risk to the College of the decision to leave the European Union (EU)."

The Board of Management recognises that the significant uncertainty continues to surround the Brexit process. The risks and full impact of Brexit therefore cannot yet be quantified. Therefore, the College works using the most up to date information available.

The Board of Management expects the College to have strong planning and monitoring systems in place to ensure can respond effectively to changes in Brexit policies, legislation, and changes in local circumstances and local needs. In addition, the planning for Brexit should fully consider demographics, supply chain pressures, increases in delivery times for goods and services, other institutions seeking to

target college students to off set their lost revenue due to overseas students no longer being able to attend these institutions and the impact of currency fluctuations on the supply chain.

The Committee understands the financial context in which the College operates. The modelling and planning underpinning Brexit preparations must allow for planning leeway, be balanced against delivery of the Colleges outcomes and objectives, and ensure value for money.

The College continues to monitor and review Brexit negotiations and dialogue so that it can plan and prepare accordingly.

Review of Effectiveness

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

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

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

Going Concern

The College took a range of actions to mitigate the impact of COVID-19 and thus ensure that the College could continue to deliver services during national and local lockdowns. The College developed a critical incident plan which covered closing the campus, maintaining services during lockdown and reopening as lockdown restrictions were eased. The College then established the Campus Operations Steering Group to oversee the College's response to COVID-19. The Group continues to work together to support staff and students as the College moves forward in AY 2020-21.

After making appropriate enquiries, the Board of Management considers that the College has adequate resources to continue operations for AY2020-21. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Conclusion

The College continued to improve and enhance its reputation in 2019-20, particularly in the areas of corporate governance, high quality learning and teaching, strategic planning and improving the College's estate.

The COVID-19 pandemic had a significant impact on the country and on the way the College delivered its services. The College's response to the pandemic demonstrates its robust business continuity planning arrangements, the resilience of staff and students and the College's commitment to providing the best quality service to its learners.

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

W Mackie
Chair

C Turnbull
Principal

STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES

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

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

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and 2005, the Statement of Recommended Practice on Accounting for Further and Higher Education, the 2018-19 Government Financial Reporting Manual (FReM) and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between SFC and the College's Board of Management, the Board of Management, through its designated office holder, is required to prepare financial statements for each financial period which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that period.

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

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

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

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

The Board of Management has taken reasonable steps to:

- Ensure that funds from the SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- Safeguard the assets of the College and prevent and detect fraud;
- Secure the economical, efficient and effective management of the College's resources and expenditure.

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

- Clear definitions of the responsibilities of, and the authority delegated to, managers across the College;
- A comprehensive planning process, supplemented by detailed annual budgets including income, expenditure, capital and cash flows;
- Regular reviews of key performance indicators and business risks and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management;
- Comprehensive financial regulations, detailing financial controls and procedures, approved by the Audit Committee, BRIC and the Board of Management;
- A professional internal audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Management and the team provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

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

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

W Mackie
Chair

C Turnbull
Principal

REMUNERATION AND STAFF REPORT

Remuneration Policy

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

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

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

Operation of the Remuneration Committee

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

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

The Vice Principal – People can be called to attend the meeting for the purposes of providing professional advice, as required by the Committee.

Senior Management Remuneration including salary and pension costs

Salary entitlements

In this section of the report the College has set out, in bands of £5,000, the remuneration of executive management during 2019-20 (Table 7).

Table 7 – Remuneration of Senior Management 2019-20

| Name | 12 months ended 31 July 2020 | | | 12 months ended 31 July 2019 | | |
|----------------------------|------------------------------|----------------------------|---------------|------------------------------|----------------------------|---------------|
| | Salary* £000 | Pension benefit £000 | Total £000 | Salary* £000 | Pension benefit £000 | Total £000 |
| C Turnbull, Principal ** | 135-140 | 1,168 | 1,305 –1,310 | 55-60 | 17 | 70-75 |
| A Campbell, Vice Principal | 95-100 | 94 | 195-200 | 35-40 | 47 | 80-85 |
| M Breen, Vice Principal | 110-115 | 80 | 190-195 | 90-95 | 40 | 130-135 |
| J McKie, Vice Principal | 110-115 | 57 | 165-170 | 90-95 | 36 | 125-130 |
| W Mackie, Chair | 25-30 | - | 25-30 | 25-30 | - | 25-30 |

* Please note the salary band reflects the actual salary paid and not the salary band of the post held by the individual.

** The figures shown in Table 7 reflect the fact that the Principal's benefits were transferred into Ayrshire College during 2019-20

The details in the tables in this section of the report are subject to audit. The format of the tables has been set by the SFC as part of its accounts direction to colleges for 2019-20.

The pension benefit figure included within Table 7 is derived by using a calculation set out by SFC in the 2019-20 accounts direction. The accounts direction states that:

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

Median Remuneration

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

The midpoint band of the remuneration of the highest paid official in the organisation in financial year 2019-20 was £137,250 (2018-19, £132,500). This was 3.6 times (2018-19, 3.6 times) the median remuneration of the workforce which was £37,737 (2018-19, £37,295)

Accrued Pension Benefits

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

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

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

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on final pensionable salary and years of pensionable service.

Senior Officials' Pension

Pension benefits are provided to senior officials on the same basis as all other staff. The senior officials are members of either the STSS or the SPF as noted below.

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

Table 8 – Employer's Contributions by Senior Official

| Name | Senior Official's Pension Scheme | Accrued pension at pension age at 31 July 2020 £000 | Accrued lump sum at pension age at 31 July 2020 £000 | Real increase in pension 1 August 2019 to 31 July 2020 £000 | Real increase in lump sum 1 August 2019 to 31 July 2020 £000 | CETV at 31 July 2020 £000 | CETV at 31 July 2019 £000 | Real increase in CETV £000 |
|-------------|----------------------------------|--|---|---|--|------------------------------|------------------------------|-------------------------------|
| C Turnbull* | SPF | 60 | 103 | 59 | 103 | 1,131 | 18 | 1,113 |
| M Breen | SPF | 35 | 43 | 5 | 4 | 534 | 460 | 74 |
| A Campbell | STSS | 25 | 53 | 5 | 11 | 357 | 277 | 80 |
| J McKie | SPF | 21 | 2 | 3 | - | 397 | 333 | 64 |

* The figures shown in Table 8 reflect the fact that the Principal's benefits were transferred into Ayrshire College during 2019-20

Cash Equivalent Transfer Value

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

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

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

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

Compensation for loss of office

No compensation payments were made for the loss of office during 2019-20.

No members of staff left the College under a voluntary severance scheme. During 2019-20 the College made partial voluntary severance payments of £10,145. These partial voluntary severance payments were

to eight members of its cleaning staff to support the alignment of cleaning staff's hours with the revised campus opening times.

Salaries and related costs for 2019-20 totalled £32,670,000 (Table 9).

Table 9 – Salaries and Related Costs 2019-20

| | 2019-20 | | | 2018-19 |
|------------------------|---------------------------------|-----------------------------------|---------------|---------------|
| | Directly employed staff £000 | Seconded and agency staff £000 | Total £000 | Total £000 |
| Wages and salaries | 25,364 | 2 | 25,366 | 24,833 |
| Social security costs | 2,440 | - | 2,440 | 2,466 |
| Other pension costs | 4,864 | - | 4,864 | 4,089 |
| TOTAL | 32,668 | 2 | 32,670 | 31,388 |
| Average number of FTEs | | | 721 | 732 |

Sickness Absence

Total sickness absence during 2019-20 was 4.2%. Of this, 1.56% was due to short-term and 2.6% was long-term sickness absence (Table 10).

Table 10 – Sickness Absence

| | 2019-20 | 2018-19 |
|--------------|--------------|--------------|
| Short-term | 1.56% | 1.73% |
| Long-term | 2.60% | 2.29% |
| Total | 4.16% | 4.02% |

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

Trade Union Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, Ayrshire College provided support through paid facility time for union officials working at the College. The information for the year ended 31 March 2020 is set out in the Tables 11 to 13.

Table 11 – Relevant Union Officials

| Number of employees who were union officials during 2019-20 | Employee number by FTE: |
|---|-------------------------|
| 9.0 | 1.02 |

Table 12 – Percentage of Time Spent on Facility Time

| Percentage | Number of Employees |
|------------|---------------------|
| 0% | 0 |
| 1%-50% | 9 |
| 51%-99% | 0 |
| 100% | 0 |

Table 13 – Percentage of Pay Bill Spent on Facility Time

| | |
|---|-------------|
| Total cost of facility time | £116,254 |
| Total pay bill | £32,483,793 |
| Percentage of total pay bill spent on facility time | 0.4% |

Total time spent on trade union activities as a percentage of total paid facility time hours during 2019-20 was 100%. The College also releases union officials to support staff with other meetings as required.

Approval of the Remuneration Report

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

W Mackie
Chair

C Turnbull
Principal

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

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Ayrshire College for the year ended 31 July 2020 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet and Statement of Cash Flows and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2020 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is five years. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of pension fund property assets

We draw attention to Note 1(m) of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the College's share of Strathclyde Pension Fund's property assets. Our opinion is not modified in respect of this matter.

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.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Board of Management for the financial statements

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

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual report and accounts

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our independent auditor's report. 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, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on other matters prescribed by the Auditor General for Scotland

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

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

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

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited 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.; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

Lucy Nutley

For and on behalf of Mazars LLP

100 Queen Street
Glasgow
G1 3DN

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR TO 31 JULY 2020

| | Note | Recurring | Non-recurring | Year ended 31 July 2020 £000 | Year ended 31 July 2019 £000 |
|---|------|----------------|---------------|---------------------------------------|---------------------------------------|
| INCOME | | | | | |
| SFC grants | 2 | 44,461 | | 44,461 | 46,418 |
| Tuition fees and education contracts | 3 | 4,345 | | 4,345 | 4,269 |
| Other grants and contracts | 4 | 307 | | 307 | 741 |
| Other income | 5 | 2,265 | | 2,265 | 2,518 |
| Investment income | 6 | 2 | | 2 | 6 |
| Total Income | | 51,380 | | 51,380 | 53,952 |
| EXPENDITURE | | | | | |
| Staff costs | 7 | 36,197 | - | 36,197 | 34,833 |
| Restructuring costs | 7 | - | 10 | 10 | 982 |
| Release of Provision / Impairment of Buildings | | - | - | - | (332) |
| Non-recurring Costs re NPD Contract | | - | - | - | 1,809 |
| Other operating expenses | 9 | 9,499 | - | 9,499 | 10,808 |
| Depreciation | 12 | 3,985 | - | 3,985 | 3,955 |
| Interest and other financial costs | 10 | 3,256 | - | 3,256 | 3,249 |
| Total Expenditure | | 52,937 | 10 | 52,947 | 55,304 |
| Surplus/(deficit) before other gains/(losses) | | (1,557) | (10) | (1,567) | (1,352) |
| Gain/(loss) on disposal of assets | | - | - | - | - |
| Surplus/(deficit) before tax | | (1,557) | (10) | (1,567) | (1,352) |
| Taxation | 11 | - | - | - | - |
| (Deficit) for the year | | (1,557) | (10) | (1,567) | (1,352) |
| Actuarial gain / (loss) in respect of pension schemes | | - | - | (11,770) | (5,400) |
| Total Comprehensive Income for the year | | (1,557) | (10) | (13,337) | (6,752) |

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

The Statement of Comprehensive Income is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 32 provides details of the adjusted operating position on a Central Government accounting basis.

STATEMENT OF CHANGES IN RESERVES

| | Income and Expenditure Account £000 | Restricted Reserves £000 | Revaluation Reserve £000 | Total £000 |
|--|--|--------------------------------|--------------------------------|-----------------|
| Balance at 31 July 2019 | (197) | 466 | 33,931 | 34,200 |
| Surplus/(deficit) from the income and expenditure statement | (1,567) | - | - | (1,567) |
| Transfers from pension reserve to income and expenditure reserve | (11,770) | - | - | (11,770) |
| Revaluation | - | - | - | - |
| Transfers between revaluation and income and expenditure reserve – HC Depreciation | 949 | - | (949) | - |
| Total comprehensive income for the year | (12,388) | - | (949) | (13,337) |
| Balance at 31 July 2020 | (12,585) | 466 | 32,982 | 20,863 |

BALANCE SHEET AS AT 31 JULY 2020

| | Note | Year ended 31 July 2020 £000 | Year ended 31 July 2019 £000 |
|---|------|---------------------------------------|---------------------------------------|
| Fixed Assets | | | |
| Tangible fixed assets | 12 | 106,554 | 110,144 |
| Total fixed assets | | 106,554 | 110,144 |
| Current Assets | | | |
| Stocks | | 30 | 21 |
| Debtors | 13 | 2,570 | 2,028 |
| Cash and cash equivalents | 19 | 3,912 | 2,705 |
| Total current assets | | 6,512 | 4,754 |
| Less: Creditors – amounts falling due within one year | 14 | 7,188 | 7,152 |
| Net current assets/(liabilities) | | (676) | (2,398) |
| Total assets less current liabilities | | 105,878 | 107,746 |
| Less: Creditors – amounts falling due after more than one year | 15 | 46,272 | 48,687 |
| Less: Deferred capital grants due to be released after one year | 16 | 9,464 | 10,115 |
| Provisions | | | |
| Early Retirement Provision | 17 | 1,474 | 1,277 |
| Other Provisions | 17 | 461 | 854 |
| Net Assets excluding pension liability | | 48,207 | 46,813 |
| Net pension liability | 20 | (27,344) | (12,613) |
| NET ASSETS INCLUDING PENSION LIABILITY | | 20,863 | 34,200 |
| Income and expenditure account excluding pension reserve | | | |
| | 18 | 14,759 | 12,416 |
| Pension reserve | 18 | (27,344) | (12,613) |
| | | (12,585) | (197) |
| Restricted Reserves | | 466 | 466 |
| Revaluation Reserve | 18 | 32,982 | 33,931 |
| TOTAL RESERVES | | 20,863 | 34,200 |

The financial statements on pages 40 to 67 were approved by the Board of Management and are signed on its behalf by:

W Mackie
Chair

C Turnbull
Principal

CASH FLOW STATEMENT FOR THE YEAR TO 31 JULY 2020

| | | Year ended 31 July 2020 | Year ended 31 July 2019 |
|---|------|----------------------------------|-------------------------------|
| | Note | £000 | £000 |
| Cash inflow from operating activities | | | |
| Surplus/(deficit) for the year | | (1,567) | (1,352) |
| Adjustment for non cash items | | | |
| Depreciation | 12 | 3,985 | 3,955 |
| Net (gain)/loss on disposal of fixed assets | | - | - |
| Deferred capital grants released to income | 16 | (1,225) | (1,242) |
| (Increase)/decrease in stock | | (9) | 2 |
| (Increase)/decrease in debtors | 13 | (542) | (727) |
| Increase/(decrease) in creditors | 14 | 355 | 4 |
| (Decrease)/increase in provisions | 17 | (196) | (731) |
| (Decrease)/increase in reserves | | - | - |
| Impairments of Buildings | 12 | - | - |
| Net return on pension liability | 20 | 2,961 | 2,818 |
| Returns on investments and servicing of finance | | (290) | (154) |
| Taxation | | - | - |
| Cash flows from investing and financing activities | | | |
| Interest receivable – bank interest | 6 | (2) | (6) |
| Interest payable | 10 | 292 | 160 |
| PFI/NPD Capital Payments | 15 | (2,284) | (2,177) |
| Purchase of tangible fixed assets | 12 | (395) | (1,753) |
| Proceeds from sale of tangible fixed assets | | - | 1,050 |
| Deferred Capital Grants Receipts | 16 | 124 | 1,135 |
| Increase/(decrease) in cash and cash equivalents in the year | | 1,207 | 982 |
| Reconciliation of net cash flow to movement in net funds | | | |
| Increase/(decrease) in cash and cash equivalents in the year | | 1,207 | 982 |
| Net funds at 1 August 2019 | | 2,705 | 1,723 |
| Net funds at 31 July 2020 | | 3,912 | 2,705 |

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of Principal Accounting Policies

a) Basis of Preparation

The financial statements are prepared on a going concern basis and show a deficit for the year of (£1,557,000) before non-recurring items, with an accumulated deficit on the income and expenditure reserve of (£12,585,000). At 31 July 2020, current assets of £6,512,000 included cash and bank balances of £3,912,000. Creditors falling due within one year were £7,188,000, with net current liabilities of (£676,000).

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

b) Basis of Accounting

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

c) Recognition of income

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

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

d) Grant Funding

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

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

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

e) Maintenance of premises

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

f) Pension schemes

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

g) Tangible fixed assets

Private Finance Initiative (PFI) Assets

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

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

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

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

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

The annual cost of the service charge and finance cost are disclosed within Other Operating Expenses and Interest Payable notes 9 and 10 to these financial statements.

NPD Assets

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

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

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

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

The annual cost of the service charge and finance cost are disclosed within Other Operating Expenses and Interest Payable notes to these financial statements (notes 9 and 10).

g) Tangible fixed assets (continued)

Land and buildings

Land and buildings inherited from the former Strathclyde Regional Council in 1993 are stated in the Balance Sheet at a valuation on the basis of depreciated replacement cost for specialised properties and open market value for non-specialised properties, as at 31 July 2020, less amounts written off by way of depreciation.

Land and buildings acquired since incorporation are included in the balance sheet at revaluation plus cost where this is over £5,000. Project expenditure is counted as a single asset. Freehold land associated with the buildings and undeveloped freehold land is not depreciated. Freehold building costs are depreciated on a straight line basis over their useful economic life, as assessed by external valuers, as follows:-

| | |
|-----------------------------------|------------------|
| Main buildings and infrastructure | (up to) 68 years |
| Temporary buildings | (up to) 10 years |

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

Leased assets are depreciated over the life of the lease.

Equipment

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

| | | |
|--------------|---|---|
| IT assets | - | Over £1,000 for single items or over £5,000 for groups of related assets |
| Other assets | - | Over £5,000 for single items or over £10,000 for groups of related assets |

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

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

h) Leased Assets

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

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

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

i) Stocks

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

j) Taxation

As a Scottish charity, the College benefits by being exempt from corporation tax on income and surpluses which have been derived in pursuing activities designed to carry out the main objects of its charitable status.

The College is exempted from levying VAT on most of the services it provides to students. For this reason, the College is generally unable to recover input VAT it suffers on goods and services purchased for Curriculum Areas. The College is able to recover VAT on certain trading activities and can partially recover some input tax on other non-Curriculum Area expenditure.

k) Provisions

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

l) Financial Instruments

The College only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and other loans to related parties.

Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

m) Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- **Tangible fixed assets**

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account.

- **Local Government Pension Scheme**

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability.

- Material Value Uncertainty (MVU)

Avison Young undertook a valuation of Strathclyde Pension Fund's (SPF) UK property portfolio. The valuation includes a "Material Valuation Uncertainty Clause". The response to COVID-19 meant that they were faced with an unprecedented set of circumstances on which to base a judgement. As at the valuation date, Avison Young considered that less weight could be attached to previous market evidence for comparison purposes to inform opinions of value. Their valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Valuation – Global Standards effective from 31 January 2020. Consequently, less certainty – and a higher degree of caution – should be attached to their valuation than would normally be the case.

Ayrshire College is a member of SPF. Therefore Ayrshire College has chosen to include an MVU in its 2019-20 Accounts. For the avoidance of doubt, this does not mean that the valuation cannot be relied upon. Rather, the material uncertainty clause is used in order to be clear and transparent with all parties, in a professional manner that – in the current COVID-19 circumstances – less certainty can be attached to the valuation than would otherwise be the case.

| | Year ended 31 July 2020 | Year ended 31 July 2019 |
|---|----------------------------------|----------------------------------|
| Note | £000 | £000 |
| 2 SFC grants | | |
| FE recurrent grant (including fee waiver) | 34,373 | 33,127 |
| HE & FE childcare funds | 711 | 863 |
| Release of deferred capital grants | 1,154 | 1,171 |
| Maintenance grant | 655 | 1,332 |
| NPD UC Grant (include Capital) | 4,774 | 4,762 |
| NPD Grant (final payment) | - | 1,809 |
| Additional financial support | 700 | - |
| SFC ESOL Grant | - | 104 |
| SFC Grants re National Bargaining | 441 | 1,158 |
| SFC Grants re VS Costs | - | 1,015 |
| Other SFC Grants | 1,653 | 1,077 |
| Total | 44,461 | 46,418 |
| 3 Tuition fees and education contracts | | |
| FE fees – UK | 423 | 505 |
| FE fees - EU | - | - |
| FE fees – non EU | - | - |
| HE fees | 2,641 | 2,668 |
| Education contracts | 1,160 | 929 |
| Other contracts | 121 | 167 |
| Total | 4,345 | 4,269 |
| 4 Other grant income | | |
| European funds | - | - |
| Grants from Ayrshire College Foundation – Capital | 209 | 618 |
| Grants from Ayrshire College Foundation - Revenue | 27 | 52 |
| Release of deferred capital grants | 71 | 71 |
| 16 | 71 | 71 |
| Total | 307 | 741 |
| 5 Other operating income | | |
| Catering | 903 | 1,158 |
| Other income-generating activities | 406 | 765 |
| Other income | 956 | 595 |
| Total | 2,265 | 2,518 |
| 6 Investment Income | | |
| Other interest receivable | 2 | 6 |
| Net return on pension asset/liability | - | - |
| Total | 2 | 6 |

| | Year ended 31 July 2020 | Year ended 31 July 2019 |
|-------------------------------------|-------------------------------|-------------------------------|
| Note | £000 | £000 |
| 7 Staff costs | | |
| Wages and salaries | 25,366 | 24,833 |
| Social security costs | 2,440 | 2,466 |
| Other pension costs | 4,864 | 4,089 |
| | 32,670 | 31,388 |
| FRS 102 pension adjustments | 2,669 | 2,658 |
| Job Evaluation | 858 | 787 |
| Total | 36,197 | 34,833 |
| Curriculum departments | 18,153 | 16,475 |
| Curriculum services | 5,200 | 5,592 |
| Administration and central services | 9,944 | 9,907 |
| Premises | 1,339 | 1,396 |
| Catering | 703 | 676 |
| Sub-total | 35,339 | 34,046 |
| Job Evaluation | 858 | 787 |
| | 36,197 | 34,833 |
| Non-recurring restructuring costs | 10 | 982 |
| Total | 36,207 | 35,815 |

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

| | 2020 No. | 2019 No. |
|-------------------------------------|-------------|-------------|
| Academic/teaching departments | 318 | 316 |
| Academic/teaching services | 116 | 129 |
| Administration and central services | 203 | 205 |
| Premises staff | 51 | 54 |
| Catering staff | 33 | 28 |
| Total | 721 | 732 |

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

| | 2020 No. | 2019 No. |
|--------------------------------|-------------|-------------|
| £50,001 to £60,000 per annum | 17 | 14 |
| £60,001 to £70,000 per annum | - | 2 |
| £70,001 to £80,000 per annum | 3 | 8 |
| £80,001 to £90,000 per annum | 4 | - |
| £90,001 to £100,000 per annum | 1 | 3 |
| £100,001 to £110,000 per annum | - | - |
| £110,001 to £120,000 per annum | 2 | - |
| £120,001 to £130,000 per annum | - | - |
| £130,001 to £140,000 per annum | 1 | 1 |

8 Senior post-holders' emoluments

| | Note | 2020 No. | 2019 No. |
|---|------|--|--|
| The number of senior post-holders, including the Principal was: | | 4 | 4 |
| | | Year ended 31 July 2020 £000 | Year ended 31 July 2019 £000 |
| Senior post-holders' emoluments are made up as follows: | | | |
| Salaries | | 461 | 391 |
| Benefits in kind | | - | - |
| Employers Pension contributions | | 92 | 73 |
| Total emoluments | | 553 | 464 |

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

| | Year ended 31 July 2020 £000 | Year ended 31 July 2019 £000 |
|-------------------------------------|--|--|
| Salary – Principal resigned 31/3/19 | - | 100 |
| Salary – Principal started 1/3/19 | 136 | 55 |
| Bonus | - | - |
| Benefits in kind | - | - |
| | 136 | 155 |
| Employers Pension contributions | 26 | 28 |

8 Senior post-holders' emoluments (continued)

In 2019-20 the Principal and two other senior postholders were members of the Strathclyde Pension Fund and one senior post holder was a member of the Scottish Teachers Superannuation Scheme. All pension contributions were paid at the same rate as for other members.

The members of the Board of Management, other than the Chair (see below), the Principal and staff members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Chair's Remuneration

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

2019-20: £27,560

2018-19: £27,560

This remuneration is not pensionable.

| | Note | Year Ended 31 July 2020 £000 | Year Ended 31 July 2019 £000 |
|---|------|--|--|
| 9 Other operating expenses | | | |
| Teaching departments | | 1,550 | 1,672 |
| Administration and central services | | 2,485 | 2,341 |
| Kilwinning Campus PFI service charge | | 845 | 851 |
| Hill Street NPD unitary charge | | 1,371 | 1,325 |
| Other premises costs | | 2,021 | 3,105 |
| Refurbishment works funded by Ayrshire College Foundation | | - | - |
| Childcare costs | | 711 | 863 |
| Student Support Bursary Costs | | - | - |
| Catering costs | | 516 | 651 |
| Total | | 9,499 | 10,808 |
| | | Year Ended 31 July 2020 £000 | Year Ended 31 July 2019 £000 |
| Other operating expenses include: | | | |
| Auditors' remuneration | | | |
| - external audit of these financial statements | | 33 | 33 |
| - internal audit services | | 28 | 30 |
| - other services | | - | - |
| Operating lease payments | | 102 | 255 |

| | Note | Year Ended 31 July 2020 | Year Ended 31 July 2019 |
|---------------------------------------|------|----------------------------------|----------------------------------|
| | | £000 | £000 |
| 10 Interest payable | | | |
| Kilwinning Campus PFI interest charge | | 365 | 418 |
| Hill Street NPD interest charge | | 2,599 | 2,671 |
| Pension finance costs | 20 | 292 | 160 |
| Total | | 3,256 | 3,249 |

11 Taxation

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

12 Tangible Fixed Assets

| | Freehold Land and Buildings £000 | Leasehold Land and Buildings £000 | PFI Building £000 | NPD Building £000 | Equipment £000 | Total £000 |
|---|---|--|-------------------------|-------------------------|-------------------|----------------|
| Cost or Valuation | | | | | | |
| At 1 August 2019 | 35,911 | 1,005 | 19,728 | 53,955 | 12,347 | 122,946 |
| Additions | 41 | - | - | - | 354 | 395 |
| Revaluation | - | - | - | - | - | - |
| Impairments | - | - | - | - | - | - |
| Disposals | - | - | - | - | (5,634) | (5,634) |
| At 31 July 2020 | 35,952 | 1,005 | 19,728 | 53,955 | 7,067 | 117,707 |
| Depreciation | | | | | | |
| At 1 August 2019 | 1,110 | 403 | 548 | 1,053 | 9,688 | 12,802 |
| Provided during year | 1,128 | 79 | 547 | 1,053 | 1,178 | 3,985 |
| Write back re: revaluation | - | - | - | - | - | - |
| On disposals | - | - | - | - | (5,634) | (5,634) |
| At 31 July 2020 | 2,238 | 482 | 1,095 | 2,106 | 5,232 | 11,153 |
| Net Book Value at 31 July 2020 | 33,714 | 523 | 18,633 | 51,849 | 1,835 | 106,554 |
| Net Book Value at 31 July 2019 | 34,801 | 602 | 19,180 | 52,902 | 2,659 | 110,144 |
| Inherited | 18,160 | 26 | 8,049 | 6,747 | - | 32,982 |
| Financed by capital grant | 8,816 | 497 | 22 | - | 925 | 10,260 |
| Other | 6,738 | - | 10,562 | 45,102 | 910 | 63,312 |
| At 31 July 2020 | 33,714 | 523 | 18,633 | 51,849 | 1,835 | 106,554 |

The College's Ayr, Kilwinning and Kilmarnock Campus properties were valued at 31 July 2019 by Gerald Eve in the capacity of external valuer. The basis of valuation adopted was that set out in FRS102 being fair value: market value for existing use or depreciated replacement costs (as defined by the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors), depending on the type of asset being valued.

| | Year ended 31 July 2020 £000 | Year ended 31 July 2019 £000 |
|--|--|--|
| 13 Debtors: Amounts falling due within one year | | |
| Trade debtors – net of provision for doubtful debts | 178 | 134 |
| European funding | - | - |
| Other Debtors | 74 | 150 |
| Prepayments and accrued income | 2,318 | 1,744 |
| Amounts owed by the Scottish Funding Council | - | - |
| | 2,570 | 2,028 |

| | | |
|--|--------------|--------------|
| 14 Creditors: Amounts falling due within one year | | |
| Bank loans and overdrafts | - | - |
| Trade creditors | 164 | 435 |
| Other taxation and social security | 632 | 885 |
| Other Creditors | 875 | 850 |
| Accruals and deferred income | 1,899 | 1,112 |
| PFI Capital payment < 1 year | 15 1,060 | 1,004 |
| NDP Capital payment < 1 year | 15 1,355 | 1,280 |
| Deferred Capital Grants to be released in <1 year | 16 796 | 1,246 |
| Amounts owed to Scottish Funding Council | 209 | 325 |
| Bursaries and Student Support Funds for future disbursements | 198 | 15 |
| | 7,188 | 7,152 |

| Year ended 31 July 2020 £000 | Year ended 31 July 2019 £000 |
|--|--|
|--|--|

15 Creditors: Amounts falling due after one year

Capital Element of Kilwinning PFI expenditure:

At 1 August 2019

Capital payments in year

Less amount due within one year

At 31 July 2020

| | | |
|-----------|----------------|---------|
| | 6,481 | 7,431 |
| | (1,004) | (950) |
| | 5,477 | 6,481 |
| 14 | (1,060) | (1,004) |
| | 4,417 | 5,477 |

Capital Element of Kilmarnock NPD expenditure:

At 1 August 2019

Capital payments in year

Less amount due within one year

At 31 July 2020

| | | |
|-----------|----------------|---------|
| | 44,490 | 45,717 |
| | (1,280) | (1,227) |
| | 43,210 | 44,490 |
| 14 | (1,355) | (1,280) |
| | 41,855 | 43,210 |

Total

| | |
|---------------|---------------|
| 46,272 | 48,687 |
|---------------|---------------|

16 Deferred Capital Grants

| | SFC £000 | Non SFC £000 | Total £000 |
|---|----------------|-----------------|----------------|
| At 1 August 2019 | | | |
| Land and Buildings | 7,764 | 1,937 | 9,701 |
| Equipment | 1,660 | - | 1,660 |
| | <u>9,424</u> | <u>1,937</u> | <u>11,361</u> |
| Grants received in the period | | | |
| Land and Buildings | 41 | - | 41 |
| Equipment | 83 | - | 83 |
| | <u>124</u> | <u>-</u> | <u>124</u> |
| Released to Income and Expenditure Account | | | |
| Land and Buildings | (336) | (71) | (407) |
| Equipment | (818) | - | (818) |
| | <u>(1,154)</u> | <u>(71)</u> | <u>(1,225)</u> |
| At 31 July 2020 | | | |
| Land and Buildings | 7,469 | 1,866 | 9,335 |
| Equipment | 925 | - | 925 |
| | <u>8,394</u> | <u>1,866</u> | <u>10,260</u> |
| Split as follows: | | | |
| Due to be released in <1 year | 725 | 71 | 796 |
| Due to be released in >1 year | 7,669 | 1,795 | 9,464 |
| | <u>8,394</u> | <u>1,866</u> | <u>10,260</u> |

| | Year ended 31 July 2020 £000 | Year ended 31 July 2019 £000 |
|--|--|--|
| 17 Provisions for liabilities and charges | | |
| Early Retirement Provision | | |
| At 1 August 2019 | 1,277 | 1,676 |
| Expenditure in the period | (87) | (91) |
| Release of provision | 284 | (308) |
| At 31 July 2020 | 1,474 | 1,277 |

The above liability is in respect of future pension liabilities arising from early retirements prior to 2006 and now relating to 23 individuals receiving benefits (2018-19: 27). The pension liability has been revalued using SFC actuarial tables.

| | Year ended 31 July 2020 £000 | Year ended 31 July 2019 £000 |
|---|--|--|
| Other Provisions | | |
| At 1 August 2019 | 854 | 1,186 |
| Expenditure in the period | (421) | (332) |
| Additional provision required in the period | 28 | - |
| At 31 July 2020 | 461 | 854 |

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

| | Year ended 31 July 2020 £000 | Year ended 31 July 2019 £000 |
|---|--|--|
| 18 Reserves | | |
| Income & Expenditure Account | | |
| At 1 August 2019 | 12,416 | 8,928 |
| Surplus/(deficit) for the period | (1,567) | (1,352) |
| Disposal of properties in revaluation reserve | - | 1,050 |
| Transfer from revaluation reserve | 949 | 972 |
| Impairment of Properties | - | - |
| Transfer to/(from) pension scheme | 2,961 | 2,818 |
| At 31 July 2020 | 14,759 | 12,416 |

18 Reserves (continued)

| | Year ended 31 July 2020 £000 | Year ended 31 July 2019 £000 |
|---|--|--|
| Pension Reserve | | |
| At 1 August 2019 | (12,613) | (4,395) |
| Current service cost | (4,716) | (3,576) |
| Impact of curtailments | (8) | (963) |
| Employer contributions | 2,024 | 1,850 |
| Contributions re unfunded benefits | 31 | 31 |
| Past service costs | - | - |
| Net return on pension scheme | (292) | (160) |
| Actuarial gain/(loss) in pension scheme | (11,770) | (5,400) |
| At 31 July 2020 | (27,344) | (12,613) |

Summary

| | | |
|------------------------------|-----------------|--------------|
| Income & expenditure account | 14,759 | 12,416 |
| Pensions reserve | (27,344) | (12,613) |
| At 31 July 2020 | (12,585) | (197) |

| | Year ended 31 July 2020 £000 | Year ended 31 July 2019 £000 |
|---|--|--|
| Revaluation Reserve | | |
| At 1 August 2019 | 33,931 | 35,953 |
| Revaluation | - | - |
| Transfer to income & expenditure account in respect of Depreciation on revalued assets (include element re PFI capital reserve) | (949) | (972) |
| Disposal of properties | - | (1,050) |
| Impairment of properties | - | - |
| At 31 July 2020 | 32,982 | 33,931 |

19 Analysis of changes in cash and cash equivalents

| | At 1 August 2019 £000 | Cash Flows £000 | Other Changes £000 | At 31 July 2020 £000 |
|---------------------------------------|-----------------------------|--------------------|--------------------------|----------------------------|
| Cash | 2,705 | 1,207 | - | 3,912 |
| Finance lease/hire purchase contracts | | | | |
| Total | <u>2,705</u> | <u>1,207</u> | <u>-</u> | <u>3,912</u> |

20 Pensions and similar obligations

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

The total pension costs for the period were:

| | Year to 31 July 2020 £000 | Year to 31 July 2019 £000 |
|--|------------------------------------|------------------------------------|
| STSS: contributions paid | 2,809 | 2,208 |
| SPF: Contributions paid | 2,055 | 1,881 |
| FRS 102 charge to the Income & Expenditure Account | 2,669 | 2,658 |
| Total pension cost (Note 7) | <u>7,533</u> | <u>6,747</u> |

Scottish Teachers' Superannuation Scheme (STSS)

The last audited full actuarial and funding valuation was carried out at 31 March 2016. The results of this valuation were rolled forward to give an overall scheme liability of £36.7 billion at 31 March 2019.

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

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

Financial assumptions at 31 March 2019

Rate of return (discount rate) 2.9%

Rate of return in excess of:

Earnings increases (1.15)%
Price increases 0.29%

Employer contributions were payable to the STSS at a rate of 17.2%. Employer rates are reviewed every five years following a scheme valuation from the Government Actuary. The rate of employee's contributions vary dependant on the employee's salary.

Strathclyde Pension Fund (SPF)

The SPF is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution by the employer made for the year ended 31 July 2020 was £2,055,000.

Under the requirements of Financial Reporting Standard 102 (FRS102), the College is required to disclose information on its share of assets and liabilities of the Strathclyde Pension Fund on a market value basis at the end of the accounting period. The figures quoted form the basis of the balance sheet and funding status of Ayrshire College as at 31 July 2020, in respect of its pension obligations under this Local Government Pension Scheme (LGPS). This information is set out below:

Principal Actuarial Assumptions

| | At 31 July 2020 | At 31 July 2019 |
|--|--------------------|--------------------|
| Rate of increase in salaries | 3.3% | 3.6% |
| Rate of increase for pensions in payment/inflation | 2.2% | 2.4% |
| Discount rate for liabilities | 1.4% | 2.1% |
| Expected return on assets | 0.0% | 0.0% |

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

| | | At 31 July 2020 | At 31 July 2019 |
|--------------------|---------|--------------------|--------------------|
| Current pensioners | Males | 20.7 | 20.7 |
| | Females | 22.9 | 22.9 |
| Future pensioners | Males | 22.2 | 22.2 |
| | Females | 24.6 | 24.6 |

The approximate allocation of scheme assets is as follows:

| | At 31 July 2020 | At 31 July 2019 |
|----------|--------------------|--------------------|
| Equities | 63% | 65% |
| Bonds | 25% | 24% |
| Property | 11% | 10% |
| Cash | 1% | 1% |
| | 100% | 100% |

The assets and the liabilities of the scheme were:

| | At 31 July 2020 £000 | At 31 July 2019 £000 |
|--|----------------------------|----------------------------|
| Total market value of assets | 61,176 | 61,122 |
| Present value of scheme liabilities: | | |
| Funded | (87,914) | (73,145) |
| Unfunded | (606) | (590) |
| Surplus/(deficit) in the scheme | (27,344) | (12,613) |

20 Pensions and similar obligations (continued)

| | At 31 July 2020 £000 | At 31 July 2019 £000 |
|---|---------------------------------------|---------------------------------------|
| Employer service cost (net of employee contributions) | 4,716 | 3,576 |
| Past service cost | 8 | 963 |
| | <u>4,724</u> | <u>4,539</u> |
| | At 31 July 2020 £000 | At 31 July 2019 £000 |
| Analysis of pension finance income/(costs) | | |
| Expected return on pension scheme assets | 1,300 | 1,572 |
| Interest on pension liabilities | (1,592) | (1,732) |
| | <u>(292)</u> | <u>(160)</u> |
| Pension finance income/(costs) | | |
| | Year ended 31 July 2020 £000 | Year ended 31 July 2019 £000 |
| Movements on Pension Scheme Deficit | | |
| Deficit in scheme at 1 August 2019 | (12,613) | (4,395) |
| Movement in year: | | |
| Current service charge | (4,716) | (3,576) |
| Losses/(gains) on curtailments | (8) | (963) |
| Contributions by members | 2,024 | 1,850 |
| Contributions in respect of unfunded benefits | 31 | 31 |
| Past service costs | - | - |
| Net return on pension assets | (292) | (160) |
| Actuarial gains/(losses) | (11,770) | (5,400) |
| (Deficit) in scheme at 31 July 2020 | <u>(27,344)</u> | <u>(12,613)</u> |
| | Note 18 | |
| Asset and Liability Reconciliation | | |
| Reconciliation of Liabilities | | |
| Liabilities at 1 August 2019 | 73,735 | 59,936 |
| Service cost | 4,716 | 3,576 |
| Interest cost | 1,592 | 1,732 |
| Contributions by members | 632 | 577 |
| Actuarial (gain)/loss | 8,997 | 8,121 |
| Past service cost/(gain) | 8 | 963 |
| Losses/(gains) on curtailments | - | - |
| Estimated Unfunded Benefits Paid | (31) | (31) |
| Estimated Benefits Paid | (1,129) | (1,139) |
| | <u>88,520</u> | <u>73,735</u> |

| 20 Pensions and similar obligations (continued) | Year ended 31 July 2020 £000 | Year ended 31 July 2019 £000 |
|--|---|---|
| Reconciliation of Assets | | |
| Assets at 1 August 2019 | 61,122 | 55,541 |
| Expected return on assets | 1,300 | 1,572 |
| Contribution by members | 632 | 577 |
| Contribution by employer | 2,024 | 1,850 |
| Contribution in respect of unfunded benefits | 31 | 31 |
| Actuarial (gain)/loss | (2,773) | 2,721 |
| Estimated unfunded benefits paid | (31) | (31) |
| Estimated benefits paid | (1,129) | (1,139) |
| Assets at 31 July 2020 | 61,176 | 61,122 |

Amounts for the current and previous accounting periods

| | | |
|---|-----------------|----------|
| Fair value of employer assets | 61,176 | 61,122 |
| Present value of defined benefit obligation | (88,520) | (73,735) |
| Surplus/(Deficit) | (27,344) | (12,613) |

21 Related Party Transactions

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

SFC is regarded as a related party. During the year to 31 July 2020 Ayrshire College had various material transactions with SFC and Scottish Government Departments, as well as with other entities for which the Scottish Government is regarded as the sponsor via the Student Awards Agency for Scotland and a number of other Colleges and higher education institutions. In addition, Ayrshire College has had transactions with Skills Development Scotland, Colleges Scotland and a small number of material transactions with other Scottish Government Departments and other central government bodies.

As at 31 July 2020 the College had four outstanding balances due to related parties and four balances due from related parties. These were as follows:

- Due to South Ayrshire Council - £7,500
- Due to North Ayrshire Council - £25,074
- Due to East Ayrshire Council - £8,554
- Due to Scottish Qualifications Authority - £6,816

- Due from South Ayrshire Council - £1,859
- Due from Students Awards Agency Scotland - £5,914
- Due from Colleges Scotland £27,432
- Due from Skills Development Scotland - £115,076

Due to the nature of the College's operations and the composition of its Board of Management (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the College's Board of Management may have an interest. All

transactions involving organisations in which a member of the Board of Management may have a material interest are conducted at arm's length and in accordance with normal project and procurement procedures.

21 Related Party Transactions (continued)

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

| Board Member | Position | Organisation | Sales/ Purchases by the College in the year |
|--------------|---|-----------------------------|--|
| Mr W Mackie | Trustee | Ayrshire College Foundation | Sales: £10,800 Purchases: £nil |
| Mr S Cooley | Head of Fuel Route Systems and Defueling Preparations Group | EDF Energy | Sales: £nil Purchases: £462,569 Balance due at 31 July 2020: £20,502 |
| Mr S Wallace | Chief Financial Officer | University of Strathclyde | Sales: £21,952 Purchases: £nil |

There were no transactions exceeding £5,000 with any other organisations associated with Board Members in 2019-20.

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

| | |
|----------------|-------------------------------|
| Mrs C Turnbull | Principal and Chief Executive |
| Mr C Hall | Teaching Staff Member |
| Ms F Blain | Service Staff Member |

In addition, two members/former members of the Board of Management being Mr J McCrindle and Ms Lauren Howieson were student members, elected by students and remunerated by the Student Association.

22 FE Bursary and Other Student Support Funds

| | FE Bursary | FE Hardship | EMA's | Other | Year ended 31 July 2020 | Year ended 31 July 2019 |
|----------------------------------|---------------|----------------|-------|-------|----------------------------------|----------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance brought forward | (196) | 198 | - | 13 | 15 | 50 |
| Allocation received in year | 8,916 | 565 | 586 | 456 | 10,523 | 9,874 |
| Interest | | | | | | |
| | 8,720 | 763 | 586 | 469 | 10,538 | 9,924 |
| Expenditure | (8,916) | (565) | (586) | (284) | (10,351) | (9,499) |
| Repaid to SFC/SAAS | - | (2) | | (13) | (15) | (296) |
| Repayable to SFC as clawback | | | | | - | (114) |
| College contribution to funds | | | | | - | - |
| Virements | 196 | (196) | | | - | - |
| Balance carried forward | - | - | - | 172 | 172 | 15 |
| Represented by: | | | | | | |
| Repayable to SFC as clawback | - | - | - | 9 | 9 | 15 |
| Retained by College for students | - | - | - | 163 | 163 | - |
| | - | - | - | 172 | 172 | 15 |

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

23 FE & HE Childcare Funds

| | Year ended 31 July 2020 £000 | Year ended 31 July 2019 £000 |
|--------------------------------------|------------------------------------|------------------------------------|
| Balance brought forward: August 2019 | - | (72) |
| Allocation received in period | 737 | 959 |
| | 737 | 887 |
| Expenditure | (712) | (863) |
| Repayable to SFC as clawback | - | 72 |
| Repayable in year | - | (96) |
| Virements | - | - |
| Balance carried forward | 25 | - |
| Represented by: | | |
| Net repayable to SFC as clawback | 25 | - |
| Retained by College for Students | - | - |
| | 25 | - |

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

24 Commitments under Operating Leases

As at 31 July 2020 the College had annual commitments under non-cancellable operating leases as set out below:

| | Year ended 31 July 2020 £000 | Year ended 31 July 2019 £000 |
|----------------------------|---|------------------------------------|
| Expiry within 1 year | - | 3 |
| Expiry within 2 to 5 years | - | - |
| Total | - | 3 |

25 Capital Commitments

| | Year ended 31 July 2020 £000 | Year ended 31 July 2019 £000 |
|---------------------------------------|---|------------------------------------|
| Contracted for at 31 July 2020 | 84 | 22 |

The amounts committed at 31 July 2020 and 31 July 2019 relate to contracts in connection with small capital projects.

26 Ayrshire College Foundation

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

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

In 2019-20 the Foundation agreed grant funding of £236,000 to the College in respect of Capital Works and educational projects.

In 2018-19 the Foundation agreed grant funding of £670,000 to the College in respect of Capital Works and educational projects.

27 PFI Contract and Kilwinning Campus

Payments remaining to be made under the PFI contract at 31 July 2020 are as follows:

| | Payment for services | Reimbursement of Capital Expenditure | Interest | Total |
|------------------------------|----------------------------|--|------------|---------------|
| | £000 | £000 | £000 | £000 |
| Payable in 2020-21 | 845 | 1,060 | 308 | 2,213 |
| Payable within 2 to 5 years | 3,034 | 4,417 | 602 | 8,053 |
| Payable within 6 to 10 years | - | | | |
| Total | 3,879 | 5,477 | 910 | 10,266 |

| | Year ended 31 July 2020 | Year ended 31 July 2019 |
|--|----------------------------|----------------------------|
| | £000 | £000 |
| Balance at start of year | 6,481 | 7,431 |
| Payments made in the year | (1,004) | (950) |
| Balance outstanding at end of the year | <u>5,477</u> | <u>6,481</u> |

28 NPD Hill Street

Payments remaining to be made under the NPD contract at 31 July 2020 are as follows:

| | Payment for services | Reimbursement of Capital Expenditure | Interest | Total |
|------------------------------|----------------------------|--|---------------|----------------|
| | £000 | £000 | £000 | £000 |
| Payable in 2020-21 | 1,305 | 1,355 | 2,524 | 5,184 |
| Payable within 2 to 5 years | 5,609 | 5,858 | 9,273 | 20,740 |
| Payable within 6 to 10 years | 7,926 | 8,415 | 9,585 | 25,926 |
| Payable > 10 years | 18,985 | 27,582 | 10,468 | 57,035 |
| Total | 33,825 | 43,210 | 31,850 | 108,885 |

| | Year ended 31 July 2020 | Year ended 31 July 2019 |
|--|----------------------------|----------------------------|
| | £000 | £000 |
| Balance at start of year | 44,490 | 45,717 |
| Payments made in the year | (1,280) | (1,227) |
| Balance outstanding at end of the year | <u>43,210</u> | <u>44,490</u> |

29 Post Balance Sheet Events

There are no post balance sheet events to report.

30 Contingent Liabilities

There are no contingent liabilities at 31 July 2020 (31 July 2019: £nil).

31 Non-Cash Allocation

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

| | 2019-20 £000 | 2018-19 £000 |
|---|-------------------------------|-------------------------------|
| Surplus/(deficit) before other gains and losses (FE/HE SORP basis) | (1,567) | (1,352) |
| Add back: Non-cash allocation for depreciation (net of deferred capital grant) | 2,760 | 2,713 |
| Operating surplus / (deficit) on Central Government accounting basis | 1,193 | 1,361 |

Under the FE/HE SORP, the college recorded an operating deficit of (£1,567,000) for the year ended 31 July 2020. After taking account of the Government noncash budget, the college shows an “adjusted” surplus of £1,193,000 on a Central Government accounting basis.

Accounts Direction for Scotland's Colleges 2019-20

1. It is the Scottish Funding Council's direction that institutions¹ comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts².
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2019-20 (FReM) where applicable.
4. Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2020.
5. The annual report and accounts should be signed by the Chief Executive Officer / Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
17 July 2020