



# **Board of Management Report and Financial Statements**

For the year ended  
31 July 2022

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## **Professional Advisers**

### **Financial Statement Auditors**

Mazars LLP  
100 Queen Street  
Glasgow  
G1 3DN

### **Internal Auditors**

BDO  
4 Atlantic Quay  
70 York Street  
Glasgow  
G2 8JX

### **Bankers**

Bank of Scotland  
30-34 King Street  
Kilmarnock  
KA1 1NP

Royal Bank of Scotland  
30 Sandgate  
Ayr  
KA7 1BY

### **Solicitors**

Anderson Strathern  
50 George Square  
Glasgow  
G2 1EH

## **Ayrshire College Registered Address**

Ayrshire College  
Dam Park  
Ayr  
KA8 0EU

# PERFORMANCE REPORT

## Principal's Statement on Ayrshire College's Performance 2021-22

The College plays a key role in economic development across Ayrshire and Scotland. Working with its employers, key stakeholders and third sector partners, the College has successfully delivered on key government priorities in STEM, Health and Social Care and Early Years Education and is a leading partner in the Ayrshire Regional Economic Partnership.

Unfortunately, significant disruption to learning continued for a third year and the College, as requested by Scottish Government guidance, was instructed to take a cautious approach to the commencement of AY 2021-22. The continuing restrictions around physical distancing meant that the College had to adopt a hybrid approach to delivery with all students spending some time on campus and some time at home. The collective talent and commitment of its students, staff and partners has enabled the College to continue to deliver its curriculum and support services despite the severe disruption to learning caused by the ongoing COVID-19 pandemic.

Investment in digital resources supported students to learn remotely, in line with restrictions, in 2021-22. Continued investment in the College's infrastructure supported innovative practice across all curriculum and service teams.

The College engaged positively with individuals, communities and employers across Ayrshire in 2021-22 and we are proud of the impact we made on people's lives.

The previous principal, Carol Turnbull, left the College on 5 September 2022 and the new Principal, Angela Cox, took up post on 5 September 2022. The Chair's appointment, Willie Mackie, came to an end on 2 March 2022 and a new interim chair, Fiona McQueen took over on 3 March 2022. The College would like to thank Carol Turnbull and Willie Mackie for their dedication and years of service to the College.

### 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 2022.

This Performance Report provides a detailed summary of the performance of the College during 2021-22 and how it measures and monitors its performance. The Report also includes the strategic issues and risks facing the College.

### Legal Status

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

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

### Ayrshire College Statement of Ambition and Refresh and Renew Plan 2021-2024

The College's Statement of Ambition 2030, which sets out the College's long-term ambitions and aspirations as the country recovers from the pandemic, was launched in August 2021. The Statement of Ambition is as follows:

#### Ayrshire College Statement of Ambition 2030

*Ayrshire College will be an inspirational place of learning where individuals can excel and realise their full potential. A place where businesses and communities can access skills, expertise and innovation that supports local and national economic development and inclusive growth.*

*We will achieve this through strong collaboration and partnership working and by investing in and valuing our staff and students.*

This statement has three underpinning ambitions:

- Ambition 1: To be an accessible, inspirational and inclusive place to work and learn
- Ambition 2: To support, empower and inspire our staff and students
- Ambition 3: To be a high-performing and environmentally responsible college recognised for excellence, equality and integrity.

In addition, a Refresh and Renew Plan 2021-24 has been developed which identifies key strategic objectives for the next three years. These objectives will support economic and social recovery and contribute to achieving the three ambitions.

Over the next three years Ayrshire College will:

- Embed a culture of open leadership and empowerment where staff and students feel valued, their voices are heard and they are involved in decisions which affect them
- Provide an inspirational college experience which supports and enables students to overcome the disruption to learning caused by the pandemic and to successfully progress on their learning journey.
- Embed diversity and inclusion in all decisions and support staff and students by providing accessible opportunities to learn, work and develop.
- Focus on being a high-performing college underpinned by excellence in stewardship, effective risk management and the highest standards of corporate governance.
- Respond to the climate change emergency by being environmentally responsible, embedding sustainability in our learning and teaching and business operations
- Work with partners, including businesses, to co-create a portfolio of learning and skills that is relevant, dynamic, flexible, and responsive to employer and industry needs, to current and future skills requirements and contributes to social and economic recovery.
- Develop and support staff and students to work and learn in new and innovative ways to enable excellence in all aspects of learning and teaching and service delivery.

The Refresh and Renew Plan provides the context for ambitions set out in other strategic documents, such as the updated Learning and Teaching Strategy 2021-24, Digital Strategy 2022-2025 and People Strategy 2022-2025. The Refresh and Renew Plan also provides the overarching framework for the College's Outcome Agreement for 2021-22 agreed with the Scottish Funding Council (SFC).

### **SFC Outcome Agreement**

In 2021-22, the College agreed an Outcome Agreement with the Scottish Funding Council for the period 2021-22. This Outcome Agreement focuses on the following outcomes:

- Outcomes for students
- Outcomes for Economic Recovery and Social Renewal

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 key performance indicators in relation to student statistics such as numbers, retention and achievement.

## Performance of Ayrshire College in 2021-22

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 process ensures that the College's portfolio of courses is aligned to national, regional and local policy objectives. The effectiveness of the College's curriculum planning arrangements can be evidenced by an internal audit conducted during 2021-22. The internal audit of the College's Curriculum Development Planning processes provided substantial assurance on the existing arrangements (the highest assurance rating) and identified no areas for improvement.

The College's progress on improving outcomes for students, against SFC priorities, was significantly impacted by the severe disruption to learning as a consequence of COVID-19. The College's strategic focus on reducing withdrawals and increasing success, during 2021-22 continued, but the impact of COVID-19 meant that achieving national ambitions for FE programmes was undermined.

In 2021-22, the College exceeded the core activity target set by the SFC and delivered 125,463 credits (target 124,877 credits). This is the sixth year in a row that the College has exceeded the SFC core activity target. For AY 2021-22, SFC also allocated additional places to colleges to accommodate deferred students from AY 2020-21 and to manage the transition for Foundation Apprenticeships. Recruitment challenges exacerbated by COVID-19 meant that the College did not meet its ESF or Foundation Apprenticeship target. In addition, information, on deferred students, was asked of the College, by SFC, at a time when it was estimated that students and staff would not have sufficient access to on-campus learning to be able to successfully conclude learning, teaching and assessment in AY 2020-21. The return of more students to campus from 17 May 2021, alongside the substantial summer programme meant that despite the challenges and significant disruption to learning, most students who remained on course were supported to successfully conclude their studies by the end of AY 2020-21. The College, therefore, did not meet its deferred credit 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 2021-22, 58.5% of FE full-time students (2020-21, 58.2%) and 62.1% of HE full-time students (2020-21, 71.7%) completed their courses with a successful outcome.

Performance, with reference to successfully completed FE full-time programmes, has increased by 0.3%. The area of concern was higher early and further withdrawal rates. This corresponds with the evidence to suggest that Ayrshire College FE students struggled with the continued disruption to learning during AY 2021-22.

Performance, with reference to successfully completed HE full-time programmes declined by 9.6%, at 62.1%. As with FE full-time programmes, early and further withdrawal rates were much higher than in previous years and students struggled with the continued disruption to learning.

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.

The College supports a high number of students living in the 10% most deprived postcode areas. In AY 2021-22, the volume of credits delivered to the 10% most deprived was 25,420 credits – 19.9% of the total delivery. The College aims to ensure that the percentage of students living in the 10% most deprived postcode areas is representative of the Ayrshire region in line with national targets.

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 95.3% of Ayrshire College's students achieved a positive destination six months after completing their course of study.

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. In 2021-22, Ayrshire College had 636 care experienced students, with 59.1% (2020-21 62.7%) achieving a successful course outcome.

A key priority area of focus is to improve outcomes for students with a declared disability. Over the six years from 2015-16 to 2021-22 there has been a significant increase in the number of students declaring a disability. In 2021-22 62.6% (2020-21 63.3%) of Ayrshire College students with a declared disability achieved a successful outcome.

A culture of partnership working is embedded across the College. Throughout 2021-22, the College continued to invest significant time, working remotely, 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 Industry 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 Science, Technology, Engineering and Mathematics (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. For example, the College was 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 the 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 2022-23 and remains focused on increasing student attainment and achievement. In particular, the College will focus efforts to address the impact of COVID-19, support students with the cost-of-living crisis improve outcomes on FE and HE programmes in line with national ambitions.

## **COVID-19**

The College's Campus Operations Steering Group (COSG), originally set up to oversee the safe and effective reopening of Ayrshire College campuses in the summer of 2020, continued to meet regularly throughout AY 2021-22. The Steering Group, chaired by the Principal, included the College's Senior Leadership Team, Head of Health, Safety and Wellbeing, Head of ICT, Head of Marketing, Ayrshire College Student Association's President and Vice-President, and representatives from the College's two recognised trade unions - EIS-FELA and Unison. This has ensured a partnership approach to resuming on-campus activities safely and effectively and in reviewing activities in line with the latest Scottish Government and Public Health guidance.



In preparation for the return of staff and students, the College implemented baseline measures to mitigate the risk of COVID-19 when people were 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 wearing of face coverings. In addition, lateral flow testing kits were available to staff and students and they were encouraged to undertake testing twice weekly. Drop-in vaccination clinics took place on all three campuses. These measures remained in place until 1 April 2022.

## **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 (£1,545,000) before non-recurring items. The 2021-22 deficit represents an adverse figure of (3%) of overall trading income. This compares to a deficit before non-recurring items in 2020-21 of (£634,000). There were no net non-recurring costs for 2021-22.

The College, at July 2022, has £80,028,000 of net assets (excluding a pension asset of £11,518,000). At July 2021 the College had £77,501,000 of net assets (excluding a pension liability of £20,543,000). The pension asset for 2021-22 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 2021-22, SFC provided 88.4% of the College's total operational revenue income (2020-21, 88.7%). Excluding specific funding to support the Unitary Charge for the NPD contract for the Kilmarnock campus, SFC revenue income totalled 79.2% of total income (2020-21 79.4%).

Ayrshire College met with SFC colleagues on 18 July 2022 to seek clarity on the SFC's position on the clawback of credit funding for 2021-22. At this time the College was told that it should not expect a final decision on the SFC clawback position for Ayrshire College until October 2022. This timescale was after the financial year-end and beyond the timeline for the preparation of the College's 2021-22 financial statements. The College therefore wrote to SFC on 19 July 2022 stating that it would prepare its financial statements on the assumption that there will be full clawback on underdelivered credits. The College asked SFC to confirm these income recognition assumptions. On 20 July 2022 SFC stated that it expected the College to provide for clawback ESF, Foundation Apprenticeship and deferred student credits.

On 3 November SFC wrote out to college principals to confirm that it would only consider clawback on under-delivery for core and credit targets that were outside a two percent tolerance. Following receipt of this letter, SFC confirmed that Ayrshire College would not be subject to clawback on its deferred credits income. The College was therefore able to draw down additional deferred students funding of £710,786. The cash balance of £12,713,000 shown in the Balance Sheet includes £9,009,000 of monies held by the College (in advance of Board approved funding commitments), 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 2022 was £3,704,000.

### Statement of Comprehensive Income

The statement of comprehensive income shows a total deficit for the year to 31 July 2022 of £(1,545,000). This is compared to a deficit in 2020-21 of £(1,101,000).

There were no non-recurring expenditure items which impacted the deficit in 2021-22. The presentation of the Statement of Comprehensive Income in these financial statements therefore analyses trading in the period for recurring items of £(1,545,000).

#### ○ Recurring Items

The College recorded a deficit of £(1,545,000) which represents an adverse figure of approximately (3%) of overall trading income. The recorded deficit of £(1,545,000) in 2021-22 comprises of the following elements:

• Operating position- surplus	£4,120,000
• FRS102- NPD/ PFI Capital income	£1,425,000
• Net Depreciation charge	£(3,243,000)
• FRS 102- Pension	£(3,847,000)

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

**Table 1 – Adjusted operating position 2021-22 and 2020-21 – Detailing Recurring Items for 2021-22** (there are no non-recurring items of income and expenditure)

	<b>Recurring £000</b>	<b>2021-22 £000</b>	<b>2020-21 £000</b>
Surplus /(deficit) after other gains and losses	(1,479)	(1,479)	(1,082)
<b>Add back:</b>			
Provision released	-	-	-
Depreciation (net of deferred capital grant release)	3,243	3,243	2,835
Exceptional non-restructuring costs (e.g. impairment)	-	-	-
Non-cash pension adjustments	3,847	3,847	3,654
Donation to Arms-length Foundation	-	-	-
Provision per 1 April 2014	-	-	-
<b>Deduct:</b>			
Non-Government capital grants (e.g. ALF capital grant)	-	-	(67)
Exceptional income	-	-	-
Revenue funding allocated to loan repayments (NPD)	(1,425)	(1,425)	(1,355)
Additional revenue funding allocated by SFC	-	-	(700)
<b>Sub-Total Revenue</b>	<b>4,186</b>	<b>4,186</b>	<b>3,285</b>
Retention of sale proceeds to fund PFI Capital and Interest payments		-	-
CBP allocated to PFI loan repayments		(867)	(867)
Early retirees		(87)	(87)
<b>Adjusted operating surplus / (deficit)</b>		<b>3,232</b>	<b>2,331</b>

### Underlying operating position 2021-22 and 2020-21

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 2021-22 and 2020-21**

	Note	2021-22 £000	2020-21 £000
<b>Surplus (deficit) after other gains and losses</b>		(1,479)	(1,082)
<b>Add back:</b>			
Depreciation (net of deferred capital grant release)		3,243	2,835
Exceptional non-restructuring costs (e.g. impairment)		-	-
Pension adjustments – Net Service cost		3,645	3,206
Pension adjustments – Net Interest cost		357	405
Pension adjustments – Early Retirement Provision		(155)	43
Retention of sale proceeds to fund PFI capital and interest payments		-	-
Provision released		-	-
<b>Deduct:</b>			
Non-Government capital grants (e.g. ALF capital grant)		-	(67)
CBP allocated to loan repayments and other capital items		(954)	(954)
NPD Income applied to reduce NPD Balance Sheet debt		(1,425)	(1,355)
Additional revenue funding allocated by SFC		-	(700)
<b>Adjusted operating surplus / (deficit)</b>		<b>3,232</b>	<b>2,331</b>

### Cash budgets for priorities

Whilst Scotland's 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 on the priorities to be allocated against. This instruction (received 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 2021-22 and 2020-21**

	2021-22 £000	2020-21 £000
<b>Revenue</b>		
Student support	-	-
2015-16 pay award	370	370
Other (give detail)	-	-
<b>Total impact on operating position</b>	<b>370</b>	<b>370</b>
<b>Capital</b>		
Loan repayments (PFI capital payment)	867	867
Early Retirees	87	87
<b>Total Capital</b>	<b>954</b>	<b>954</b>
<b>Total cash budget for priorities spend</b>	<b>1,324</b>	<b>1,324</b>

## Reserves

The deficit brought forward on the income and expenditure reserve at 1 August 2021 was £(2,348,000). After the deficit for the year before non-recurring items of (£1,545,000), the non-recurring items of nil, the transfers in respect of the pension reserve, and the transfers from the revaluation reserve are taken into account, the surplus on the College's income and expenditure reserve as at 31 July 2022 is £(33,775,000).

## Capital Additions

Tangible Fixed Asset additions in 2021-22 amounted to £657,000. This expenditure on the buildings of £127,000 relates mainly to small capital works. In addition, there was expenditure of £530,000 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 a college's performance (Table 4). The table below notes Ayrshire College's performance against these indicators. This 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	2021-22	2020-21
1	Recurring (Deficit)/Surplus as % of total trading income	(3%)	(1.2%)
2	Non SFC Income as % of Total Income	11.6%	11.3%
3	Credit activity target set by SFC for year to July 2022	124,793	124,877
4	Credit activity achieved in year to July 2022	126,404	125,463
5	Activity achieved against target	101.3%	100.5%
6	Current Assets: Current Liabilities	1.38:1	1.21:1
7	Gearing/debt	Nil	Nil
8	Days of recurring expenditure represented by period end cash	27	34

## **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 2021-22 of £4,512,000. 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 the College is 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. The College's main campuses are located in Ayr, Kilwinning and Kilmarnock. Other campuses are used to support specialist curriculum provision, such as the Nethermains Campus in Kilwinning which focuses on 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.

Ayrshire College commenced the construction of the Willie Mackie Skills Hub at ground-breaking ceremony, which was held on 26 July 2022. The Skills Hub is being constructed next to the main Kilwinning campus. The Willie Mackie Skills Hub will be the primary location for provision of high-quality STEM vocational skills development for Ayrshire College students, primary and secondary school pupils, employers and their workforce, and North Ayrshire residents seeking employment. It is also envisioned that the Willie Mackie Skills Hub will be a recognised centre of excellence that will provide training and skills development from across the UK. The Skills Hub is scheduled to be completed by June 2023.

### Staff Report

The College employed 695 full-time equivalent employees, of whom 421 were curriculum staff and 274 were service staff. This equates to a headcount of 854, comprising 540 female and 314 male members of staff.

Full disclosure on staff costs is given in note 6 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 2021-22 for both curriculum and service staff.

Local Joint Negotiation Committees (LJNC) were held during 2021-22 with both EIS-FELA and Unison.

## **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 2021-22 academic term, with a significant focus on digital skills to support the workforce. An area of specialist training and development was the College creating a digital skills checklist for curriculum staff. This was directly linked to a curriculum pedagogy pathway with corresponding and supporting training also provided.

In addition, the College also continued to provide training and development for college staff. This training ensures staff continued development and to improve their qualification levels. Examples of this activity is as follows:

- Teaching Qualification in Further Education
- PDA Teaching Practice
- L&D 9 Assessor Award
- L&D 11 Verifier Award.

### **Equality and Inclusion**

Ayrshire College is a successful, community-focussed regional College. The ongoing global pandemic continues to influence College decision-making as the College looks ahead knowing that it must support the inclusion and wellbeing of its people and the social and economic recovery and future prosperity of local communities in Ayrshire. For the next four years, the College has an opportunity through its Equality Outcomes 2021-2025 to make a difference to the lives and experiences of those most beset by inequality on the basis of their protected characteristic(s). This is why the College's Equality Outcomes 2021-2025 speak to the significance and persistence of particular inequalities and the need to continue tackling these so as to secure long-term and sustainable change in the College.

By April 2025, the College aims to be a place of learning and working where:

- Equality Outcome 1: Students and staff with protected characteristics most likely to experience hate, report that they feel safe while engaged in study or work
- Equality Outcome 2: Curriculum areas with a male or female student gender imbalance greater than a 75:25 ratio have improved



- Equality Outcome 3: The rates of declaration, retention and attainment of male students with a mental health condition have improved
- Equality Outcome 4: The recruitment and declaration rates of staff with a disability have improved.

The College's Statement of Ambition 2030 and Strategic Objectives 2021-2023 make clear the importance of embedding inclusion into everyday College business. As such, Ayrshire College is demonstrating that it is an organisation which has both a strategic vision and approach to equality, inclusion and diversity.

To further the College's openness and transparency in regards to its progress to mainstreaming equality and equality outcomes, it has committed to produce and publish an annual College progress report in addition to its current legislative requirements. The progress report is available on the College's website and can be reviewed here:

[Mainstreaming Equality and Equality Outcomes 2021-2025 Progress Report](#)

Since the publication of this report in April 2022, the College is working towards achieving the LGBT Youth Scotland Foundation Charter Mark. The College's senior level commitment to this can be demonstrated by the majority of the College's Senior Leadership Team completing training on LGBT inclusion. In addition, Ayrshire College hosted the first ever hate crime conference in Ayrshire, called 'Empowering Communities in Ayrshire to End Hate Crime'. The conference is just one example of the College's partnership approach to challenge the behaviours and attitudes that lie beneath hate crime.

## **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 2021-22 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 work of the College was adapted to ensure continued support to staff and students who were working and studying remotely. In addition, the College's Health, Safety and Wellbeing Team led on a range of initiatives to support staff and student mental health. For example, the College hosted wellbeing cafes and online sessions, promoted a range of online classes and online support material, as well a walking programme.

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 wellbeing of staff, students and visitors continues to be of paramount importance now that the campuses are open.

During 2021-22 the College has continued to raise awareness of a range of health, safety and wellbeing issues during the year through regular communication, training and update sessions. Wherever possible, the College has collaborated with other agencies working in the area of health and safety and engaged in joint projects that would benefit the College. For example, the Head of Health, Safety and Wellbeing worked with NHS Ayrshire & Arran to arrange on-campus vaccination clinics for COVID-19 vaccinations.

The College continues to align its health and safety activities to changes taking place within the sector and nationally and also to continue to support post pandemic recovery. This includes the College promoting wellbeing themes in partnership with NHS Ayrshire & Arran and other agencies.

## **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. 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:

*F McQueen*  
**Chair**

*A Cox*  
**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 2022. 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 2022.

### 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 also ensures 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 on 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 Board Governance Advisor 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 2022 (Table 5).

Table 5 – Serving Board Members 2021-22

Board Member	Committees Served	Status of Appointment	Date of Appointment	Date of Resignation
Willie Mackie	<ul style="list-style-type: none"> <li>• Business, Resources &amp; Infrastructure</li> <li>• Performance, Review &amp; Remuneration</li> <li>• Search &amp; Nomination</li> </ul>	Chair of Ayrshire College BOM  Chair of Ayrshire Regional College BOM	01.08.13  03.03.14 Reappointed 03.03.18	02.03.22 (completed period of appointment)
Fiona McQueen	<ul style="list-style-type: none"> <li>• Business, Resources &amp; Infrastructure</li> <li>• Learning, Teaching &amp; Quality</li> <li>• Performance Review &amp; Remuneration</li> <li>• Search &amp; Nomination</li> </ul>	Interim Chair of Ayrshire College BOM  Interim Chair of Ayrshire Regional College BOM  Appointed Chair of Ayrshire Regional College BOM	Non-Executive Board Member 01.08.18  Interim Chair 03.03.22  Chair 01.11.22	
Elaine Anderson	<ul style="list-style-type: none"> <li>• Learning, Teaching &amp; Quality</li> <li>• Audit and Risk</li> </ul>	Non-Executive Board Member	01.08.19	06.07.22
Norman Bone	<ul style="list-style-type: none"> <li>• Business, Resources &amp; Infrastructure</li> </ul>	Non-Executive Board Member	01.08.21	
Beth Clelland	<ul style="list-style-type: none"> <li>• Learning &amp; Teaching</li> <li>• Business, Resources &amp; Infrastructure</li> </ul>	Non-Executive Board Member	07.09.20	
Scott Cooley	<ul style="list-style-type: none"> <li>• Business, Resources &amp; Infrastructure</li> </ul>	Non-Executive Board Member	01.08.19	11.10.21
Steven Fegan	<ul style="list-style-type: none"> <li>• Learning, Teaching &amp; Quality</li> <li>• Business, Resources &amp; Infrastructure</li> </ul>	Elected Support Staff	25.09.20	19.07.22
Lisa Keggans	<ul style="list-style-type: none"> <li>• Learning, Teaching &amp; Quality</li> <li>• Business, Resources &amp; Infrastructure</li> </ul>	Elected Support Staff	06.09.22	
Stephen Graham	<ul style="list-style-type: none"> <li>• Learning, Teaching &amp; Quality</li> <li>• Audit and Risk</li> </ul>	Non-Executive Board Member	01.08.19	
Ellie Jamieson	<ul style="list-style-type: none"> <li>• Learning, Teaching &amp; Quality</li> <li>• Business Resources &amp; Infrastructure</li> </ul>	Elected Student Member	01.08.21	
Robert Kean	<ul style="list-style-type: none"> <li>• Learning, Teaching &amp; Quality</li> </ul>	Elected Student Member	01.08.22	
Mary McClung	<ul style="list-style-type: none"> <li>• Learning, Teaching &amp; Quality</li> <li>• Business Resources &amp; Infrastructure</li> </ul>	Non-Executive Board Member	01.08.19	12.09.22
Janette Moore	<ul style="list-style-type: none"> <li>• Learning, Teaching &amp; Quality</li> <li>• Business Resources &amp; Infrastructure</li> </ul>	Elected Curriculum staff	05.10.20	
Sharon Morrow	<ul style="list-style-type: none"> <li>• Learning, Teaching &amp; Quality</li> </ul>	Non-Executive Board Member	01.08.21	

Board Member	Committees Served	Status of Appointment	Date of Appointment	Date of Resignation
Steven Oliver	<ul style="list-style-type: none"> <li>Learning, Teaching &amp; Quality</li> </ul>	Elected Student Member	01.08.20	31.07.21 (completed period of appointment)
Michael Stewart	<ul style="list-style-type: none"> <li>Business, Resources &amp; Infrastructure</li> <li>Learning, Teaching &amp; Quality</li> <li>Performance Review &amp; Remuneration</li> <li>Search &amp; Nomination</li> </ul>	Non-Executive Board Member	01.08.19	
Alison Sutherland	<ul style="list-style-type: none"> <li>Learning, Teaching &amp; Quality</li> <li>Audit and Risk</li> </ul>	Non-Executive Member	01.08.19	
Carol Turnbull	<ul style="list-style-type: none"> <li>Business, Resources &amp; Infrastructure</li> <li>Learning, Teaching &amp; Quality</li> </ul>	Principal Ex-Officio	01.03.19	05.09.22
Angela Cox	<ul style="list-style-type: none"> <li>Business, Resources &amp; Infrastructure</li> <li>Learning, Teaching &amp; Quality</li> </ul>	Principal	05.09.22	
Steven Wallace	<ul style="list-style-type: none"> <li>Learning, Teaching &amp; Quality</li> <li>Audit and Risk</li> <li>Performance, Review &amp; Remuneration</li> <li>Search &amp; Nomination</li> </ul>	Non-Executive Board Member	01.08.18	
Matthew Wilson	<ul style="list-style-type: none"> <li>Business, Resources &amp; Infrastructure</li> <li>Audit and Risk</li> </ul>	Non-Executive Board Member	07.09.20	

After the June 2022 Board Meeting two board members left unexpectedly in July 2022, meaning between 19 July 2022 and 31 July 2022 there were 14 board members. An additional board member took up post on 6 September 2022.

Table 6 details the number of Board of Management meetings that took place during the individual members' time as a board member during 2021-22 and how many of these meetings that they were able to attend. Please note co-opted members are not included in Table 6.

**Table 6 – Board Members Attendance 2021-22**

Board Member	Board Meetings held during appointment period	Board Meetings attended
Willie Mackie	2	2
Fiona McQueen	4	4
Elaine Anderson	4	3
Norman Bone	4	2
Beth Clelland	4	3
Scott Cooley	1	1
Steven Fegan *	0	0

Board Member	Board Meetings held during appointment period	Board Meetings attended
Stephen Graham	4	3
Ellie Jamieson	4	4
Mary McClung	4	2
Janette Moore	4	4
Sharon Morrow	4	4
Steven Oliver	4	2
Michael Stewart	4	3
Alison Sutherland	4	3
Carol Turnbull	4	4
Steven Wallace	4	4
Matthew Wilson	4	4

\* S Fegan was unavailable to attend board meetings held during 2021-22

The College has an independent Board Governance Advisor 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 2021-22 the co-opted members were Gordon Neil as a member of the Learning, Teaching and Quality Committee, Gillian Murray as a member of the Business, Resources and Infrastructure Committee and 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 out with 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 Board Governance Advisor 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's 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 2021-22.

### **Audit and Risk Committee**

The Audit and Risk 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 and Risk 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 and Risk Committee has 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 all matters related to the College's continuing organisational development including oversight of the development, planning, and delivery of the overarching People Strategy, promoting a positive and inclusive culture, and reviewing and monitoring the quality and performance of associated programs of work.

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, Teaching and Quality 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 and provide assurance to the Board on all matters related to the strategic development and delivery of learning, teaching and the student experience, including monitoring and reporting on the associated quality and performance.

### **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 oversee all matters related to Performance Review and Remuneration of those members of staff whose remuneration consideration lies out with the scope of the National Recognition and Procedures Agreement (NRPA) and provide assurance to the Board on all such matters. In undertaking its deliberations, the Committee will take account of any advice given by the SFC in terms of remuneration any guidance issued by the Scottish Government, HM Treasury.

### **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. There were no significant lapses of data security. During 2021-22 Ayrshire College reported no data-related incidents to the Information Commissioner's Office.

## GOVERNANCE STATEMENT

This statement has been prepared in accordance with Accounts Direction and Code of Good Governance for Scotland's Colleges requirements.

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

The previous Principal, Carol Turnbull, left the College on 5 September 2022 and the new Principal, Angela Cox, took up post on 5 September 2022. The previous Chair's appointment came to an end on 2 March 2022 and a new interim Chair took over on 3 March 2022. Handover meetings were held between the outgoing and incoming principals and the outgoing and incoming chairs. The new Principal has received full assurances over the Governance arrangements in place at the College from the SLT for the year ended 31 July 2022.

During the June 2021 Board and committee cycle, it was agreed that for AY2021-22 onwards, the College would revert from the COVID-19 focussed risk register back to the traditional corporate focussed risk register. This enabled the College to detail specific risk areas to the College and give risk scores reflecting the mitigating actions being taken by management in that area. This meant that risk extracts are created for the Board of Management, the Business, Resources and Infrastructure Committee and the Learning and Teaching Committee. On behalf of the Board of Management, the Audit and Risk Committee reviews the Board's risk management position and considers the arrangements to mitigate the risks identified.

The College Risk Register is a standing agenda item for each meeting of the Audit and Risk Committee and thereafter the Board of Management. In addition, the relevant extracts from the Risk Register are presented to each committee for discussion, comment and approval.

The College Risk Register at the end of 2021-22 identified 18 strategic risks. The classification of these net risk scores was as follows:

- No risks were assessed as High
- No risks were assessed as Medium
- Twelve risks were assessed as Moderate
- Five risks were assessed as Low
- One risk was assessed as Very Low.

## 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 College's 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 the College's 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.

## **The Internal Control Framework**

The College's system of internal control was in place for the duration of 2021-22 and continues to remain in place up to, and beyond, the date of approval of the College's financial statements. The College's internal control system 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 and its designated sub-committee 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 and Risk Committee. The internal auditors concluded that the College's risk management activities and controls in the areas which were examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements.

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 and Risk 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. No significant weaknesses were identified in the College's internal control framework during 2021-22.

## **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 the SLT whose members 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 and Risk Committee also receive regular reports from Internal Audit which include recommendations for improvement.

### **Going Concern**

After making appropriate enquiries, the Board of Management considers that the College has adequate resources to continue operations for AY 2022-23. In addition, the Audit Scotland guidance 'Going Concern in the Public Sector' states that "the use of the going concern basis of accounting will always be appropriate for public bodies". For this reason, Ayrshire College continues to adopt the going concern basis in preparing the financial statements.

### **Conclusion**

The College continued to improve and enhance its reputation in 2021-22, particularly in the areas of corporate governance, high quality learning and teaching, engagement with students, and strategic partnership working.

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

**F McQueen**  
Chair

**A Cox**  
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 Business Resources and Infrastructure Committee, Audit and Risk Committee, and the Board of Management
- A professional internal audit team whose annual programme is approved by the Audit and Risk Committee and endorsed by the Board of Management. The audit 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:

**F McQueen**  
Chair

**A Cox**  
Principal

## REMUNERATION AND STAFF REPORT

### Remuneration Policy

The post of Principal and the additional posts which make up the College's SLT (the Vice Principals and Assistant Principals) 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 Assistant Principals' 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 7 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. The Committee's responsibilities are to agree remuneration for the Principal, Vice Principals and Assistant Principals. The Committee takes account of any advice given by the SFC in the remuneration of the Principal and SLT 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 Assistant Principals. 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 Assistant Principal Human Resources and Organisational Development can also 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 the College's executive management during 2021-22 (Table 7).

**Table 7 – Remuneration of Senior Management 2021-22**

Name	12 months ended 31 July 2022			12 months ended 31 July 2021		
	Salary* £000	Pension benefit £000	Total £000	Salary* £000	Pension benefit £000	Total £000
C Turnbull, Principal	140-145	85	215-220	140-145	76	215-220
A Campbell, Vice Principal	100-105	17	120-125	100-105	30	130-135
M Breen, Vice Principal	100-105	50	155-160	100-105	40	140-145
W Mackie, Chair**	15-20	-	15-20	25-30	-	25-30
F McQueen Interim Chair**	10-15		10-15			

\*\* W Mackie tenure as Chair of the Board ended on 2 March 2022. The role of Interim Chair of the Board was taken up by F McQueen on 3 March 2022

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 2021-22.

The pension benefit figure included within Table 7 is derived by using a calculation set out by SFC in the 2021-22 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 of the remuneration pay bands for the highest paid official in the organisation in financial year 2021-22 was £142,500 (2020-21, £141,967). This was 3.7 times (2020-21, 3.8 times) the median remuneration of the workforce which was £38,672 (2020-21, £37,672). This is detailed in Table 8.

**Table 8**

Range of Workforce Remuneration	2021-22 £000	2020-21 £000	% Change
Highest paid official remuneration	143	140	3%
Median (total pay and benefits)	39	38	3%
Median (salary only)	39	38	3%
Ratio	3.7	3.8	-3%

The 25<sup>th</sup> percentile of the remuneration pay bands for the highest paid official in the organisation in financial year 2021-22 was £142,500 (2020-21, £141,967). This was 5.5 times (2020-21, 5.6 times) the median remuneration of the workforce which was £26,017 (2020-21, £25,017). This is detailed in Table 9.

**Table 9**

Range of Workforce Remuneration	2021-22 £000	2020-21 £000	% Change
Highest paid official remuneration	143	140	3%
25th percentile (total pay and benefits)	26	25	4%
25th percentile (salary only)	26	25	4%
Ratio	5.5	5.6	-1%

The 75<sup>th</sup> percentile of the remuneration pay bands for the highest paid official in the organisation in financial year 2021-22 was £142,500 (2020-21, £141,967). This was 3.3 times (2020-21, 3.3 times) the median remuneration of the workforce which was £43,357 (2020-21, £42,357). This is detailed in Table 10.

**Table 10**

Range of Workforce Remuneration	2021-22 £000	2020-21 £000	% Change
Highest paid official remuneration	143	140	3%
75th percentile (total pay and benefits)	43	42	2%
75th percentile (salary only)	43	42	2%
Ratio	3.3	3.3	0%

### **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 a 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 (Table 11).

**Table 11 – Employer’s Contributions by Senior Official**

Name	Senior Official’s Pension Scheme	Accrued pension at pension age at 31 July 2022 £000	Accrued lump sum at pension age at 31 July 2022 £000	Real increase in pension 1 August 2020 to 31 July 2022 £000	Real increase in lump sum 1 August 2020 to 31 July 2022 £000	CETV at 31 July 2022 £000	CETV at 31 July 2021 £000	Real increase in CETV £000
C Turnbull	SPF	70	110	5	3	1,356	1,237	119
A Campbell	STSS	31	56	1	-	430	390	40
M Breen	SPF	40	45	3	-	631	579	52

**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:

- 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.
- 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 2021-22. There were no payments in 2020-21

No voluntary severance payments were made for the loss of office during 2021-22. During 2020-21 the College made voluntary severance payments of £467,000.

Salaries and related costs for 2021-22 totalled £33,394,000 as noted below (Table 12).



**Table 12 – Salaries and Related Costs 2021-22**

	2021-22			2020-21
	Directly employed staff £000	Seconded and agency staff £000	Total £000	Total £000
Wages and salaries	25,692	23	25,715	25,315
Social security costs	2,589	-	2,589	2,446
Other pension costs	5,090	-	5,090	4,947
<b>TOTAL</b>	<b>33,371</b>	<b>23</b>	<b>33,394</b>	<b>32,708</b>
Average number of FTEs			695	707

In 2021-22, the College employed 540 females and 314 males. No member of staff currently identifies as non-binary or gender neutral. The College continues to promote trans and gender diverse inclusion to ensure all staff are supported.

In the year ended 31 July 2022 staff turnover was 6.1%. The figure for the year ended 31 July 2021 was 6.6%.

### **Sickness Absence**

Total sickness absence during 2021-22 was 3.74%. Of this, 1.33% was due to short-term and 2.41% was long-term sickness absence (Table 13).

**Table 13 – Sickness Absence**

Sickness Absence Duration	2021-22	2020-21
Short-term	1.3%	0.6%
Long-term	2.4%	1.5%
<b>Total</b>	<b>3.7%</b>	<b>2.1%</b>

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 July 2022 is set out below in the Tables 14 to 16.

**Table 14 – Relevant Union Officials**

Number of employees who were union officials during 2021-22	Employee number by FTE:
8.0	1.2

**Table 15 – Percentage of Time Spent on Facility Time**

Percentage	Number of Employees
0%	0
1%-50%	8
51%-99%	0
100%	0

**Table 16 – Percentage of Pay Bill Spent on Facility Time**

Total cost of facility time	£58,447
Total pay bill	£33,938,554
Percentage of total pay bill spent on facility time	0.2%

Total time spent on trade union activities as a percentage of total paid facility time hours during 2021-22 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:

**F McQueen**  
Chair

**A Cox**  
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

### 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 2022 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, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2022 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 for 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 six 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 college. 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 basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue. These conclusions are not intended to, nor do they, provide assurance on the college's current or future financial sustainability. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

## **Risks of material misstatement**

We report in our Annual Audit Report, the most significant assessed risks of material misstatement that we identified and our judgements 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 there is an intention to discontinue the college's operations.

## **Auditor's responsibilities for the audit of the financial statements**

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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the college is complying with that framework;
- identifying which laws and regulations are significant in the context of the college;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the college's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Reporting 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. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, 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.

## **Reporting on other requirements**

### **Opinion prescribed by the Auditor General for Scotland on the audited part of the Remuneration and Staff Report**

We have audited the parts of the Remuneration and Staff Report described as audited. 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.

### **Other information**

The Board of Management is responsible for other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

Our responsibility is to read all 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

### **Opinions prescribed by the Auditor General for Scotland on the Performance Report and Governance Statement**

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.

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

December 2022

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 2022

	Note	Recurring	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
<b>INCOME</b>				
SFC grants	2	46,272	<b>46,272</b>	45,523
Tuition fees and education contracts	3	3,989	<b>3,989</b>	4,256
Other grants and contracts	4	74	<b>74</b>	82
Other income	5	1,988	<b>1,988</b>	1,450
Investment income		-	-	-
<b>Total Income</b>		<b>52,323</b>	<b>52,323</b>	51,311
<b>EXPENDITURE</b>				
Staff costs	6	37,897	<b>37,897</b>	36,772
Restructuring costs	6	-	-	467
Other operating expenses	8	8,782	<b>8,782</b>	8,183
Depreciation	11	4,072	<b>4,072</b>	3,734
Interest and other financial costs	9	3,051	<b>3,051</b>	3,237
<b>Total Expenditure</b>		<b>53,802</b>	<b>53,802</b>	52,393
<b>Surplus/(deficit) before other gains/(losses)</b>		(1,479)	<b>(1,479)</b>	(1,082)
Gain/(loss) on disposal of assets		(66)	<b>(66)</b>	(19)
<b>Surplus/(deficit) before tax</b>		<b>(1,545)</b>	<b>(1,545)</b>	(1,101)
Taxation	10	-	-	-
<b>(Deficit) for the year</b>		<b>(1,545)</b>	<b>(1,545)</b>	(1,101)
Unrealised surplus on revaluation of assets			<b>70</b>	26,784
Actuarial gain / (loss) in respect of pension schemes			<b>36,063</b>	10,412
<b>Total Comprehensive Income for the year</b>			<b>34,588</b>	36,095

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 30 provides details of the adjusted operating position on a Central Government accounting basis.

**STATEMENT OF CHANGES IN RESERVES**

	<b>Income and Expenditure Account £000</b>	<b>Restricted Reserves £000</b>	<b>Revaluation Reserve £000</b>	<b>Total £000</b>
<b>Balance at 31 July 2021</b>	(2,348)	466	58,840	56,958
Surplus/(deficit) from the income and expenditure statement	(1,545)	-	-	<b>(1,545)</b>
Revaluation	-	-	70	<b>70</b>
Transfers from pension reserve to income and expenditure reserve	36,063	-	-	<b>36,063</b>
Transfers between revaluation and income and expenditure reserve – HC Depreciation	1,605	-	(1,605)	-
<b>Total comprehensive income for the year</b>	<b>36,123</b>	<b>-</b>	<b>(1,535)</b>	<b>34,588</b>
<b>Balance at 31 July 2022</b>	<b>33,775</b>	<b>466</b>	<b>57,305</b>	<b>91,546</b>



**BALANCE SHEET AS AT 31 JULY 2022**

	Note	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
<b>Fixed Assets</b>			
Tangible fixed assets	11	<u>126,796</u>	130,207
<b>Total fixed assets</b>		<b>126,796</b>	<b>130,207</b>
<b>Net pension asset</b>		<b>11,518</b>	-
<b>Current Assets</b>			
Stocks		43	30
Debtors	12	4,185	3,539
Cash and cash equivalents	17	<u>12,713</u>	8,201
<b>Total current assets</b>		<b>16,941</b>	<b>11,770</b>
<b>Less: Creditors – amounts falling due within one year</b>	13	<u>12,234</u>	9,707
<b>Net current assets/(liabilities)</b>		<b>4,707</b>	<b>2,063</b>
<b>Total assets less current liabilities</b>		<b>143,021</b>	<b>132,270</b>
Less: Creditors – amounts falling due after more than one year	14	41,054	43,727
Less: Deferred capital grants due to be released after one year	15	8,642	9,021
<b>Provisions</b>			
Early Retirement Provision	16	1,188	1,430
Other Provisions	16	591	591
			-
<b>Net Assets excluding pension liability</b>		<u>91,546</u>	77,501
<b>Net pension liability</b>	19	-	(20,543)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<b>91,546</b>	<b>56,958</b>
Income and expenditure account excluding pension reserve	17	22,257	18,195
Pension reserve	17	<u>11,518</u>	(20,543)
		<b>33,775</b>	<b>(2,348)</b>
Restricted Reserves		466	466
Revaluation Reserve	17	<u>57,305</u>	58,840
<b>TOTAL RESERVES</b>		<b>91,546</b>	<b>56,958</b>

The financial statements on pages 39 to 65 were approved by the Board of Management and are signed on its behalf by:

**F McQueen**  
Chair

**A Cox**  
Principal

**CASH FLOW STATEMENT FOR THE YEAR TO 31 JULY 2022**

	Note	Year ended 31 July 2022  £000	Year ended 31 July 2021  £000
<b>Cash inflow from operating activities</b>			
Surplus/(deficit) for the year		(1,545)	(1,101)
<b>Adjustment for non-cash items</b>			
Depreciation	11	4,072	3,734
Net (gain)/loss on disposal of fixed assets		66	19
Deferred capital grants released to income	15	(829)	(899)
(Increase)/decrease in stock		(13)	-
(Increase)/decrease in debtors	12	(646)	(969)
Increase/(decrease) in creditors	14	2,399	2,286
(Decrease)/increase in provisions	16	(242)	86
(Decrease)/increase in reserves		-	-
Net return on pension liability	19	4,002	3,611
Returns on investments and servicing of finance		(357)	(405)
Taxation		-	-
<b>Cash flows from investing and financing activities</b>			
Interest receivable – bank interest		-	-
Interest payable	9	357	405
PFI/NPD Capital Payments	14	(2,545)	(2,415)
Purchase of tangible fixed assets	11	(657)	(626)
Proceeds from sale of tangible fixed assets		-	4
Deferred Capital Grants Receipts	15	450	559
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<b>4,512</b>	<b>4,289</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase/(decrease) in cash and cash equivalents in the year		4,512	4,289
Net funds at 1 August 2021		8,201	3,912
<b>Net funds at 31 July 2022</b>		<b>12,713</b>	<b>8,201</b>

## 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 (£1,545,000) before non-recurring items, with an accumulated deficit on the income and expenditure reserve of £33,775,000. At 31 July 2022, current assets of £16,941,000 included cash and bank balances of £12,713,000. Creditors falling due within one year were £12,234,000, with net current liabilities of £4,707,000.

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 8 and 9 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 8 and 9).

**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 2022, 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 £10,000. 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) 65 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 £10,000 for single items or over £10,000 for groups of related assets
Other assets	-	Over £10,000 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 19, will impact the carrying amount of the pension liability.

As the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has recorded a notional surplus and therefore the College is showing a pension asset in the balance sheet as at 31 July 2022. The College consider that they will be able to recover the surplus either through reduced contributions in the future or through refunds from the plan, and therefore the surplus has been recognised in these financial statements in line with the requirements of FRS102.

	Year ended 31 July 2022	Year ended 31 July 2021
Note	£000	£000
<b>2 SFC Grants</b>		
FE recurrent grant (including fee waiver)	37,107	36,272
HE & FE childcare funds	408	367
Release of deferred capital grants	755	828
Maintenance grant	786	684
NPD UC Grant (include Capital)	4,809	4,791
Additional financial support	-	700
SFC Grants re Job Evaluation	858	858
Other SFC Grants	1,549	1,023
<b>Total</b>	<b>46,272</b>	<b>45,523</b>
<b>3 Tuition Fees and Education Contracts</b>		
FE fees – UK	542	361
FE fees – EU	-	-
FE fees – non-EU	-	-
HE fees	2,197	2,477
Education contracts	1,078	1,259
Other contracts	172	159
<b>Total</b>	<b>3,989</b>	<b>4,256</b>
<b>4 Other Grant Income</b>		
European funds	-	-
Grants from Ayrshire College Foundation – Capital	-	11
Grants from Ayrshire College Foundation - Revenue	-	-
Release of deferred capital grants	74	71
15	<b>74</b>	<b>82</b>
<b>Total</b>	<b>74</b>	<b>82</b>
<b>5 Other Operating Income</b>		
Catering	467	9
Other income generating activities	1,026	677
Other income – East Ayrshire Council discretionary support	-	56
Other income	495	708
<b>Total</b>	<b>1,988</b>	<b>1,450</b>



	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
<b>6 Staff Costs</b>		
Wages and salaries	25,715	25,315
Social security costs	2,589	2,446
Other pension costs	5,090	4,947
	<b>33,394</b>	32,708
FRS 102 pension adjustments	3,645	3,206
Job Evaluation	858	858
<b>Total</b>	<b>37,897</b>	36,772
Curriculum departments	18,215	18,111
Curriculum services	5,540	5,232
Administration and central services	11,409	10,530
Premises	1,361	1,402
Catering	514	639
<b>Sub-total</b>	<b>37,039</b>	35,914
Job Evaluation	858	858
	<b>37,897</b>	36,772
Non-recurring restructuring costs	-	467
<b>Total</b>	<b>37,897</b>	37,239

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

	2022 No.	2021 No.
Academic/teaching departments	307	314
Academic/teaching services	114	114
Administration and central services	200	198
Premises staff	49	51
Catering staff	25	30
<b>Total</b>	<b>695</b>	707

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

	2022 No.	2021 No.
£50,001 to £60,000 per annum	20	20
£60,001 to £70,000 per annum	-	-
£70,001 to £80,000 per annum	2	2
£80,001 to £90,000 per annum	5	5
£90,001 to £100,000 per annum	-	1
£100,001 to £110,000 per annum	2	2
£110,001 to £120,000 per annum	-	-
£120,001 to £130,000 per annum	-	-
£130,001 to £140,000 per annum	-	-
£140,001 to £150,000 per annum	1	1

## 7 Senior Post-holders' Emoluments

	Note	2022 No.	2021 No.
The number of senior post-holders, including the Principal was:		3	4
		Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Senior post-holders' emoluments are made up as follows:			
Salaries		353	446
Benefits in kind		-	-
Employers Pension contributions		73	88
<b>Total Emoluments</b>		<b>426</b>	<b>534</b>

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

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Salary	144	140
Bonus	-	-
Benefits in kind	-	-
	<b>144</b>	<b>140</b>
Employers Pension contributions	<b>28</b>	<b>27</b>

## 7 Senior Post-holders' Emoluments (continued)

In 2021-22 the Principal and one other senior post-holder 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:

2021-22: £27,560

2020-21: £27,560

This remuneration is not pensionable.

	<b>Note</b>	<b>Year Ended 31 July 2022</b>	<b>Year Ended 31 July 2021</b>
		<b>£000</b>	<b>£000</b>
<b>8 Other Operating Expenses</b>			
Teaching departments		<b>1,533</b>	1,585
Administration and central services		<b>2,301</b>	2,160
Kilwinning Campus PFI service charge		<b>812</b>	813
Hill Street NPD unitary charge		<b>1,435</b>	1,395
Other premises costs		<b>2,058</b>	1,851
Childcare costs		<b>408</b>	367
Catering costs		<b>235</b>	12
<b>Total</b>		<b>8,782</b>	<b>8,183</b>
		<b>Year Ended 31 July 2022</b>	<b>Year Ended 31 July 2021</b>
		<b>£000</b>	<b>£000</b>
Other operating expenses include:			
Auditors' remuneration			
- external audit of these financial statements		<b>35</b>	35
- internal audit services		<b>27</b>	29
- other services		<b>-</b>	-
Operating lease payments		<b>97</b>	97

	Note	Year Ended 31 July 2022	Year Ended 31 July 2021
		£000	£000
<b>9 Interest Payable</b>			
Kilwinning Campus PFI interest charge		249	308
Hill Street NPD interest charge		2,445	2,524
Pension finance costs	19	357	405
<b>Total</b>		<b>3,051</b>	<b>3,237</b>

## 10 Taxation

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

**11 Tangible Fixed Assets**

	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	PFI Building £000	NPD Building £000	Equipment £000	Total £000
<b>Cost or Valuation</b>						
At 1 August 2021	41,365	1,005	23,587	63,307	7,130	136,394
Additions	114	-	-	13	530	657
Revaluation	70	-	-	-	-	70
Impairments	-	-	-	-	-	-
Disposals	-	-	-	-	(2,426)	(2,426)
<b>At 31 July 2022</b>	<b>41,549</b>	<b>1,005</b>	<b>23,587</b>	<b>63,320</b>	<b>5,234</b>	<b>134,695</b>
<b>Depreciation</b>						
At 1 August 2021	-	561	-	-	5,626	6,187
Provided during year	1,274	79	680	1,329	712	4,074
Write back re: revaluation	-	-	-	-	-	-
On disposals	-	-	-	-	(2,362)	(2,362)
<b>At 31 July 2022</b>	<b>1,274</b>	<b>640</b>	<b>680</b>	<b>1,329</b>	<b>3,976</b>	<b>7,899</b>
<b>Net Book Value at 31 July 2022</b>	<b>40,275</b>	<b>365</b>	<b>22,907</b>	<b>61,991</b>	<b>1,258</b>	<b>126,796</b>
Net Book Value at 31 July 2021	41,365	444	23,587	63,307	1,504	130,207
Inherited	25,626	2	12,953	18,724	-	57,305
Financed by capital grant	8,266	363	21	13	878	9,541
Other	6,383	-	9,933	43,254	380	59,950
<b>At 31 July 2022</b>	<b>40,275</b>	<b>365</b>	<b>22,907</b>	<b>61,991</b>	<b>1,258</b>	<b>126,796</b>

The College's Ayr, Kilwinning and Kilmarnock Campus properties were valued at 31 July 2021 by Ryden 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.

	Note	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
<b>12 Debtors: Amounts falling due within one year</b>			
Trade debtors – net of provision for doubtful debts		156	315
European funding		-	-
Other Debtors		21	192
Prepayments and accrued income		4,008	3,032
Amounts owed by the Scottish Funding Council		-	-
		<u>4,185</u>	<u>3,539</u>

		Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
--	--	--	--

**13 Creditors: Amounts falling due within one year**

Bank loans and overdrafts		-	-
Trade creditors		436	214
Other taxation and social security		954	649
Other Creditors		1,079	833
Accruals and deferred income		3,661	2,838
PFI Capital payment < 1 year	14	1,183	1,120
NDP Capital payment < 1 year	14	1,490	1,425
Deferred Capital Grants to be released in <1 year	15	899	899
Amounts owed to Scottish Funding Council		1,531	1,179
Bursaries and Student Support Funds for future disbursements		1,001	550
		<u>12,234</u>	<u>9,707</u>

	Note	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
<b>14 Creditors: Amounts falling due after one year</b>			
Capital Element of Kilwinning PFI expenditure:			
At 1 August 2021		4,417	5,477
Capital payments in year		<u>(1,120)</u>	<u>(1,060)</u>
		3,297	4,417
Less amount due within one year	13	<u>(1,183)</u>	<u>(1,120)</u>
<b>At 31 July 2022</b>		<u>2,114</u>	<u>3,297</u>
Capital Element of Kilmarnock NPD expenditure:			
At 1 August 2021		41,855	43,210
Capital payments in year		<u>(1,425)</u>	<u>(1,355)</u>
		40,430	41,855
Less amount due within one year	13	<u>(1,490)</u>	<u>(1,425)</u>
<b>At 31 July 2022</b>		<u>38,940</u>	<u>40,430</u>
<b>Total</b>		<u>41,054</u>	<u>43,727</u>

#### 15 Deferred Capital Grants

	SFC £000	Non SFC £000	Total £000
<b>At 1 August 2021</b>			
Land and Buildings	7,139	1,795	8,934
Equipment	986	-	986
	8,125	1,795	9,920
<b>Grants Received in the Period</b>			
Land and Buildings	127	-	127
Equipment	323	-	323
	450	-	450
<b>Released to Income and Expenditure Account</b>			
Land and Buildings	(325)	(74)	(399)
Equipment	(430)	-	(430)
	(755)	(74)	(829)
<b>At 31 July 2022</b>			
Land and Buildings	6,941	1,721	8,662
Equipment	879	-	879
	7,820	1,721	9,541
Split as follows:			
Due to be released in <1 year	828	71	899
Due to be released in >1 year	6,992	1,650	8,642
	7,820	1,721	9,541

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
<b>16 Provisions for Liabilities and Charges</b>		
<b>Early Retirement Provision</b>		
At 1 August 2021	1,430	1,474
Expenditure in the period	(87)	(87)
Release of provision	(155)	43
<b>At 31 July 2022</b>	<b>1,188</b>	<b>1,430</b>

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 (2020-21: 23). The pension liability has been revalued using SFC actuarial tables.

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
<b>Other Provisions</b>		
At 1 August 2021	591	461
Expenditure in the period	-	(70)
Additional provision required in the period	-	200
<b>At 31 July 2022</b>	<b>591</b>	<b>591</b>

The majority of the other provisions relates to future lease commitments and dilapidations provisions on the leased property at Nethermaines.

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
<b>17 Reserves</b>		
<b>Income &amp; Expenditure Account</b>		
At 1 August 2021	18,195	14,759
Surplus/(deficit) for the period	(1,545)	(1,101)
Disposal of properties in revaluation reserve	-	-
Transfer from revaluation reserve	1,605	926
Impairment of Properties	-	-
Transfer to/(from) pension scheme	4,002	3,611
<b>At 31 July 2022</b>	<b>22,257</b>	<b>18,195</b>



## 17 Reserves (continued)

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
<b>Pension Reserve</b>		
At 1 August 2021	(20,543)	(27,344)
Current service cost	(5,540)	(5,034)
Impact of curtailments	-	(3)
Employer contributions	1,869	1,805
Contributions re unfunded benefits	26	26
Past service costs	-	-
Net return on pension scheme	(357)	(405)
Actuarial gain/(loss) in pension scheme	36,063	10,412
<b>At 31 July 2022</b>	<b>11,518</b>	<b>(20,543)</b>

### Summary

Income & expenditure account	22,257	18,195
Pensions reserve	11,518	(20,543)
<b>At 31 July 2022</b>	<b>33,775</b>	<b>(2,348)</b>

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
<b>Revaluation Reserve</b>		
At 1 August 2021	58,840	32,982
Revaluation	70	26,784
Transfer to income & expenditure account in respect of Depreciation on revalued assets (include element re PFI capital reserve)	(1,605)	(926)
Disposal of properties	-	-
Impairment of properties	-	-
<b>At 31 July 2022</b>	<b>57,305</b>	<b>58,840</b>

## 18 Analysis of Changes in Cash and Cash Equivalents

	At 1 August 2021 £000	Cash Flows £000	Other Changes £000	At 31 July 2022 £000
Cash	8,201	4,512	-	12,713
Finance lease/hire purchase contracts	-	-	-	-
<b>Total</b>	<b>8,201</b>	<b>4,512</b>	<b>-</b>	<b>12,713</b>

## 19 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 2022 £000	Year to 31 July 2021 £000
STSS: contributions paid	3,195	3,116
SPF: Contributions paid	1,895	1,831
FRS 102 charge to the Income & Expenditure Account	3,645	3,206
<b>Total Pension Cost (Note 6)</b>	<b>8,735</b>	<b>8,153</b>

### 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 £48.2 billion at 31 March 2021.

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 2021

Rate of return (discount rate) 1.25%

#### Rate of Return in Excess of:

Earnings increases (2.38)%  
Price increases (0.95)%

Employer contributions were payable to the STSS at a rate of 23%. 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 2022 was £1,895,000.

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 2022, 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 2022	At 31 July 2021
Rate of increase in salaries	3.5%	3.6%
Rate of increase for pensions in payment/inflation	2.8%	2.9%
Discount rate for liabilities	3.5%	1.6%
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 2022	At 31 July 2021
Current pensioners	Males	19.6	19.8
	Females	22.4	22.6
Future pensioners	Males	21.0	21.2
	Females	24.5	24.7

The approximate allocation of scheme assets is as follows:

	At 31 July 2022	At 31 July 2021
Equities	60%	66%
Bonds	27%	24%
Property	11%	9%
Cash	2%	1%
	<b>100%</b>	<b>100%</b>

The assets and the liabilities of the scheme were:

	At 31 July 2022 £000	At 31 July 2021 £000
<b>Total Market Value of Assets</b>	<b>76,389</b>	<b>74,670</b>
Present value of scheme liabilities:		
Funded	(64,475)	(94,722)
Unfunded	(396)	(491)
<b>Surplus/(deficit) in the Scheme</b>	<b>11,518</b>	<b>(20,543)</b>

## 19 Pensions and Similar Obligations (continued)

	Note	At 31 July 2022 £000	At 31 July 2021 £000
Employer service cost (net of employee contributions)		5,540	5,034
Past service cost		-	3
		<u>5,540</u>	<u>5,037</u>

	At 31 July 2022 £000	At 31 July 2021 £000
<b>Analysis of pension finance income/(costs)</b>		
Expected return on pension scheme assets	1,202	862
Interest on pension liabilities	<u>(1,559)</u>	<u>(1,267)</u>
<b>Pension finance income/(costs)</b>	<u>(357)</u>	<u>(405)</u>

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
<b>Movements on Pension Scheme Deficit</b>		
Deficit in scheme at 1 August 2021	(20,543)	(27,344)
<b>Movement in year:</b>		
Current service charge	(5,540)	(5,034)
Losses/(gains) on curtailments	-	(3)
Contributions by members	1,869	1,805
Contributions in respect of unfunded benefits	26	26
Past service costs	-	-
Net return on pension assets	(357)	(405)
Actuarial gains/(losses)	36,063	10,412
(Deficit) in scheme at 31 July 2022	17 <u>11,518</u>	<u>(20,543)</u>

## Asset and Liability Reconciliation

<b>Reconciliation of Liabilities</b>		
<b>Liabilities at 1 August 2021</b>	95,213	88,520
Service cost	5,540	5,034
Interest cost	1,559	1,267
Contributions by members	572	575
Actuarial (gain)/loss	(36,509)	1,359
Past service cost/(gain)	-	3
Losses/(gains) on curtailments	-	-
Estimated Unfunded Benefits Paid	(26)	(26)
Estimated Benefits Paid	(1,478)	(1,519)
<b>Liabilities at 31 July 2022</b>	<u>64,871</u>	<u>95,213</u>

## 19 Pensions and Similar Obligations (continued)

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
<b>Reconciliation of Assets</b>		
<b>Assets at 1 August 2021</b>	<b>74,670</b>	61,176
Expected return on assets	1,202	862
Contribution by members	572	575
Contribution by employer	1,869	1,805
Contribution in respect of unfunded benefits	26	26
Other Experience	-	(956)
Actuarial (gain)/loss	(446)	12,727
Estimated unfunded benefits paid	(26)	(26)
Estimated benefits paid	(1,478)	(1,519)
<b>Assets at 31 July 2022</b>	<b>76,389</b>	<b>74,670</b>

### Amounts for the current and previous accounting periods

Fair value of employer assets	76,389	74,670
Present value of defined benefit obligation	(64,871)	(95,213)
Surplus/(Deficit)	11,518	(20,543)

As the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has recorded a notional surplus and therefore the College is showing a pension asset in the balance sheet as at 31 July 2022. The College consider that it will be able to recover the surplus either through reduced contributions in the future or through refunds from the plan, and therefore the surplus has been recognised in these financial statements in line with the requirements of FRS102.

## 20 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 2022 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 2022 the College had no outstanding balances due to related parties and two balances due from related parties. These were as follows:

- Due from SDS - £58,005
- Due from University of Strathclyde - £5,648

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.

## 20 Related Party Transactions (continued)

In addition to the above-mentioned 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
Steven Wallace	Employee	University of Strathclyde	Sales - £50,739 Purchases - £nil
Gillian Murray	Employee	Anderson Strathearn	Sales - £nil Purchases - £12,092

There were no transactions exceeding £5,000 with any other organisations associated with Board Members in 2021-22.

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 (resigned 05.09.2022)
Janette Moore	Teaching Staff Member
Steven Fegan	Service Staff Member

## 21 FE Bursary and Other Student Support Funds

	FE Bursary	FE Hardship	EMA's	Other	Year ended 31 July 2022	Year ended 31 July 2021
	£000	£000	£000	£000	£000	£000
Balance brought forward	-	-	-	331	331	172
Allocation received in year	8,701	2,035	382	284	11,402	11,364
Interest						
	8,701	2,035	382	615	11,733	11,536
Expenditure	(6,974)	(1,776)	(382)	(359)	(9,491)	(9,366)
Repaid to SFC/SAAS	(1,477)	-	-	-	(1,477)	(1,839)
Repayable to SFC as clawback	-	-	-	(112)	(112)	-
College contribution to funds	-	-	-	-	-	-
Virements						
Balance carried forward	250	259	-	144	653	331
Represented by:						
Repayable to SFC as clawback	250	259	-	136	645	113
Retained by College for students	-	-	-	8	8	218
	250	259	-	144	653	331

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.

## 22 FE & HE Childcare Funds

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Balance brought forward	219	25
Allocation received in period	756	796
	<u>975</u>	<u>821</u>
Expenditure	(408)	(367)
Repayable to SFC as clawback	(219)	(25)
Repayable in year	-	(210)
Virements	-	-
Balance carried forward	<u>348</u>	<u>219</u>
Represented by:		
Net repayable to SFC as clawback	348	219
Retained by College for Students	-	-
	<u>348</u>	<u>219</u>

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

## 23 Commitments under Operating Leases

As at 31 July 2022 the College had annual commitments under non-cancellable operating leases as set out below:

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Expiry within 1 year	-	-
Expiry within 2 to 5 years	-	-
<b>Total</b>	<u>-</u>	<u>-</u>

## 24 Capital Commitments

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000's
<b>Contracted for at 31 July 2022</b>	<u>2,550</u>	<u>50</u>

## 25 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.

## 26 PFI Contract and Kilwinning Campus

Payments remaining to be made under the PFI contract at 31 July 2022 are as follows:

	Payment for services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2022-23	845	1,183	186	2,214
Payable within 2 to 5 years	1,344	2,114	167	3,625
Payable within 6 to 10 years	-	-	-	-
<b>Total</b>	<b>2,189</b>	<b>3,297</b>	<b>353</b>	<b>5,839</b>

	Year ended 31 July 2022	Year ended 31 July 2021
	£000	£000
Balance at start of year	4,417	5,477
Payments made in the year	(1,120)	(1,060)
Balance outstanding at end of the year	<b>3,297</b>	<b>4,417</b>

## 27 NPD Hill Street

Payments remaining to be made under the NPD contract at 31 July 2022 are as follows:

	Payment for services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2022-23	1,333	1,490	2,362	5,185
Payable within 2 to 5 years	6,122	6,039	8,579	20,740
Payable within 6 to 10 years	8,174	9,170	8,581	25,925
Payable > 10 years	15,576	23,731	7,358	46,665
<b>Total</b>	<b>31,205</b>	<b>40,430</b>	<b>26,880</b>	<b>98,515</b>

	Year ended 31 July 2022	Year ended 31 July 2021
	£000	£000
Balance at start of year	41,855	43,210
Payments made in the year	(1,425)	(1,355)
Balance outstanding at end of the year	<b>40,430</b>	<b>41,855</b>



## 28 Post Balance Sheet Events

There are no post balance sheet events to report.

## 29 Contingent Liabilities

There are no contingent liabilities at 31 July 2022 (31 July 2021: £nil).

## 30 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.

	<b>2021-22</b> <b>£000</b>	2020-21 £000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	<b>(1,545)</b>	(1,101)
Add back: Non-cash allocation for depreciation (net of deferred capital grant)	<b>3,243</b>	2,835
Operating surplus / (deficit) on Central Government accounting basis	<b>1,698</b>	1,734

Under the FE/HE SORP, the College recorded an operating deficit of (£1,545,000) for the year ended 31 July 2022. After taking account of the Government noncash budget, the College shows an “adjusted” surplus of £1,698,000 on a Central Government accounting basis.

**Accounts Direction for Scotland's Colleges 2021-22**

1. It is the Scottish Funding Council's direction that institutions comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.
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 2021-22 (FReM) where applicable. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.
4. Incorporated colleges and Glasgow Colleges' Regional Board must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2022.
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  
18 July 2022