

**Argyll College UHI Limited
(A company limited by guarantee)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 July 2019

Registered Number SC172157

Scottish Charity Number SC026685

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Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Legal and administrative information

Charity name:	Argyll College UHI Ltd	
Registered office and operational address:	West Bay Dunoon PA23 7HP	
Charity registration number:	SC026685	
Company registration number:	SC172157	
Trustees:	Andrew Campbell	(Chair)
	Martin Jones	(Principal, appointed 05/11/18)
	Fraser Durie	(Principal, resigned 20/10/18)
	John Colston	(Vice Chair)
	Kenneth John Jones	
	Lesley McInnes	
	Amber Crowley	
	Tony Dalgaty	
	James Findlay	
	Laura Hogg	(appointed 1/11/18, resigned 30/8/19)
	Scott Matheson	
	Gillian McCready	
	Jennifer Swanson	
	Stella Leitch	(resigned 24/05/19)
	Danjana Ninkovich	(appointed 30/08/19)
Secretary	Fraser Durie	(resigned 20/10/18)
	Ailsa Close	(appointed 21/10/18)
Senior management team	Martin Jones	Principal
	Elaine Munro	Depute Principal
	Ailsa Close	Finance Director
External auditors	MHA Henderson Loggie Chartered Accountants 11-15 Thistle Street Edinburgh EH2 1DF	
Internal auditors	TIAA 53-55 Gosport Business Centre Aerodrome Road Gosport PO13 0FQ	
Bankers	Bank of Scotland 78 Argyll Street Dunoon PA23 7NH	
Solicitors	Burness Paul LLP 120 Bothwell Street Glasgow G2 7JL	

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Report of the trustees and strategic report for the year ended 31 July 2019

OPERATING AND FINANCIAL REVIEW

The Board of Management of Argyll College UHI present their report and the audited financial statements for the year ended 31 July 2019.

Legal Status

The College is constituted as a company and is governed by a memorandum and articles of association. It is recognised by the Inland Revenue as a charity for tax purposes. The Scottish Charity number is SC026685. Following implementation of the Post-16 Scotland Education Act 2013, the College is now an 'assigned college' to the University of the Highlands and Islands (UHI) as the Regional Strategic Body (RSB) for further and higher education in the Highlands and Islands region. UHI assumed formal RSB status on 1 April 2015, and is now the fundable body for the region, distributing further and higher education funds to its assigned colleges.

Scope of the Financial Statements

The financial statements cover all activities of Argyll College UHI, including the Statement of Comprehensive Income for the year ended 31st July 2019.

Our Vision and Mission

Argyll College will provide high quality innovative education opportunities, act as an economic driver to enhance the skills and development of the local economy and develop a reputation for excellence which will encourage students to study in the communities we serve.

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

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

Achievements & Performance

In 2018/19, the College exceeded its FE Credit target of 6582 by 568 to give a total Credits achieved in the year of 7250, and fulfilled all contractual obligations with regard to its FE students. In 2018/19, the HE target was 220 FTEs, up from 189 FTEs in 2017/18. Our actual final HE FTE value for the year was 200, which was 11% below our target.

In the year, in FE we taught 2368 (headcount) or 537.2 FTE students. In HE, we taught 311 (headcount) or 223.1 FTE students.

Learning and teaching KPIs were improving steadily over the past few years with full time success being one of the highest in the sector in 2017/18 at 76%. However, there was a disappointing increase in withdrawal and partial success during 2018/19 culminating in a 13% reduction in success. There is detailed analysis of this data currently on-going to identify reasons and any trends associated with this drop, but part of the difficulty for the College is that low numbers of students on courses means that the withdrawal of only one or two students can mean large dips in the %s reported.

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Report of the trustees and strategic report *(continued)* for the year ended 31 July 2019

Achievements & Performance *(continued)*

In the year, two of our teaching staff won HISA awards for the Best Assessment Feedback Most Engaging VC lecturer. In addition, eleven of our staff were highly commended in the awards – in fact we had 20% of all the highly commended nominees. In total 28 college staff were nominated for awards, many in more than one category.

The College was successful in receiving grant funding to lease 9 new fully electric cars in the year and to install chargers at 3 more college centres. In late autumn the college was awarded the SCDI Environmental Sustainability award for the resultant reduction in the college's carbon emissions.

There was a change in Principal during the year and the college has continued to deliver and expand its education focus on structural gaps in employment in the region such as teaching and access to nursing.

Financial Results

The table below shows the Adjusted Operating Position which is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items out with the control of the College.

	2018-19 £'000	2017-18 £'000
Surplus/(deficit) before other gains and losses	(37)	(278)
Add back:		
Depreciation (net of deferred capital grant release) on both government funded and privately funded assets	59	56
Exceptional non-restructuring costs – impairment	123	-
Pension Adjustment – Net service cost	249	138
Pension adjustment – Net interest cost	6	42
Adjusted operating surplus/(deficit)	400	(42)

Taxation Status

The Company is a charitable company within the meaning of Section 467 of the Corporation Tax Act 2010. Accordingly, the Company is potentially exempt from taxation in respect of income or capital gains received to the extent that such income or gains are applied for charitable purposes only. The College receives no similar exemption in respect of Value Added Tax.

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Report of the trustees and strategic report *(continued)* for the year ended 31 July 2019

Treasury Policies and Objectives

The College has a Treasury Management Policy and procedures setting out the College position on cash management, investments and borrowings.

Cash Flows

The College had a net cash inflow of £585,351 in the year to 31st July 2019 compared with a net cash outflow of £131,316 in the prior year.

Liquidity

The College had cash balances of £1,701,517 at the year end, compared with net cash balances of £1,116,166 at the end of 2018.

Creditor Payment Policy

The College aims to pay its suppliers within 30 days.

The College's average creditor payment period has increased from 24 days in 2018 to 26 days at the end of July 2019. Trade Creditors were £115,704 at 31st July 2019 compared with £119,697 at 31st July 2018. The College did not pay any interest during the year under the Late Payment of Commercial Debts (Interest) Act 1998.

Future Developments

Argyll & Bute Council's Rural Growth Deal bid was submitted in the year and includes funding for the built environment of the College with particular emphasis on Dunoon and Oban. The Centre for Maritime Studies has been further developed by the College over the past year, through discussions with HIE and Oban as a University Town group, and the Council has agreed to fund the costs of a Development Manager for two years. A member of the current College SMT will be leading on this.

Developing the built environment of the college and reviewing the current curriculum offering to ensure we are best placed to meet the needs of students and also employers and partners will be priorities over the next year.

Principal Risk & uncertainties

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

- National Pay Bargaining continues to be a huge risk for the College. Without continuing additional funding, already imposed pay changes are a risk to the financial sustainability of the organisation.
- Teaching and learning KPIs below national average in 2018/19 may have reputational implications for the college
- Implication of outcome of EU referendum leading to loss of EU funding. The increased risk is that there will be a great deal of uncertainty, particularly in relation to capital projects.
- The college nursery is a risk for the organisation through the need for ongoing compliance and changing nature of Care Inspectorate and Local Authority requirements. The falling level of fees and changes in staff terms and conditions through National Pay Bargaining means financial sustainability is difficult.
- Key staff replacement and cover is a risk given specific areas of expertise covered by them, as duplication of skills in the area is difficult and there is no succession plan currently in place.
- College estates not able to provide flexible response to demand for courses.
- Failure to recruit the numbers of students necessary to achieve our targets.

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Report of the trustees and strategic report *(continued)*
for the year ended 31 July 2019

Trade Unions

The College did not have any employees who were Trade Union officials during the year and therefore there is no further information to disclose under the Trade Union (Facility Time Publication Requirements) Regulations 2017. There was low level trade union activity in the College during the year in connection with ongoing national bargaining pay agreements.

Equal Opportunities Statement

Argyll College UHI is committed to promoting equality and positive relations and valuing diversity. A comprehensive approach is intended to meet the needs of individuals, to enable engagement with an accessible curriculum in an inclusive learning environment and workplace.

The College is committed to identifying and eliminating unfair and unlawful discrimination across all protected characteristics reflected in the Equality Act. These include age, disability, sex, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief and sexual orientation. Where barriers to learning or employment are identified for an individual the College will deploy resources to provide additional support and access to appropriate opportunities wherever possible.

Argyll College UHI is committed to equality of opportunity and believes education is a right for all. We are committed to ensuring that there will be no discrimination on the grounds of ethnic origin, religion, sex, age or disability. The College believes that there is a duty for everyone associated with the College and all its activities to play their part in ensuring equality of opportunity. Positive steps will be taken to ensure that no forms of discrimination occur.

Statement as to disclosure of information to auditors

The board members who held office at the date of approval of this report confirm that:

There is no relevant audit information of which the Charitable Company's Auditors are unaware; and the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Approved by order of the members of the Board on 13 December 2019 and signed on its behalf by:

Andrew MG Campbell
Trustee and Chair

Martin Jones
Principal

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Report of the trustees and strategic report *(continued)* for the year ended 31 July 2019

Statement of corporate governance and internal control

The College is committed to exhibiting best practice in all aspects of corporate governance.

The institution complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges with the exception of: *The college Board must comply with collective agreements placed on it through national collective bargaining for colleges.* The College is currently in discussion with SFC with regard to signing up to national collective bargaining and has instigated those agreements as far as it is possible for us to do with funding provided.

The institution is taking action to address this and expects to be fully compliant by 31/7/2020.

The Board of Management

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

Board member	Date of Appointment	Date of Retirement	Committee Membership
Andrew Campbell	20/04/2010		L, T&E, F&GP, Nominations
Martin Jones	05/11/2018		L, T&E, F&GP, HR&R
Fraser Durie	01/10/2012	20/10/2018	L, T&E, F&GP, HR&R
John Colston	22/02/2012		F&GP, Nominations
Kenneth Jones	14/03/2008		Audit, HR&R, Nominations
Lesley McInnes	08/01/2011		Audit, Nominations
Amber Crowley	27/02/2015		L, T&E, Audit
Tony Dalgaty	08/12/2017		Audit
James Findlay	24/11/2017		F&GP
Laura Hogg	01/11/2018	30/08/2019	L, T&E, Audit
Scott Matheson	08/12/2017		F&GP, Audit
Gillian McCready	14/12/2015		F&GP
Jennifer Swanson	08/12/2017		HR&R
Stella Leitch	14/12/2015	24/05/2019	L, T&E
Danjana Ninkovich	30/08/2019		LT&E, Audit

Attendance at meetings

Attendance at meetings of the Board of Management of Argyll College UHI in 2018-19

Member	Board	Audit	Finance & General	Learning, teaching & engagement	Nominations	Remuneration
Andrew Campbell	100%	N/a	75%	75%	100%	N/a
Martin Jones	100%	N/a	75%	75%	N/a	75%
Fraser Durie	0%	N/a	0%	0%	N/a	0%
John Colston	100%	N/a	100%	N/a	N/a	N/a
Kenneth Jones	100%	100%	N/a	N/a	100%	100%
Lesley McInnes	75%	100%	N/a	N/a	100%	N/a

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

**Report of the trustees and strategic report (continued)
for the year ended 31 July 2019**

Attendance at meetings (continued)

Member	Board	Audit	Finance & General	Learning, teaching & engagement	Nominations	Remuneration
Amber Crowley	100%	100%	N/a	100%	N/a	N/a
Tony Dalgaty	50%	50%	N/a	N/a	N/a	N/a
James Findlay	100%	N/a	50%	N/a	N/a	N/a
Laura Hogg	50%	N/a	N/a	50%	N/a	N/a
Scott Matheson	100%	N/a	100%	N/a	N/a	N/a
Gillian McCready	100%	50%	N/a	N/a	N/a	N/a
Jennifer Swanson	75%	N/a	N/a	N/a	N/a	100%
Stella Leitch	100%	N/a	N/a	100%	N/a	N/a
Danjana Ninkovich	0%	0%	N/a	0%	N/a	N/a

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied good governance during the year.

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

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

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

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

The Finance and General Purposes Committee inter alia recommends to the Board the College's annual revenue and capital budgets. The Learning, Teaching and Engagement Committee focuses on the quality of learning and teaching and the student experience. The Audit Committee meets with the College's external and internal auditors in attendance when required. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. Whilst the Principal attends meetings of the Audit Committee as necessary, they are not a member of the Committee.

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Report of the trustees and strategic report *(continued)*
for the year ended 31 July 2019

Attendance at meetings *(continued)*

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

Going concern

The Board of Directors confirms that the College is a going concern as described in the Code of Good Governance for Scotland's Colleges and that the financial statements have been prepared on this basis.

Approved by order of the members of the Board on 13 December 2019 and signed on its behalf by:

Andrew MG Campbell
Trustee and Chair

Martin Jones
Principal

Independent auditor's report to the trustees and members of Argyll College UHI Ltd

Opinion

We have audited the financial statements of Argyll College UHI Ltd (the 'charitable company') for the period ended 31 July 2019 which comprise the Statement of comprehensive income, Statement of changes in reserves, the Balance sheet, the Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2019 and of its income and expenditure for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

Basis of opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the trustees and members of Argyll College UHI Ltd *(continued)*

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Report of the Board of Directors for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Board of Directors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board of Directors (incorporating the Strategic Report).

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors (who are also the trustees of the charitable company for the purposes of charitable law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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 directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Independent auditor's report to the trustees and members of Argyll College UHI Ltd *(continued)*

Auditor's responsibilities for the audit of the financial statements *(continued)*

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

Use of our report

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

James Davidson (Senior Statutory Auditor)
For and on behalf of MHA Henderson Loggie
Chartered Accountants
Statutory Auditor
11-15 Thistle Street
Edinburgh
EH2 1DF
(Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006)

MHA Henderson Loggie is a trading name of Henderson Loggie LLP

Date:

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Statement of comprehensive income
for the year ended 31 July 2019

	Note	Total 2019 £	Restated Total 2018 £
Income			
SFC grants	3	3,616,214	2,665,854
UHI grants		630,334	688,376
Tuition fees and education contracts	5	872,390	836,963
Other operating income	4	340,250	268,758
Commercial training activity		51,535	53,330
Release of deferred capital grant		126,188	124,311
Investment income		7,146	12,551
		<hr/>	<hr/>
Total income		5,644,057	4,650,143
Expenditure			
Staff costs	7	4,236,833	3,659,020
Other operating expenses	6	1,250,050	1,043,661
Depreciation		184,842	179,828
Interest and other finance costs		9,720	45,684
		<hr/>	<hr/>
Total expenditure		5,681,445	4,928,193
		<hr/>	<hr/>
(Deficit) before other gains and losses		(37,388)	(278,050)
Actuarial gain/ (losses) in respect of pension scheme	15	(463,000)	1,581,000
Impairment loss		(122,639)	-
		<hr/>	<hr/>
Total comprehensive income for the year		(623,027)	1,302,950
		<hr/> <hr/>	<hr/> <hr/>
Represented by:			
Unrestricted comprehensive income for the year		(623,027)	1,302,950
		<hr/> <hr/>	<hr/> <hr/>

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Statement of changes in reserves
for the year ending 31 July 2019

	Income and expenditure account £	Total £
Balance at 31 July 2017	212,547	212,547
Deficit from the income and expenditure account	(278,050)	(278,050)
Other comprehensive income	1,581,000	1,581,000
	<hr/>	<hr/>
	1,302,950	1,302,950
	<hr/>	<hr/>
Balance at 31 July 2018 (as restated)	1,515,497	1,515,497
Deficit from the income and expenditure account	(37,388)	(37,388)
Other comprehensive income	(585,639)	(585,639)
	<hr/>	<hr/>
Total comprehensive income for the year	(623,027)	(623,027)
	<hr/>	<hr/>
Balance at 31 July 2019	892,470	892,470
	<hr/> <hr/>	<hr/> <hr/>

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Balance sheet
at 31 July 2019

	Note	£	2019 £	£	Restated 2018 £
Non-current assets					
Fixed assets	10		3,836,896		4,013,424
Current assets					
Debtors	11	148,917		156,051	
Cash at bank and in hand		1,701,517		1,116,166	
			<u>1,850,434</u>	<u>1,272,217</u>	
Creditors					
Amounts falling due within one year	12	(951,359)		(613,399)	
Net current assets			899,075		658,818
Creditors: amounts falling due after more than one year	13		(3,028,501)		(3,059,745)
Net pension liability	15		(815,000)		(97,000)
Net assets			<u>892,470</u>		<u>1,515,497</u>
Reserves					
Unrestricted reserves			<u>892,470</u>		<u>1,515,497</u>

The notes on pages 16 to 30 form part of these financial statements.

The financial statements were approved by the Board of Trustees on 13 December 2019 and signed on its behalf by Andrew MG Campbell and Martin Jones

Name:

Name:

Company Registration No: SC172157

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Statement of cash flows
for the year ended 31 July 2019

	Note	2019 £	2018 £
Cash generated by/(used in) operating activities:			
Net cash used in operating activities	20	737,842	(6,823)
Cash flows generated by/(used in) investing activities:			
Purchase of property, plant and equipment	10	(130,953)	(102,955)
Net cash used in investing activities		(130,953)	(109,778)
Cash flows from financing activities			
Loan repayments		(21,538)	(21,538)
Net cash used in financing activities		(21,538)	(21,538)
Change in cash and cash equivalents in the year		585,351	(131,316)
Cash and cash equivalents at 1 August 2018		1,116,166	1,247,482
Cash and cash equivalents at 31 July 2019		1,701,517	1,116,166

Notes to the financial statements
for the year ended 31 July 2019

1. Statement of accounting policies and estimation techniques

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE/HE SORP) and in accordance with Financial Reporting Standard 102 — "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102. This is the first year that the financial statements have been prepared under the 2015 FE/HE SORP. Note 22 provides detail on the impact of the Education SORP.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Directors Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved.

The recurrent grant from SFC represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)* for the year ended 31 July 2019

2 Accounting policies

a) Fixed assets and depreciation

- Land and buildings

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

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

- Equipment

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

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

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

b) Operating leases

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

c) Pension scheme

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

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

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

2 Accounting policies *(continued)*

d) Taxation

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

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

e) Debtors

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

f) Cash at bank and in hand

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

g) Creditors and provisions

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

h) Financial instruments

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

3 Scottish Funding Council grants

	2019	2018
	Total	Total
	£	£
Scottish Funding Council Recurrent Grant	3,616,214	2,665,854

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

4 Other operating income

	2019	2018
	Total	Total
	£	£
Nursery income	205,001	222,338
Rental income	2,875	8,625
Facilities hire	4,797	6,249
Vending machine income	2,236	6,418
Hairdressing income	11,073	9,712
Catering income	12,563	11,327
Feed-In tariff	6,240	3,703
Other income	95,465	386
	340,250	268,758

5 Tuition fees and education contracts

	2019	2018
	Total	Total
	£	£
Further Education – Student fees	109,933	167,788
Higher Education – Student fees	33,728	18,439
SAAS income	276,378	313,825
ILA income	10,581	10,958
Government programmes	228,576	220,979
Bursary income	73,701	35,734
Other PPE reimbursement	10,355	6,840
Other grants	129,138	62,400
	872,390	836,963

6 Analysis of other operating expenses

	2019	2018
	£	£
Payments to awarding bodies	287,923	252,644
Property costs	605,333	489,477
Company vehicle costs	74,635	53,912
Office costs	145,928	148,251
Professional fees	27,321	34,531
Payments to/from students	27,940	27,285
Governance costs	1,839	1,350
Other expenses	79,131	36,211
	1,250,050	1,043,661

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

7 Staff costs *(continued)*

Analysed:

	2019	2018
	£'000	£'000
Administration and central services	798	774
Premises	383	353
Research grants and contracts	70	60
Academic/teaching departments	425	402
Academic/teaching services	2,287	1,804
Other	274	266
	<u>4,237</u>	<u>3,659</u>

8 Senior post-holders' emoluments

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

	2019		2018	
	Senior Post- Holders	Other Staff	Senior Post- Holders	Other Staff
	No.	No.	No.	No.
£60,000 - £69,999	-	-	1	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	2019	2018
	£	£
Senior post-holder emoluments		
Principal's emoluments – Fraser Durie (01/0/2018 – 20/10/2018)		
Salary	21,653	66,117
Pension	4,677	13,266
Er's NI	2,697	10,697
	<u>29,027</u>	<u>90,080</u>
Principal's emoluments – Martin Jones (05/11/2018 – 31/07/2019)		
Salary	52,038	-
Pension	11,240	-
Er's NI	6,300	-
	<u>69,578</u>	<u>-</u>

The total remuneration for the senior management team as noted on page 1 of these accounts was £223,387 (2017/18 - £188,801).

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

9 Trustees' remuneration and related party transactions

The Board of Management received £3,863 (2018 - £943) in the year for reimbursement of travel expenses.

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

During the year the College transacted with Argyll and Bute Council of which £11,340 (2018 - £8,588) was due from Argyll and Bute Council and £17,136 (2018 - £6,133) was due to Argyll and Bute Council. During the year, the College made purchases of £54,673 (2018 - £19,294) and sales of £38,591 (2018 - £22,264) excluding pre-5 Nursery funding. James Findlay is a councillor on Argyll & Bute Council.

During the year, the College transacted with West Highland Housing Association of which £Nil (2018 - £nil) was due to West Highland Housing Association. During the year, the College made purchases of £20,471 (2018 - £31,659). Lesley McInnes is Chief Executive of West Highland Housing Association.

Argyll College UHI Limited is a constituent partner of the University of the Highlands and Islands (UHI). During the year the College transacted with UHI of which £4,646 (2018 - £541) was due from UHI and £9,211 (2018 - £nil) was due to UHI. During the year income of £635,464 was received in relation to higher education activities, £130,583 was received in relation to the provision of education and costs of £30,700 were paid to UHI.

10 Fixed assets

	Land & Buildings Leasehold	Land & Buildings Freehold	Plant & Equipment	Computer Equipment	Motor Vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 August 2018	2,251,780	3,310,663	434,030	61,669	66,461	6,124,603
Additions	16,860	86,267	27,826	-	-	130,953
Impairment	-	(122,639)	-	-	-	(122,639)
At 31 July 2019	2,268,640	3,274,291	461,856	61,669	66,461	6,132,917
Depreciation						
At 1 August 2018	1,033,862	675,510	308,678	47,782	45,347	2,111,179
Charge for year	68,059	67,939	35,892	7,674	5,278	184,842
At 31 July 2019	1,101,921	743,449	344,570	55,456	50,625	2,296,021
Net book value						
At 31 July 2019	1,166,719	2,530,842	117,286	6,213	15,836	3,836,896
At 1 August 2018	1,217,918	2,635,153	125,352	13,887	21,114	4,013,424

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

11	Debtors	2019 £	2018 £
	Trade debtors	18,282	53,538
	Prepayments and accrued income	130,635	102,513
		148,917	156,051
		148,917	156,051
12	Creditors: Amounts falling due within one year	2019 £	2018 £
	Loans	15,105	22,789
	Trade creditors	115,704	119,697
	Taxes and social security costs	67,017	61,950
	Other creditors	57,319	26,159
	Accruals and deferred income	553,633	222,835
	Deferred grants (note 14)	142,581	159,969
		951,359	613,399
		951,359	613,399
13	Creditors: Amounts falling due after one year	2019 Total £	2018 Total £
	Loans	-	13,854
	Deferred grants (note 14)	3,028,501	3,045,891
		3,028,501	3,059,745
		3,028,501	3,059,745
	Loans fall due as follows:	2019 Total £	2018 Total £
	In one to two years	15,105	22,789
	In two to five years	-	13,854
	After five years	-	-
		15,105	36,643
		15,105	36,643
	There is standard security over the charity's premises in Lorne Street, Lochgilphead		
14	Deferred grants	2019 £	2018 £
	Balance as at 1 August 2018	3,205,860	3,228,550
	Income received	300,434	254,580
	Released to the Statement of Comprehensive Income	(335,212)	(277,270)
		3,171,082	3,205,860
	Balance as at 31 July 2019	3,171,082	3,205,860

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

15 Pension costs

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

	31 July 2019 £000	31 July 2018 £000
NEST: Contributions paid	19	10
SPPA: Contributions paid	148	-
SPF scheme:		
Contributions paid	203	259
FRS102 charge	249	138
	<hr/>	<hr/>
Total charge to the Statement of Comprehensive Income	619	407
	<hr/>	<hr/>

NEST

NEST is a workplace pension scheme that has been created for auto enrolment. It is run as a trust by NEST Corporation. This means that there are no shareholders or owners and it is run for the benefit of its members. From 1 April 2019, the College pays contributions of 3% of pensionable salary for eligible employees and the employee's contribution rate is 5% of eligible salary.

SPPA – Teachers Pension

The College joined the SPPA from 1 December 2018, as part of National Bargaining. Teaching staff are eligible to join the scheme. The College pays contributions of 17.2% (increased to 23% from 1 September 2019).

Strathclyde Pension Fund (SPF)

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

The total contributions made for the year ended 31 July 2019 were £0.263 million of which employer's contributions totalled £0.203 million and employees' contributions totalled £0.060 million. The agreed contribution rates for future years are 22.6% for employers and from 5.5% up to 8.7% for employees.

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

15 Pension costs *(continued)*

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 July 2019 by a qualified independent actuary.

	31 July 2019	31 July 2018
Rate of increase in salaries	3.6%	3.6%
Future pension increases	2.4%	2.4%
Discount rate for scheme liabilities	2.1%	2.8%

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

Life expectancy is based on the Fund's VitaCurves, with improvements in line with the CMI 2012 model assuming current rates of improvements have peaked and will converge to a long term rate of 1.5% per annum for males and 1.25% per annum for females. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	At 31 July 2019	At 31 July 2018
Current pensioners		
- Males	20.7	21.4
- Females	22.9	23.7
Future pensioners		
- Males	22.2	23.4
- Females	24.6	25.8
-		

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

	Estimated split of assets at 31 July 2019	Fair value at 31 July 2019 £'000	Estimated split of assets at 31 July 2018	Fair value at 31 July 2018 £'000
Equities	65%	4,110	64%	3,654
Bonds	24%	1,518	22%	1,256
Property	10%	632	11%	628
Other	1%	63	3%	171
Total fair value of plan assets		6,323		5,709
Weighted average expected long term rate of return		21%		2.8%
Actual return on plan assets		281		199

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

15 Pension costs *(continued)*

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

	Year Ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Fair value of plan assets	6,323	5,709
Present value of plan liabilities	(7,138)	(5,806)
Net pensions liability	(815)	(97)

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	365	380
Past service cost	88	27
Total operating charge	453	407
Less contributions paid	(204)	(269)
Current service cost provision	249	138
Amounts included in interest payable		
Net interest cost / (income)	6	42
Total	6	42

Amounts recognised in other gains and losses

Return on pension plan assets	281	199
Experience gains and losses on liabilities	-	921
Changes in assumptions underlying the present value of plan liabilities	(744)	461
Amounts recognised in other gains and losses	(463)	1,581

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

15 Pension costs *(continued)*

Movement in net defined (liability)

	2019	2018
	£'000	£'000
Net defined liability in scheme at 1 August	(97)	(1,498)
Movement in year:		
Current service cost	(365)	(380)
Past service cost	(88)	(27)
Employer contributions	204	269
Net interest on the defined liability	(6)	(42)
Actuarial gain/(loss)	(463)	1,581
	<hr/>	<hr/>
Net defined liability at 31 July	(815)	(97)
	<hr/> <hr/>	<hr/> <hr/>

Asset and liability reconciliation

	2019	2018
	£'000	£'000
<u>Changes in the present value of defined benefit obligations</u>		
Defined benefit obligations at start of year	5,806	6,639
Current service cost	365	380
Past service cost	88	27
Interest cost	168	184
Contribution by scheme participants	67	66
Experience gains and losses on defined benefit obligations	-	(921)
Changes in financial assumptions	1,031	(475)
Changes on demographic assumptions	(287)	14
Estimated benefits paid	(100)	(108)
	<hr/>	<hr/>
Closing defined benefit obligation	7,138	5,806
	<hr/> <hr/>	<hr/> <hr/>

Changes in fair value of plan assets

	2019	2018
	£'000	£'000
Fair value of plan assets at start of year	5,709	5,141
Interest on plan assets	162	142
Return on plan assets	281	199
Employer contributions	204	269
Contributions by scheme participants	67	66
Estimated benefits paid	(100)	(108)
	<hr/>	<hr/>
Closing fair value of employer assets	6,323	5,709
	<hr/> <hr/>	<hr/> <hr/>

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

16 Capital commitments

At the end of the year there were no capital commitments.

17 Lease commitments

At 31 July 2019 the College had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Property 2019 £	Equipment 2019 £	Total 2019 £	Total 2018 £
Within one year	51,985	38,582	90,567	80,044
Within two to five years	131,066	77,771	208,837	224,358
Over five years	207,297	-	207,297	243,919
	<u>390,348</u>	<u>116,353</u>	<u>506,701</u>	<u>548,321</u>

18 Contingent liability

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

19 Post-balance sheet events

There are no post balance sheet events to note.

20 Reconciliation of net income to net cash from operating activities

	2019 £	Restated 2018 £
Net movements in funds before other recognised gains and losses	(37,388)	(278,050)
Adjustments for:		
Depreciation charges	184,842	179,827
Net cost of defined benefit pension	255,000	180,000
Decrease/(increase) in debtors	7,134	43,731
(Decrease)/increase in creditors	328,254	(132,331)
Net cash (used)/provided by operating activities	737,842	(6,823)

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements (continued)
for the year ended 31 July 2019

21	Financial instruments	Total 2019 £	Total 2018 £
	Carrying amount of financial assets		
	Debt instruments measured at amortised cost	90,640	102,865
	Carrying amount of financial liabilities		
	Measured at amortised cost	674,646	369,233
		765,286	472,098

Debt instruments measured at amortised cost comprises trade debtors and accrued income.

Liabilities measured at amortised cost comprises trade creditors, accruals, other creditors and deferred income.

22 Transition to Statement of Recommended Practice “Accounting for Further and Higher Education (2015)”

As explained in the accounting policies, these are the College’s first financial statements prepared in accordance with the Education SORP. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 2019, the comparative information presented in these financial statements for the year ended 2018. An explanation of how the transition to the Education SORP has affected the College’s financial position is set out in the following table.

The only material impact is in the disclosure of the deferred capital grants. The balance sheet has been restated below to show the position at 31 July 2018 under the previous charities SORP and then in accordance with the Education SORP.

	Charities SORP £	Effect of transition £	Education SORP £
Fixed assets	4,013,424	-	4,013,424
Current assets			
Debtors	156,051	-	156,051
Cash at bank and in hand	1,116,166	-	1,116,166
	1,272,217	-	1,272,217
Creditors: Amounts falling due within one year	(453,430)	(159,969)	(613,399)
Net current assets	818,787	(159,969)	658,818

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*
for the year ended 31 July 2019

22 Transition to Statement of Recommended Practice “Accounting for Further and Higher Education (2015)” *(continued)*

	Charities SORP £	Effect of transition £	Education SORP £
Creditors: Amounts falling due after more than one year	(13,854)	(3,045,891)	(3,059,745)
Net pension liability	(97,000)	-	(97,000)
Net assets	4,721,357	(3,205,860)	1,515,497
Reserves			
Restricted reserves	3,205,860	(3,205,860)	-
Unrestricted reserves	1,515,497	-	1,515,497
	4,721,357	(3,205,860)	1,515,497

Income has increased from £4,627,453 to £4,650,143 as a result of the transition, being the movement in deferred income for the year to 31 July 2018.