



Board of Management Report and Financial Statements

For the year ended
31 July 2021

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PERFORMANCE REPORT

Principal's Statement on Ayrshire College's Performance 2020-21

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 exceeded targets set.

Over the last year, 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 2020-21. 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 2020-21 and we are proud of the impact we made on people's lives.

Overview of Performance Report

The Board of Management of Ayrshire College presents its Performance Report together with the Audited Financial Statements for the year ended 31 July 2021.

This Performance Report provides a detailed summary of the performance of the College during 2020-21 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, 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 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. The Refresh and Renew Plan also provides the overarching framework for the College's Outcome Agreement for 2020-21 agreed with the Scottish Funding Council (SFC).

SFC Outcome Agreement

In 2020-21, the College agreed an Outcome Agreement with the Scottish Funding Council for the period 2020-21. This Outcome Agreement focuses on the following three outcomes:

- Outcomes for students
- Outcomes for Economic Recovery and Social Renewal
- Responsive and Collaborative.

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 2020-21

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 2020-21. 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 2020-21 continued, but the impact of COVID-19 meant that achieving national ambitions for FE programmes, in particular, was undermined.

In 2020-21, the College exceeded the core activity target set by the SFC and delivered 125,463 credits (target 124,877 credits). This is the fifth year in a row that the College has exceeded the SFC core activity target.

The College is recognised locally, regionally and nationally as an organisation which makes a positive difference to the lives of its students, to our communities, to Ayrshire's economy and to Scotland. In 20-21, 58.2% of FE full-time students (2019-20 63.8%) and 71.7% of HE full-time students (2019-20 68.9%) completed their courses with a successful outcome.

Performance, with reference to successfully completed FE full-time programmes, has declined by 5.6%. This area of concern, which is the biggest single factor contributing to the decline in successful outcome rates, is further withdrawal which doubled to 24.3% - the highest that it has ever been in Ayrshire College. This corresponds with the evidence to suggest that Ayrshire College FE students struggled with the severe disruption to learning during Academic Year (AY) 2020-21 and the lack of opportunities for face-to-face learning. Although sector performance indicators are as yet are unavailable, Education Scotland's [Remote Learning in Scotland's Colleges](#) suggests that this will be reflected across the wider College sector.

Performance, with reference to successfully completed HE full-time programmes increased by 2.9%. At 71.6%, this is the first time that Ayrshire College has reported success above 70%. This is perhaps reflective of evidence to suggest that HE learners coped more successfully with the disruption to learning which resulted in the majority of learning being delivered remotely in AY 2020-21.

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 2020-21, the volume of credits delivered to the 10% most deprived was 22,755 credits - 18.2% 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 by 2020-21. In 2020-21, Ayrshire College had 638 care experienced students, with 62.7% (2019-20 55.8%) achieving a successful course outcome.

A key priority area of focus is to improve outcomes for students with a declared disability. Over the five years from 2015-16 to 2020-21 there has been a significant increase in the number of students declaring

a disability. In 2020-21 63.3% (2019-20 62.9%) of Ayrshire College students with a declared disability achieved a successful outcome.

A culture of partnership working is embedded across the College. Throughout 2020-21, 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 2021-22 and remains focused on increasing student attainment and achievement. In particular, the College will focus efforts to address the impact of COVID-19 and improve outcomes on FE programmes in line with national ambitions.

COVID-19

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 2020-21. The Steering Group, chaired by the Principal, includes the College's Senior Leadership Team, the Head of Health, Safety and Wellbeing, the Head of ICT, the Head of Marketing, Ayrshire College Student Association 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.

The College took proactive steps to support its students during the COVID-19 pandemic. This included awarding additional payments in March 2020 to students who receive discretionary financial support. This category of students includes the most financially disadvantaged out of all the College's student cohort. Further financial support and guidance was also made available to students who were not within this category but who were experiencing additional financial hardship due to the COVID-19 pandemic.

Students studying with the College during AY 2020-21 faced significant disruption to their learning. The commencement of AY 2020-21 full-time programmes was delayed until 22 September 2020. This was in order to prioritise engagement with significant numbers of deferred students from AY 2019-20. The delayed start to the term also allowed for sufficient time for the required health and safety measures, which had come to the sector over the summer holiday period, to be implemented.

Students unfortunately only had four weeks of on-campus learning before the country moved to level three restrictions on 26 October 2020 which severely restricted student numbers on campus. Thereafter, From 23 November 2020, the College operated under level four restrictions which meant a very small number

of students could be on campus where their attendance was critical and where assessment could not be delayed.

All learning, teaching and assessment was moved completely online from 21 December 2020 (covering the second national lockdown period) until a phased return to campus, from 16 February 2021, for students in employment where the security of their employment and/or salary was contingent upon them gaining a qualification.

The vast majority of students continued to study exclusively online until 17 May 2021 when Ayrshire moved to level two of the Strategic Framework and colleges were asked to operate a blended learning delivery model. The move to level two meant that more students could return to campus and course teams were asked to make a judgement on the necessity for students to return based on the overriding principle of supporting as many as possible to successfully conclude their studies in AY 2020-21.

The College continued to work with key awarding bodies to ensure that alternative models of certification could be adopted which recognised, fairly, students' achievements, allowing them to progress to work or further study, while maintaining the integrity of qualifications.

A number of activities were planned over the summer period to either facilitate completion of qualifications or to provide experiences that students would have ordinarily undertaken throughout a normal academic year. Examples include students undertaking a summer placement programme in the College's salon, a hospitality summer placement programme in the College's training restaurants, a supported learning summer transition programme and an early learning and childcare outdoor forest kindergarten placement experience.

Despite the challenges and significant disruption to learning, the vast majority of students who remained on courses were supported to successfully conclude their studies.

In preparation for the return of staff and students, the College implemented baseline measures to mitigate the risk of COVID-19 when people are on campus. These include specific entry and exit points, a one-way system, a keep left system, sanitisation points throughout the building, restricted access to and occupancy of toilet facilities, and the wearing of face coverings. These measures remained in place throughout AY 2020-21. In addition, lateral flow testing kits are available to staff and students and they are encouraged to undertake testing twice weekly. Drop-in vaccination clinics have taken place on all three campuses.

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 (£634,000) before non-recurring items. The deficit represents an adverse figure of (1%) of overall trading income. This compares to a deficit before non-recurring items in 2019-20 of (£1,557,000). After recording net non-recurring costs amounting to £467,000, the final deficit was (£1,101,000) for 2020-21. This is compared to a 2019-20 deficit of (£1,567,000).

The College, at July 2021, has £77,501,000 of net assets (excluding a pension liability of £20,543,000). At July 2020 the College had £48,207,000 of net assets (excluding a pension liability of £27,344,000). The pension liability is excluded as this is outwith the College's control.

The College has significant reliance on SFC for its funding which is largely from recurrent grants. In 2020-21, SFC provided 88.7% of the College's total operational revenue income (2019-20, 86.5%). Excluding specific funding to support the Unitary Charge for the NPD contract for the Kilmarnock campus, SFC revenue income totalled 79.4% of total income (2019-20 77.2%).

The cash balance of £8,201,000 shown in the Balance Sheet includes £3,617,000 of monies held by the College (in advance) and student funding (to be repaid) and the College's own restricted and designated cash balances. Therefore, the College's trading cash balance as at 31 July 2021 was £4,584,000.

The College received additional sustainability funding from SFC to compensate for the financial impact of COVID-19. The majority of this related to lost catering and trading income of c.£725,698. The College also claimed £380,357 from the Coronavirus Job Retention Scheme. In addition, to address the loss of projected income streams the College had to identify additional spend requirements to enable ongoing service delivery whilst supporting staff and students. This included purchasing essential PPE, deep cleaning products, and ICT equipment. It also included additional spend required to configure college estates to support social distancing and to protect staff and students. The mitigating actions to offset the loss of income and to enable additional spend due to COVID-19 were overseen at a strategic level by the Campus Operations Steering Group.

Statement of Comprehensive Income

The statement of comprehensive income shows a total deficit for the year to 31 July 2021 of £(1,101,000). This is compared to a deficit in 2019-20 of £(1,567,000).

There was one area of non-recurring expenditure which impacted the deficit in 2020-21. These were exceptional restructuring costs. The presentation of the Statement of Comprehensive Income in these financial statements therefore analyses trading in the period between recurring items £(634,000) and non-recurring items £(467,000).

○ Recurring Items

The College recorded a deficit of £(634,000) which represents an adverse figure of approximately (1%) of overall trading income.

The recorded deficit of £(634,000) in 2020-21 comprises of the following elements:

• Operating position- surplus	£3,733,000
• Non-Government Capital Grant	£67,000
• FRS102- NPD/ PFI Capital income	£2,055,000
• Net Depreciation charge	£(2,835,000)
• FRS 102- Pension	£(3,654,000)

○ Non-recurring Items

Non-recurring items are one off events that occur over and above the core business of the College. The non-recurring items amounting to a deficit of £(467,000) in 2020-21 comprised the following elements:

• Exceptional restructuring costs	£467,000
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To aid the reader of these accounts, the College has provided a reconciliation to the figures reported above for recurring and non-recurring items as noted within the Statement of Comprehensive Income (Table 1).

Table 1 – Adjusted operating position 2019-20 and 2020-21 – Detailing Recurring and Non-recurring Items for 2020-21

	Recurring £000	Non- recurring £000	2020-21 £000	2019-20 £000
Surplus /(deficit) after other gains and losses	(615)	(467)	(1,082)	(1,567)
(Loss) / gain on sale	(19)	-	(19)	-
Surplus / (deficit) before other gains and losses	(634)	(467)	(1,101)	(1,567)
Add back:				
Provision released			-	-
Depreciation (net of deferred capital grant release)	2,835		2,835	2,759
Exceptional non-restructuring costs (e.g. impairment)	-		-	-
Non-cash pension adjustments	3,654		3,654	3,245
Donation to Arms-length Foundation	-		-	
Provision per 1 April 2014				
Deduct:				
Non-Government capital grants (e.g. ALF capital grant)	(67)		(67)	(209)
Exceptional income	-		-	-
Revenue funding allocated to loan repayments (NPD)	(1,355)		(1,355)	(1,280)
Additional revenue funding allocated by SFC	(700)		(700)	(700)
Sub-Total Revenue	3,733	(467)	3,266	2,248
Retention of sale proceeds to fund PFI Capital and Interest payments			-	-
CBP allocated to PFI loan repayments			(867)	(867)
Early retirees			(87)	(87)
Adjusted operating surplus / (deficit)			2,312	1,294

Underlying operating position 2019-20 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 2019-20 and 2020-21

	Note	2020-21 £000	2019-20 £000
Surplus (deficit) before other gains and losses		(1,101)	(1,567)
Add back:			
Depreciation (net of deferred capital grant release)		2,835	2,759
Exceptional non-restructuring costs (e.g. impairment)		-	-
Pension adjustments – Net Service cost		3,206	2,669
Pension adjustments – Net Interest cost		405	292
Pension adjustments – Early Retirement Provision		43	284
Retention of sale proceeds to fund PFI capital and interest payments		-	-
Provision released		-	-
Deduct:			
Non-Government capital grants (e.g. ALF capital grant)		(67)	(209)
CBP allocated to loan repayments and other capital items		(954)	(954)
NPD Income applied to reduce NPD Balance Sheet debt		(1,355)	(1,280)
Additional revenue funding allocated by SFC		(700)	(700)
Adjusted operating surplus / (deficit)		2,312	1,294

Cash budgets for priorities

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

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

Table 3 – Cash budget for priorities spend 2019-20 and 2020-21

	2020-21 £000	2019-20 £000
Revenue		
Student support	-	-
2015-16 pay award	370	370
Other (give detail)	-	-
Total impact on operating position	370	370
Capital		
Loan repayments (PFI capital payment)	867	867
Early Retirees	87	87
Total Capital	954	954
Total cash budget for priorities spend	1,324	1,324

Reserves

The deficit brought forward on the income and expenditure reserve at 1 August 2020 was £(12,585,000). After the deficit for the year before non-recurring items of (£634,000), the non-recurring items noted above of £(467,000), the transfers in respect of the pension reserve, and the transfers from the revaluation reserve are taken into account, the deficit on the College's income and expenditure reserve as at 31 July 2021 is £(2,348,000).

Capital Additions

Tangible Fixed Asset additions in 2020-21 amounted to £626,000. This expenditure on the buildings of £8,000 relates mainly to small capital works. In addition, there was expenditure of £618,000 on IT and curriculum equipment.

Core Performance Indicators

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

Table 4 – Ayrshire College Performance against SFC Core Performance Indicators

No	Performance Indicator	2020-21	2019-20
1	Recurring (Deficit)/Surplus as % of total trading income	(1.2%)	(3.0%)
2	Non SFC Income as % of Total Income	11.3%	14%
3	Credit activity target set by SFC for year to July 2021	124,877	124,943
4	Credit activity achieved in year to July 2021	125,463	125,751
5	Activity achieved against target	100.5%	100.6%
6	Current Assets: Current Liabilities	1.21:1	0.9:1
7	Gearing/debt	Nil	Nil
8	Days of recurring expenditure represented by period end cash	34	11

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 2020-21 of £4,289,000. This is detailed in the Cash Flow Statement.

Liquidity

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

Payment Performance

The College has a policy of paying its suppliers within agreed terms unless an invoice is disputed. All disputes are dealt with as quickly as possible and we are not aware of any payments being made out with

the College's approved payment policy. No interest was paid by the College under the Late Payment of Commercial Debts (Interest) Act 1998.

Resources

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

Property

Tangible resources include the three main campuses of Ayrshire College together with smaller satellite campuses. Ayrshire College has prominent main campuses in all three local authority areas. 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.

Staff Report

In the 2020-21 staffing return to the SFC, it was reported that the College employed 707 full-time equivalent employees, of whom 428 were curriculum staff and 279 were service staff. This equates to a headcount of 884, comprising 553 female and 331 male members of staff.

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

National Bargaining

The College is a signatory to the National Recognition and Procedures Agreement (NRPA) and a member of the Employers Association. A number of National Bargaining agreements have been reached during 2020-21 for both curriculum and service staff.

Local Joint Negotiation Committees (LJNC) continued to be held during 2020-21 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 2020-21 academic term, with a significant focus on digital skills to support the workforce. Examples of other activity that the College engaged in is as follows:

- 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.

Ayrshire College is continuing to make good progress in mainstreaming equality. The College is able to demonstrate this by giving examples across six focus areas of the College. These six focus areas are as follows:

- Strategic vision, approach and governance arrangements
- Curriculum content and / or design
- Raising awareness
- Supporting student success
- Supporting staff success
- Partnership working.

Further information on the College's progress in mainstreaming equality, inclusion and diversity and its equality outcomes is set out in its Mainstreaming Equality 2019-2021 and Equality Outcomes 2021-2025 Report. This report is available on the College's website and can also be accessed through the following link:

[Mainstreaming Equality 2019-2021 and Equality Outcomes 2021-2025 Report \(ayrshire.ac.uk\)](https://www.ayrshire.ac.uk/mainstreaming-equality-2019-2021-and-equality-outcomes-2021-2025-report)

The College is already beginning to achieve actions set out in its Equality Outcomes 2021-2025 including the implementation of new online reporting tool, Report + Support, from October 2021. Report + Support is an alternative way in which College students and staff can report, including anonymously, an incident related to, for example, hate crime, racism, and gender-based violence. Moreover, a new 'Equality Matters' section on the College's Staff Learning Portal, with e-learning modules across all protected characteristics as well as on gender-based violence, has been launched to support staff knowledge and contribute to the further development of a safe and inclusive learning and working environment. The College has also introduced a new hate crime pledge this academic year 2021-2022 to underline its commitment and at present is working on a #WeAreAyrshire campaign to promote inclusion and celebrate the diversity of its students and staff.

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 2020-21 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 during the pandemic. 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. For this last initiative the College was as shortlisted in the Scottish Walking Award, Walking Champion in Education, category.

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

During 2020-21 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, particularly in relation to Covid-19. For example, lateral flow device testing kits were made available to all staff and students from May 2021. The initial uptake was positive in comparison to other Colleges in the sector. The Head of Health, Safety and Wellbeing also worked with NHS Ayrshire & Arran to arrange on-campus vaccination clinics where 248 staff and students attended over the first two weeks of academic year 21/22.

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. For example, the College will continue to promote 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; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

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

W Mackie
Chair

C Turnbull
Principal

ACCOUNTABILITY REPORT

Corporate Governance Report

Statement of Board of Management's Responsibilities

Remuneration and Staff Report

CORPORATE GOVERNANCE REPORT

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

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

In the opinion of the Board of Management, the College has complied with the Scottish Public Finance Manual (SPFM) throughout the year ended 31 July 2021. 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 2021.

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 Secretary to the Board of Management and are published on the College website. Those papers and sections of the minutes deemed confidential by the Board of Management for reasons of commercial sensitivity or compliance with data protection legislation are normally "reserved". These are identified as such on agendas and minutes and are not available to the public.

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

Directors' Report

This section of the report sets out the members who served on the Board of Management during the year to 31 July 2021 (Table 5).

Table 5 – Serving Board Members 2020-21

Board Member	Committees Served	Status of Appointment	Date of Appointment	Date of Resignation
Willie Mackie	<ul style="list-style-type: none"> • Business, Resources & Infrastructure • Performance, Review & Remuneration • Search & Nomination 	Chair of Ayrshire College BOM Chair of Ayrshire Regional College BOM	01.08.13 03.03.14 Reappointed 03.03.18	
Elaine Anderson	<ul style="list-style-type: none"> • Learning & Teaching • Audit and Risk 	Non-Executive Board Member	01.08.19	
Margaret Bryan	<ul style="list-style-type: none"> • Audit and Risk • Learning & Teaching 	Non-Executive Board Member	01.08.16	24.09.20 (completed period of appointment)
Beth Clelland	<ul style="list-style-type: none"> • Learning & Teaching • Business, Resources & Infrastructure 	Non-Executive Board Member	07.09.20	
Scott Cooley	<ul style="list-style-type: none"> • Business, Resources & Infrastructure 	Non-Executive Board Member	01.08.19	
Steven Fegan	<ul style="list-style-type: none"> • Learning & Teaching • Business, Resources & Infrastructure 	Elected Support Staff	25.09.20	
Stephen Graham	<ul style="list-style-type: none"> • Learning & Teaching • Audit and Risk 	Non-Executive Board Member	01.08.19	
Lauren Howieson	<ul style="list-style-type: none"> • Learning & Teaching • Business Resources & Infrastructure 	Elected Student Member	01.08.19	31.07.21 (completed period of appointment)
Mary McClung	<ul style="list-style-type: none"> • Learning & Teaching • Business Resources & Infrastructure 	Non-Executive Board Member	01.08.19	
Janette Moore	<ul style="list-style-type: none"> • Learning & Teaching • Business Resources & Infrastructure 	Elected Curriculum staff	05.10.20	
Fiona McQueen	<ul style="list-style-type: none"> • Business, Resources & Infrastructure • Learning and Teaching • Performance Review & Remuneration • Search & Nomination 	Non-Executive Board Member	01.08.18	
Hazel Murphy	<ul style="list-style-type: none"> • Audit and Risk • Business, Resources & Infrastructure 	Non-Executive Board Member	01.08.18	31.07.21
Steven Oliver	<ul style="list-style-type: none"> • Learning and Teaching 	Elected Student Member	01.08.20	31.07.21 (completed period of appointment)
Sathish Srinivasan	<ul style="list-style-type: none"> • Learning & Teaching • Business Resources & Infrastructure 	Non-Executive Board Member	07.09.20	22.05.21
Michael Stewart	<ul style="list-style-type: none"> • Learning & Teaching • Business Resources & Infrastructure 	Non-Executive Board Member	01.08.19	
Alison Sutherland	<ul style="list-style-type: none"> • Learning and Teaching • Audit and Risk 	Non-Executive Member	01.08.19	
Carol Turnbull	<ul style="list-style-type: none"> • Business, Resources & Infrastructure • Learning and Teaching 	Principal Ex-Officio	01.03.19	

Board Member	Committees Served	Status of Appointment	Date of Appointment	Date of Resignation
Alan Walker	<ul style="list-style-type: none"> • Learning and Teaching • Business, Resources & Infrastructure • Performance, Review & Remuneration • Search & Nomination 	Non-Executive Board Member	01.08.14 Reappointed from 01.08.17	24.09.20 (completed period of appointment)
Steven Wallace	<ul style="list-style-type: none"> • Learning & Teaching • Business, Resources & Infrastructure • Performance, Review & Remuneration • Search & Nomination 	Non-Executive Board Member	01.08.18	
Matthew Wilson	<ul style="list-style-type: none"> • Learning & Teaching • Audit and Risk 	Non-Executive Board Member	07.09.20	

Table 6 details the number of Board of Management meetings that took place during the individual members' time as a board member during 2020-21 and how many of these meetings that they were able to attend.

Table 6 – Board Members Attendance 2020-21

Board Member	Board Meetings held during appointment period	Board Meetings attended
Willie Mackie	4	4
Elaine Anderson	4	4
Beth Clelland	4	4
Margarette Bryan	1	1
Scott Cooley	4	2
Steven Fegan	4	3
Stephen Graham	4	4
Lauren Howieson	4	4
Mary McClung	4	4
Janette Moore	3	2
Fiona McQueen	4	3
Hazel Murphy	4	3
Steven Oliver	4	2
Sathish Srinivasan	3	1
Michael Stewart	4	4
Alison Sutherland	4	4
Carol Turnbull	4	4
Alan Walker	4	1
Steven Wallace	4	4
Matthew Wilson	4	4

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

The Board of Management conducts its business through a number of committees. The committees comprise members of the Board of Management. The Board and its committees also have the authority to co-opt members, but co-opted members may not chair or vote at meetings. In 2020-21 the only co-opted member was Mr Paul Houlden, as the requisite external member of the Search and Nomination Committee.

The Board of Management has a strong and independent non-executive element of up to 12 members and no individual or group dominates its decision-making process. The Board of Management considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. In addition, the Board contains six members who are 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 Secretary to the Board of Management maintains a register of financial and personal interests of the members of the Board of Management, in so far as these relate to the activities of Ayrshire College. The register is available for inspection at Ayrshire College, Ayr Campus, Dam Park, Ayr KA8 0EU. It is also published on the College'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 2020-21.

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 been delegated responsibility for ensuring the system of risk management established by Ayrshire College remains fit for purpose and is being appropriately maintained.

Business, Resources, and Infrastructure Committee

The Business, Resources and Infrastructure Committee consists of members from the Board of Management including the Principal and the Chair of the Board. This Committee's responsibilities are to oversee the strategic and operational financial planning of the College and provide assurance to the Board on the financial expenditure, financial management and performance of the College. The Committee is

responsible for overseeing the strategic and operational planning of Organisational Development within the College and providing assurance to the Board on organisational/HR issues as well as the organisational performance of the College. In addition, the Committee oversees the strategic and operational planning of the estates function within the College and provides assurance with regard to College estates matters to the Board.

Learning and Teaching Committee

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

Performance Review and Remuneration Committee

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

Search and Nomination Committee

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

Personal data-related incidents

SFC requires colleges to outline any significant lapses of data security that take place during the year. During 2020-21 Ayrshire College reported no data-related incidents to the Information Commissioner's Office.

GOVERNANCE STATEMENT

Principal Risks and Uncertainties

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

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

The College recognised that the actions required to be taken to mitigate the risks of COVID-19 have now become part of the new normal. Therefore, the College reverted its risk management arrangements to the system in place prior to the COVID-19 lockdown. This means 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 two risk groupings identified. Business, Resources and Infrastructure Committee and the Learning and Teaching Committee have both discussed and considered their own risk management responsibilities in the current cycle of meetings.

The College Risk Register at the end of 2020-21 identified 15 strategic risks. The classification of these risks was as follows:

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

Impact of COVID-19 on Governance Arrangements

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

Regular updates on COVID-19 were reported to the Board of Management and its sub-committees. In addition, the College's Campus Operations Steering Group continued to oversee the College's response to COVID-19.

Brexit Risk Management

When considering its principal risks and uncertainties Ayrshire College recognised that there are specific risks arising from Brexit. Prior to the United Kingdom exiting the European Union the College had therefore established a separate Brexit risk register, setting out the specific risks arising from Brexit and the steps being taken to mitigate those risks within one overarching risk.

Ayrshire College recognises the uncertainty continues to surround the Brexit process. The risks and full impact of Brexit therefore cannot yet be quantified. To ensure appropriate oversight of the risks and impact of Brexit the College has established a Brexit Working Group. This Group is chaired by a member of the College's Strategic Leadership Team and includes senior staff from curriculum and service areas. The Group is responsible for ensuring the College continues to have strong planning and monitoring systems

in place to ensure it can respond effectively to changes in Brexit policies, legislation, and changes in local circumstances and local needs.

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 2020-21 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 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.

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 2020-21.

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 Senior Leadership Team (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

The College took a range of actions to mitigate the impact of COVID-19 and thus ensure that the College could continue to deliver services during national and local lockdowns. For example, the College developed a Critical Incident Plan which covered closing the campus, maintaining services during lockdown and reopening as lockdown restrictions were eased. The College also established the Campus Operations Steering Group to oversee the College's response to COVID-19. The Group continues to work together to support staff and students as the College moves forward in AY 2021-22.

After making appropriate enquiries, the Board of Management considers that the College has adequate resources to continue operations for AY 2021-22. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Conclusion

The College continued to improve and enhance its reputation in 2020-21, particularly in the areas of corporate governance, engagement with students, and strategic partnership working in response to the on-going impact of the COVID-19 pandemic. The College's continued response to the pandemic, supported by the findings of relevant internal audit reports, demonstrates the robustness of its business continuity planning arrangements, the resilience of staff and students and the College's commitment to providing the best quality service to its learners and support to its staff.

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

W Mackie
Chair

C Turnbull
Principal

STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES

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

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

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and 2005, the Statement of Recommended Practice on Accounting for Further and Higher Education, the 2018-19 Government Financial Reporting Manual (FRoM) 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 and the team provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

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

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

W Mackie
Chair

C Turnbull
Principal

REMUNERATION AND STAFF REPORT

Remuneration Policy

The post of Principal and the additional posts which make up the College's 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 8 to these financial statements.

Operation of the Remuneration Committee

Membership of the Remuneration Committee comprises the Chair of the Board of Management and the chairs of each of the Board's committees. The Principal is not a member of the Remuneration Committee. This Committee's responsibilities are to agree remuneration for the Principal, Vice Principals and 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 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 2020-21 (Table 7).

Table 7 – Remuneration of Senior Management 2020-21

Name	12 months ended 31 July 2021			12 months ended 31 July 2020		
	Salary* £000	Pension benefit £000	Total £000	Salary* £000	Pension benefit £000	Total £000
C Turnbull, Principal **	140-145	76	215-220	135-140	1,168	1,305–1,310
A Campbell, Vice Principal	100-105	30	130-135	95-100	94	195-200
M Breen, Vice Principal	100-105	40	140-145	110-115	80	190-195
J McKie, Vice Principal ***	95–100	35	130-135	110-115	57	165-170
W Mackie, Chair	25-30	-	25-30	25-30	-	25-30

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

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

*** J McKie retired on 30th June 2021

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 2020-21.

The pension benefit figure included within Table 7 is derived by using a calculation set out by SFC in the 2020-21 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 2020-21 was £141,967 (2019-20, £137,250). This was 3.8 times (2019-20, 3.6 times) the median remuneration of the workforce which was £37,672 (2019-20, £37,737).

Accrued Pension Benefits

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

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

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

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

Senior Officials' Pension

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

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

Table 8 – Employer's Contributions by Senior Official

Name	Senior Official's Pension Scheme	Accrued pension at pension age at 31 July 2021 £000	Accrued lump sum at pension age at 31 July 2021 £000	Real increase in pension 1 August 2020 to 31 July 2021 £000	Real increase in lump sum 1 August 2020 to 31 July 2021 £000	CETV at 31 July 2021 £000	CETV at 31 July 2020 £000	Real increase in CETV £000
C Turnbull	SPF	65	107	5	4	1,237	1,131	106
A Campbell	STSS	28	54	2	1	390	357	33
M Breen	SPF	37	44	3	1	579	534	45
J McKie *	SPF	24	2	2	-	429	397	32

* J McKie retired at 30th June 2021 and the figures are as at that date.

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 2020-21.

25 members of staff left the College under a voluntary severance scheme. During 2020-21 the College made voluntary severance payments of £467,000.

Table 9 – Voluntary Severance Payments 2020-21

Exit Package Cost Band	Number of compulsory redundancies	Number of other departures agreed (including any voluntary redundancies)	Total number of exit packages by cost band
<£10,000	-	6	6
£10,000 - £25,000	-	15	15
£25,000 - £50,000	-	4	4
£50,000 - £100,000	-	-	-
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
Total number of exit packages	-	25	25
Total cost (£)	-	£467,000	£467,000

Salaries and related costs for 2020-21 totalled £32,708,000 (Table 10).

Table 10 – Salaries and Related Costs 2020-21

	2020-21			2019-20
	Directly employed staff £000	Seconded and agency staff £000	Total £000	Total £000
Wages and salaries	25,297	18	25,315	25,366
Social security costs	2,446	-	2,446	2,440
Other pension costs	4,947	-	4,947	4,864
TOTAL	32,690	18	32,708	32,670
Average number of FTEs			707	721

In 2020-21, the College employed 553 females and 331 males. The College continues to promote trans and gender diverse inclusion but, no members of staff have identified themselves in this way. In the year ended 31 July 2021 staff turnover was 6.6%.

Sickness Absence

Total sickness absence during 2020-21 was 2.1%. Of this, 0.6% was due to short-term and 1.5% was long-term sickness absence (Table 11).

Table 11 – Sickness Absence

Sickness Absence Duration	2020-21	2019-20
Short-term	0.6%	1.6%
Long-term	1.5%	2.6%
Total	2.1%	4.2%

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

Trade Union Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, Ayrshire College provided support through paid facility time for union officials working at the College. The information for the year ended 31 March 2021 is set out in the Tables 12 to 14.

Table 12 – Relevant Union Officials

Number of employees who were union officials during 2020-21	Employee number by FTE:
9.0	1.2

Table 13 – Percentage of Time Spent on Facility Time

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

Table 14 – Percentage of Pay Bill Spent on Facility Time

Total cost of facility time	£55,474
Total pay bill	£32,851,271
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 2020-21 was 100%. The College also releases union officials to support staff with other meetings as required.

Approval of the Remuneration Report

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

W Mackie
Chair

C Turnbull
Principal

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

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 2021 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 and Expenditure, Statement of Changes in Reserves, Balance Sheet, and Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 2021 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of Opinion

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

Emphasis of Matter: Material valuation uncertainty

We draw attention to Note 1(m) of the financial statements, which discloses a material valuation uncertainty caused by Covid-19 declared in the valuation report for property. Our opinion is not modified in respect of this matter.

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.

Risks of Material Misstatement

We report in a separate Annual Audit Report, available from the Audit Scotland website, 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 deemed inappropriate.

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 economic 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. This description forms part of our auditor's report.

Report on Regularity of Expenditure and Income

Opinion on Regularity

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

Responsibilities for Regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities to detect material misstatements in the financial statements in respect of irregularities, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on Other Requirements

Opinion prescribed by the Auditor General for Scotland on 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.

Statutory other information

The Board of Management is responsible for the statutory other information in the annual report and accounts. The statutory 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 statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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 statutory 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 statutory 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 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

Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HA

[Full Date]

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 2021

	Note	Recurring	Non-recurring	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
INCOME					
SFC grants	2	45,523	-	45,523	44,461
Tuition fees and education contracts	3	4,256	-	4,256	4,345
Other grants and contracts	4	82	-	82	307
Other income	5	1,450	-	1,450	2,265
Investment income	6	-	-	-	2
Total Income		51,311	-	51,311	51,380
EXPENDITURE					
Staff costs	7	36,772	-	36,772	36,197
Restructuring costs	7	-	467	467	10
Other operating expenses	9	8,183	-	8,183	9,499
Depreciation	12	3,734	-	3,734	3,985
Interest and other financial costs	10	3,237	-	3,237	3,256
Total Expenditure		51,926	467	52,393	52,947
Surplus/(deficit) before other gains/(losses)		(615)	(467)	(1,082)	(1,567)
Gain/(loss) on disposal of assets		(19)	-	(19)	-
Surplus/(deficit) before tax		(634)	(467)	(1,101)	(1,567)
Taxation	11	-	-	-	-
(Deficit) for the year		(634)	(467)	(1,101)	(1,567)
Unrealised surplus on revaluation of assets				26,784	-
Actuarial gain / (loss) in respect of pension schemes				10,412	(11,770)
Total Comprehensive Income for the year				36,095	(13,337)

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

STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure Account £000	Restricted Reserves £000	Revaluation Reserve £000	Total £000
Balance at 31 July 2020	(12,585)	466	32,982	20,863
Surplus/(deficit) from the income and expenditure statement	(1,101)	-	-	(1,101)
Revaluation	-	-	26,784	26,784
Transfers from pension reserve to income and expenditure reserve	10,412	-	-	10,412
Transfers between revaluation and income and expenditure reserve – HC Depreciation	926	-	(926)	-
Total comprehensive income for the year	10,237	-	25,858	36,095
Balance at 31 July 2021	(2,348)	466	58,840	56,958

BALANCE SHEET AS AT 31 JULY 2021

	Note	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Fixed Assets			
Tangible fixed assets	12	130,207	106,554
Total fixed assets		130,207	106,554
Current Assets			
Stocks		30	30
Debtors	13	3,539	2,570
Cash and cash equivalents	18	8,201	3,912
Total current assets		11,770	6,512
Less: Creditors – amounts falling due within one year	14	9,707	7,188
Net current assets/(liabilities)		2,063	(676)
Total assets less current liabilities		132,270	105,878
Less: Creditors – amounts falling due after more than one year	15	43,727	46,272
Less: Deferred capital grants due to be released after one year	16	9,021	9,464
Provisions			
Early Retirement Provision	17	1,430	1,474
Other Provisions	17	591	461
Net Assets excluding pension liability		77,501	48,207
Net pension liability	20	(20,543)	(27,344)
NET ASSETS INCLUDING PENSION LIABILITY		56,958	20,863
Income and expenditure account excluding pension reserve	18	18,195	14,759
Pension reserve	18	(20,543)	(27,344)
		(2,348)	(12,585)
Restricted Reserves		466	466
Revaluation Reserve	18	58,840	32,982
TOTAL RESERVES		56,958	20,863

The financial statements on pages 39 to 67 were approved by the Board of Management and are signed on its behalf by:

W Mackie
Chair

C Turnbull
Principal

CASH FLOW STATEMENT FOR THE YEAR TO 31 JULY 2021

	Year ended 31 July 2021	Year ended 31 July 2020
Note	£000	£000
Cash inflow from operating activities		
Surplus/(deficit) for the year	(1,101)	(1,567)
Adjustment for non-cash items		
Depreciation	12 3,734	3,985
Net (gain)/loss on disposal of fixed assets	19	-
Deferred capital grants released to income	16 (899)	(1,225)
(Increase)/decrease in stock	-	(9)
(Increase)/decrease in debtors	13 (969)	(542)
Increase/(decrease) in creditors	15 2,286	355
(Decrease)/increase in provisions	17 86	(196)
(Decrease)/increase in reserves	-	-
Net return on pension liability	20 3,611	2,961
Returns on investments and servicing of finance	(405)	(290)
Taxation	-	-
Cash flows from investing and financing activities		
Interest receivable – bank interest	6 -	(2)
Interest payable	10 405	292
PFI/NPD Capital Payments	15 (2,415)	(2,284)
Purchase of tangible fixed assets	12 (626)	(395)
Proceeds from sale of tangible fixed assets	4	-
Deferred Capital Grants Receipts	16 559	124
Increase/(decrease) in cash and cash equivalents in the year	4,289	1,207
Reconciliation of net cash flow to movement in net funds		
Increase/(decrease) in cash and cash equivalents in the year	4,289	1,207
Net funds at 1 August 2020	3,912	2,705
Net funds at 31 July 2021	8,201	3,912

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 (£634,000) before non-recurring items, with an accumulated deficit on the income and expenditure reserve of (£2,348,000). At 31 July 2021, current assets of £11,770,000 included cash and bank balances of £8,201,000. Creditors falling due within one year were £9,707,000, with net current liabilities of £2,063,000.

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

b) Basis of Accounting

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

c) Recognition of income

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

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

d) Grant Funding

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

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

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

e) Maintenance of Premises

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

f) Pension Schemes

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

g) Tangible Fixed Assets

Private Finance Initiative (PFI) Assets

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

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

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

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

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

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

NPD Assets

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

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

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

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

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

g) Tangible Fixed Assets (continued)

Land and Buildings

Land and buildings inherited from the former Strathclyde Regional Council in 1993 are stated in the Balance Sheet at a valuation on the basis of depreciated replacement cost for specialised properties and open market value for non-specialised properties, as at 31 July 2021, less amounts written off by way of depreciation.

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

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

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

Leased assets are depreciated over the life of the lease.

Equipment

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

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

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

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

h) Leased Assets

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

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

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

i) Stocks

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

j) Taxation

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

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

k) Provisions

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

l) Financial Instruments

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

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

m) Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty

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

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

Other key sources of estimation uncertainty:

- Tangible Fixed Assets

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

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount

rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability.

- **Material Value Uncertainty (MVU)**

The College properties were revalued by Ryden as at 31 July 2021. The outbreak of the Novel Coronavirus on 11 March 2020 has impacted global financial markets with activity being impacted in many sectors. As at the valuation date, Ryden considers that it can attach less weight to previous market evidence for comparison purposes, to inform their opinions of value. The current response to the global pandemic means that the valuers are faced with an unprecedented set of circumstances on which to base a judgement. Ryden's valuation is, therefore, reported on the basis of 'material valuation uncertainty' as per VPGA 10 of the Royal Institute of Chartered Surveyors (RICS) Red Book Global.

For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather the declaration has been included to ensure transparency of the fact that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation.

	Year ended 31 July 2021	Year ended 31 July 2020
Note	£000	£000
2 SFC Grants		
FE recurrent grant (including fee waiver)	36,272	34,373
HE & FE childcare funds	367	711
Release of deferred capital grants	828	1,154
Maintenance grant	684	655
NPD UC Grant (include Capital)	4,791	4,774
Additional financial support	700	700
SFC Grants re National Bargaining	-	441
Other SFC Grants	1,881	1,653
Total	45,523	44,461
3 Tuition Fees and Education Contracts		
FE fees – UK	361	423
FE fees - EU	-	-
FE fees – non EU	-	-
HE fees	2,477	2,641
Education contracts	1,259	1,160
Other contracts	159	121
Total	4,256	4,345
4 Other Grant Income		
European funds	-	-
Grants from Ayrshire College Foundation – Capital	11	209
Grants from Ayrshire College Foundation - Revenue	-	27
Release of deferred capital grants	71	71
16	82	307
Total	82	307
5 Other Operating Income		
Catering	9	903
Other income generating activities	677	406
Other income – East Ayrshire Council discretionary support	56	-
Other income	708	956
Total	1,450	2,265
6 Investment Income		
Other interest receivable	-	2
Net return on pension asset/liability	-	-
Total	-	2

	Year ended 31 July 2021	Year ended 31 July 2020
Note	£000	£000
7 Staff Costs		
Wages and salaries	25,315	25,366
Social security costs	2,446	2,440
Other pension costs	4,947	4,864
	32,708	32,670
FRS 102 pension adjustments	3,206	2,669
Job Evaluation	858	858
Total	36,772	36,197
Curriculum departments	18,111	18,153
Curriculum services	5,232	5,200
Administration and central services	10,530	9,944
Premises	1,402	1,339
Catering	639	703
Sub-total	35,914	35,339
Job Evaluation	858	858
	36,772	36,197
Non-recurring restructuring costs	467	10
Total	37,239	36,207

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

	2021 No.	2020 No.
Academic/teaching departments	314	318
Academic/teaching services	114	116
Administration and central services	198	203
Premises staff	51	51
Catering staff	30	33
Total	707	721

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

	2021 No.	2020 No.
£50,001 to £60,000 per annum	20	17
£60,001 to £70,000 per annum	-	-
£70,001 to £80,000 per annum	2	3
£80,001 to £90,000 per annum	5	4
£90,001 to £100,000 per annum	1	1
£100,001 to £110,000 per annum	2	-
£110,001 to £120,000 per annum	-	2
£120,001 to £130,000 per annum	-	-
£130,001 to £140,000 per annum	-	1
£140,001 to £150,000 per annum	1	-

8 Senior Post-holders' Emoluments

	Note	2021 No.	2020 No.
The number of senior post-holders, including the Principal was:		4	4
		Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Senior post-holders' emoluments are made up as follows:			
Salaries		446	461
Benefits in kind		-	-
Employers Pension contributions		88	92
Total Emoluments		534	553

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

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Salary	140	136
Bonus	-	-
Benefits in kind	-	-
	140	136
Employers Pension contributions	27	26

8 Senior Post-holders' Emoluments (continued)

In 2020-21 the Principal and two other senior postholders were members of the Strathclyde Pension Fund and one senior post holder was a member of the Scottish Teachers Superannuation Scheme. All pension contributions were paid at the same rate as for other members.

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

Chair's Remuneration

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

2020-21: £27,560

2019-20: £27,560

This remuneration is not pensionable.

	Year Ended 31 July 2021	Year Ended 31 July 2020
Note	£000	£000
9 Other Operating Expenses		
Teaching departments	1,585	1,550
Administration and central services	2,160	2,485
Kilwinning Campus PFI service charge	813	845
Hill Street NPD unitary charge	1,395	1,371
Other premises costs	1,851	2,021
Childcare costs	367	711
Catering costs	12	516
Total	8,183	9,499

	Year Ended 31 July 2021	Year Ended 31 July 2020
	£000	£000
Other operating expenses include:		

Auditors' remuneration

- external audit of these financial statements	35	33
- internal audit services	29	28
- other services	-	-
Operating lease payments	97	102

	Note	Year Ended 31 July 2021	Year Ended 31 July 2020
		£000	£000
10 Interest Payable			
Kilwinning Campus PFI interest charge		308	365
Hill Street NPD interest charge		2,524	2,599
Pension finance costs	20	405	292
Total		3,237	3,256

11 Taxation

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

12 Tangible Fixed Assets

	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	PFI Building £000	NPD Building £000	Equipment £000	Total £000
Cost or Valuation						
At 1 August 2020	35,952	1,005	19,728	53,955	7,067	117,707
Additions	8	-	-	-	618	626
Revaluation	5,405	-	3,859	9,352	-	18,616
Impairments	-	-	-	-	-	-
Disposals	-	-	-	-	(555)	(555)
At 31 July 2021	41,365	1,005	23,587	63,307	7,130	136,394
Depreciation						
At 1 August 2020	2,238	482	1,095	2,106	5,232	11,153
Provided during year	1,129	79	547	1,053	926	3,734
Write back re: revaluation	(3,367)	-	(1,642)	(3,159)	-	(8,168)
On disposals	-	-	-	-	(532)	(532)
At 31 July 2021	-	561	-	-	5,626	6,187
Net Book Value at 31 July 2021	41,365	444	23,587	63,307	1,504	130,207
Net Book Value at 31 July 2020	33,714	523	18,633	51,849	1,835	106,554
Inherited	26,364	14	13,336	19,126	-	58,840
Financed by capital grant	8,484	430	21	-	985	9,920
Other	6,517	-	10,230	44,181	519	61,447
At 31 July 2021	41,365	444	23,587	63,307	1,504	130,207

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 2021 £000	Year ended 31 July 2020 £000
13 Debtors: Amounts falling due within one year			
Trade debtors – net of provision for doubtful debts		315	178
European funding		-	-
Other Debtors		192	74
Prepayments and accrued income		3,032	2,318
Amounts owed by the Scottish Funding Council		-	-
		3,539	2,570
		Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
14 Creditors: Amounts falling due within one year			
Bank loans and overdrafts		-	-
Trade creditors		214	164
Other taxation and social security		649	632
Other Creditors		833	875
Accruals and deferred income		2,838	1,899
PFI Capital payment < 1 year	15	1,120	1,060
NDP Capital payment < 1 year	15	1,425	1,355
Deferred Capital Grants to be released in <1 year	16	899	796
Amounts owed to Scottish Funding Council		1,179	209
Bursaries and Student Support Funds for future disbursements		550	198
		9,707	7,188

	Note	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
15 Creditors: Amounts falling due after one year			
Capital Element of Kilwinning PFI expenditure:			
At 1 August 2020		5,477	6,481
Capital payments in year		<u>(1,060)</u>	<u>(1,004)</u>
		4,417	5,477
Less amount due within one year	14	<u>(1,120)</u>	<u>(1,060)</u>
At 31 July 2021		<u>3,297</u>	<u>4,417</u>
Capital Element of Kilmarnock NPD expenditure:			
At 1 August 2020		43,210	44,490
Capital payments in year		<u>(1,355)</u>	<u>(1,280)</u>
		41,855	43,210
Less amount due within one year	14	<u>(1,425)</u>	<u>(1,355)</u>
At 31 July 2021		<u>40,430</u>	<u>41,855</u>
Total		<u>43,727</u>	<u>46,272</u>

16 Deferred Capital Grants

	SFC £000	Non SFC £000	Total £000
At 1 August 2020			
Land and Buildings	7,469	1,866	9,335
Equipment	925	-	925
	<u>8,394</u>	<u>1,866</u>	<u>10,260</u>
Grants Received in the Period			
Land and Buildings	8	-	8
Equipment	551	-	551
	<u>559</u>	<u>-</u>	<u>559</u>
Released to Income and Expenditure Account			
Land and Buildings	(338)	(71)	(409)
Equipment	(490)	-	(490)
	<u>(828)</u>	<u>(71)</u>	<u>(899)</u>
At 31 July 2021			
Land and Buildings	7,139	1,795	8,934
Equipment	986	-	986
	<u>8,125</u>	<u>1,795</u>	<u>9,920</u>
Split as follows:			
Due to be released in <1 year	828	71	899
Due to be released in >1 year	7,297	1,724	9,021
	<u>8,125</u>	<u>1,795</u>	<u>9,920</u>

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
17 Provisions for Liabilities and Charges		
Early Retirement Provision		
At 1 August 2020	1,474	1,277
Expenditure in the period	(87)	(87)
Release of provision	43	284
At 31 July 2021	1,430	1,474

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 (2019-20: 23). The pension liability has been revalued using SFC actuarial tables.

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Other Provisions		
At 1 August 2020	461	854
Expenditure in the period	(70)	(421)
Additional provision required in the period	200	28
At 31 July 2021	591	461

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

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
18 Reserves		
Income & Expenditure Account		
At 1 August 2020	14,759	12,416
Surplus/(deficit) for the period	(1,101)	(1,567)
Disposal of properties in revaluation reserve	-	-
Transfer from revaluation reserve	926	949
Impairment of Properties	-	-
Transfer to/(from) pension scheme	3,611	2,961
At 31 July 2021	18,195	14,759

18 Reserves (continued)

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Pension Reserve		
At 1 August 2020	(27,344)	(12,613)
Current service cost	(5,034)	(4,716)
Impact of curtailments	(3)	(8)
Employer contributions	1,805	2,024
Contributions re unfunded benefits	26	31
Past service costs	-	-
Net return on pension scheme	(405)	(292)
Actuarial gain/(loss) in pension scheme	10,412	(11,770)
At 31 July 2021	(20,543)	(27,344)

Summary

Income & expenditure account	18,195	14,759
Pensions reserve	(20,543)	(27,344)
At 31 July 2021	(2,348)	(12,585)

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Revaluation Reserve		
At 1 August 2020	32,982	33,931
Revaluation	26,784	-
Transfer to income & expenditure account in respect of Depreciation on revalued assets (include element re PFI capital reserve)	(926)	(949)
Disposal of properties	-	-
Impairment of properties	-	-
At 31 July 2021	58,840	32,982

19 Analysis of Changes in Cash and Cash Equivalents

	At 1 August 2020 £000	Cash Flows £000	Other Changes £000	At 31 July 2021 £000
Cash	3,912	4,289	-	8,201
Finance lease/hire purchase contracts	-	-	-	-
Total	3,912	4,289	-	8,201

20 Pensions and Similar Obligations

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

The total pension costs for the period were:

	Year to 31 July 2021 £000	Year to 31 July 2020 £000
STSS: contributions paid	3,116	2,809
SPF: Contributions paid	1,831	2,055
FRS 102 charge to the Income & Expenditure Account	3,206	2,669
Total Pension Cost (Note 7)	8,153	7,533

Scottish Teachers' Superannuation Scheme (STSS)

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

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

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

Financial Assumptions at 31 March 2019

Rate of return (discount rate) 2.9%

Rate of Return in Excess of:

Earnings increases (1.15)%
Price increases 0.29%

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

Strathclyde Pension Fund (SPF)

The SPF is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution by the employer made for the year ended 31 July 2021 was £1,831,000.

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 2021, 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 2021	At 31 July 2020
Rate of increase in salaries	3.6%	3.3%
Rate of increase for pensions in payment/inflation	2.9%	2.2%
Discount rate for liabilities	1.6%	1.4%
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 2021	At 31 July 2020
Current pensioners	Males	19.8	20.7
	Females	22.6	22.9
Future pensioners	Males	21.2	22.2
	Females	24.7	24.6

The approximate allocation of scheme assets is as follows:

	At 31 July 2021	At 31 July 2020
Equities	66%	63%
Bonds	24%	25%
Property	9%	11%
Cash	1%	1%
	100%	100%

The assets and the liabilities of the scheme were:

	At 31 July 2021 £000	At 31 July 2020 £000
Total Market Value of Assets	74,670	61,176
Present value of scheme liabilities:		
Funded	(94,722)	(87,914)
Unfunded	(491)	(606)
Surplus/(deficit) in the Scheme	(20,543)	(27,344)

20 Pensions and Similar Obligations (continued)

	At 31 July 2021 £000	At 31 July 2020 £000
Employer service cost (net of employee contributions)	5,034	4,716
Past service cost	3	8
	<u>5,037</u>	<u>4,724</u>

	At 31 July 2021 £000	At 31 July 2020 £000
Analysis of pension finance income/(costs)		
Expected return on pension scheme assets	862	1,300
Interest on pension liabilities	(1,267)	(1,592)
Pension finance income/(costs)	<u>(405)</u>	<u>(292)</u>

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Movements on Pension Scheme Deficit		
Deficit in scheme at 1 August 2020	(27,344)	(12,613)
Movement in year:		
Current service charge	(5,034)	(4,716)
Losses/(gains) on curtailments	(3)	(8)
Contributions by members	1,805	2,024
Contributions in respect of unfunded benefits	26	31
Past service costs	-	-
Net return on pension assets	(405)	(292)
Actuarial gains/(losses)	10,412	(11,770)
(Deficit) in scheme at 31 July 2021	18 <u>(20,543)</u>	<u>(27,344)</u>

Asset and Liability Reconciliation

Reconciliation of Liabilities

Liabilities at 1 August 2020	88,520	73,735
Service cost	5,034	4,716
Interest cost	1,267	1,592
Contributions by members	575	632
Actuarial (gain)/loss	1,359	8,997
Past service cost/(gain)	3	8
Losses/(gains) on curtailments	-	-
Estimated Unfunded Benefits Paid	(26)	(31)
Estimated Benefits Paid	(1,519)	(1,129)
Liabilities at 31 July 2021	<u>95,213</u>	<u>88,520</u>

20 Pensions and Similar Obligations (continued)

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Reconciliation of Assets		
Assets at 1 August 2020	61,176	61,122
Expected return on assets	862	1,300
Contribution by members	575	632
Contribution by employer	1,805	2,024
Contribution in respect of unfunded benefits	26	31
Other Experience	(956)	-
Actuarial (gain)/loss	12,727	(2,773)
Estimated unfunded benefits paid	(26)	(31)
Estimated benefits paid	(1,519)	(1,129)
Assets at 31 July 2021	74,670	61,176

Amounts for the current and previous accounting periods

Fair value of employer assets	74,670	61,176
Present value of defined benefit obligation	(95,213)	(88,520)
Surplus/(Deficit)	(20,543)	(27,344)

21 Related Party Transactions

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

SFC is regarded as a related party. During the year to 31 July 2021 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 2021 the College had two outstanding balances due to related parties and five balances due from related parties. These were as follows:

- Due to Scottish Qualifications Authority - £3,370
- Due to Skills Development Scotland - £1,880
- Due from South Ayrshire Council - £750
- Due from Colleges Scotland £17,138
- Due from Students Awards Agency Scotland - £29,385
- Due from University of Strathclyde - £36,815
- Due from Skills Development Scotland - £208,810

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

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

21 Related Party Transactions (continued)

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

Board Member	Position	Organisation	Sales/ Purchases by the College in the year
Mr W Mackie	Trustee	Ayrshire College Foundation	Sales £5,400 Purchases nil
Mr S Wallace	Chief Financial Officer	University of Strathclyde	Sales £71,263 Purchases £nil

There were no transactions exceeding £5,000 with any other organisations associated with Board Members in 2020-21.

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

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

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

22 FE Bursary and Other Student Support Funds

	FE Bursary	FE Hardship	EMA's	Other	Year ended 31 July 2021	Year ended 31 July 2020
	£000	£000	£000	£000	£000	£000
Balance brought forward	-	-	-	172	172	15
Allocation received in year	8,942	1,450	400	572	11,364	10,523
Interest						
	8,942	1,450	400	744	11,536	10,538
Expenditure	(7,152)	(1,450)	(400)	(364)	(9,366)	(10,351)
Repaid to SFC/SAAS	(1,790)	-	-	(49)	(1,839)	(15)
Repayable to SFC as clawback	-	-	-	-	-	-
College contribution to funds	-	-	-	-	-	-
Virements	-	-	-	-	-	-
Balance carried forward	-	-	-	331	331	172
Represented by:						
Repayable to SFC as clawback	-	-	-	113	113	9
Retained by College for students	-	-	-	218	218	163
	-	-	-	331	331	172

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

23 FE & HE Childcare Funds

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Balance brought forward: August 2020	25	-
Allocation received in period	796	737
	821	737
Expenditure	(367)	(712)
Repayable to SFC as clawback	(25)	-
Repayable in year	(210)	-
Virements	-	-
Balance carried forward	219	25
Represented by:		
Net repayable to SFC as clawback	219	25
Retained by College for Students	-	-
	219	25

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

24 Commitments under Operating Leases

As at 31 July 2021 the College had annual commitments under non-cancellable operating leases as set out below:

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Expiry within 1 year	-	-
Expiry within 2 to 5 years	-	-
Total	-	-

25 Capital Commitments

	Year ended 31 July 2021 £000's	Year ended 31 July 2020 £000
Contracted for at 31 July 2021	50	84

The amounts committed at 31 July 2021 relate to computer equipment which was ordered prior to 31 July 2021 but not delivered until after the year end.

26 Ayrshire College Foundation

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

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

In 2020-21 the Foundation agreed grant funding of £11,000 to the College in respect of Capital Works and educational projects.

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

27 PFI Contract and Kilwinning Campus

Payments remaining to be made under the PFI contract at 31 July 2021 are as follows:

	Payment for services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2021-22				
Payable in 2020-21	846	1,120	249	2,215
Payable within 2 to 5 years	2,189	3,297	352	5,838
Payable within 6 to 10 years	-			
Total	3,035	4,417	601	8,053

	Year ended 31 July 2021	Year ended 31 July 2020
	£000	£000
Balance at start of year	5,477	6,481
Payments made in the year	(1,060)	(1,004)
Balance outstanding at end of the year	4,417	5,477

28 NPD Hill Street

Payments remaining to be made under the NPD contract at 31 July 2021 are as follows:

	Payment for services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2021-22				
Payable in 2020-21	1,314	1,425	2,445	5,184
Payable within 2 to 5 years	5,791	6,019	8,931	20,741
Payable within 6 to 10 years	8,078	8,754	9,093	25,925
Payable > 10 years				
	17,336	25,657	8,857	51,850
Total	32,519	41,855	29,326	103,700

	Year ended 31 July 2021	Year ended 31 July 2020
	£000	£000
Balance at start of year	43,210	44,490
Payments made in the year	(1,355)	(1,280)
Balance outstanding at end of the year	41,855	43,210

29 Post Balance Sheet Events

There are no post balance sheet events to report.

30 Contingent Liabilities

There are no contingent liabilities at 31 July 2021 (31 July 2020: £nil).

31 Non-Cash Allocation

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

	2020-21 £000	2019-20 £000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	(1,101)	(1,567)
Add back: Non-cash allocation for depreciation (net of deferred capital grant)	2,835	2,760
Operating surplus / (deficit) on Central Government accounting basis	1,734	1,193

Under the FE/HE SORP, the college recorded an operating deficit of (£1,101,000) for the year ended 31 July 2021. After taking account of the Government noncash budget, the college shows an “adjusted” surplus of £1,734,000 on a Central Government accounting basis.

Accounts Direction for Scotland's Colleges 2020-21

1. It is the Scottish Funding Council's direction that institutions¹ comply with the 2020 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts².
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2020-21 (FReM) where applicable.
4. Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2021.
5. The annual report and accounts should be signed by the Chief Executive Officer / Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
17 July 2021