

Finance and General Purposes Committee

Agenda

Meeting reference: F&GP2018-19/02

Date: Wednesday 28 November 2018 at 4.30pm

Location: Room 019

Purpose: Scheduled meeting

* Denotes items for discussion.

Members should contact the Secretary in advance of the meeting if they wish to request an item be starred.

	Agenda Items	Author	Led by	Paper
1	Welcome and apologies		Chair	
2	Additions to the Agenda		Chair	
3	Declaration of a Conflict of Interest in any Agenda Item			
4	Minutes of the Meeting of the Finance and General Purposes Committee held on 25 September 2018		Chair	Paper 1
5	Actions arising from previous minutes			
6	Accounts			
*6.1	Perth College Management Accounts – 3 months to 31 October 2018	Head of Finance	Head of Finance	Paper 2 Closed
*6.2	AST Management Accounts – 3 months to 31 October 2018	Head of Finance	Chief Operating Officer	Paper 3 CLOSED
7	Estates			
*7.1	Estates Update	Chief Operating Officer	Chief Operating Officer	Verbal
*7.2	Residences – Option Appraisal	Chief Operating Officer	Chief Operating Officer	Paper 4 Closed
8	Implementing Lean and Efficiency Savings	Planning and Project Manager	Principal	Paper 5

9	Committee Business			
9.1	Forward Calendar for F&GP Committee	Secretary	Secretary	Paper 6
10	Standing Committees			
	<p>Joint Negotiating Committee</p> <ul style="list-style-type: none"> • Support Staff – 25 October 2018 • Lecturers – 25 October 2018 			<p>Paper 7</p> <p>Paper 8</p>
11	<p>Date and Time of next meeting</p> <p>- 27 February 2019</p>			
12	Review of meeting (to include check against the Terms of Reference to ensure all competent business has been covered)			Paper 9
	Joint Meeting – The Committee will be joined by the Audit Committee at 5.30pm to review the Accounts and Financial Statements for 2017-18			
13	Joint Welcome and Apologies		Chair of F&GPC and Audit	
*14	Perth College Management Accounts Year to 31 July 2018 – Final Report and Commentary	Head of Finance	Head of Finance	Paper 10
*15	Draft Perth College Group Report and Financial Statements for the Year ended 31 July 2018	Head of Finance	Head of Finance	Paper 11
*16	External Audit Annual Report 2017-18		EY	Paper 12
	The F&GP Committee will conclude its business and leave the meeting at this point			

Finance and General Purposes Committee

Draft Minutes

Meeting reference: FGP2018-19/01
Date and time: Tuesday 25 September 2018 at 5.30pm
Location: Room 019

Members present: Margaret Cook, Brian Crichton, Deborah Hutchison, David Littlejohn

In attendance: Craig Ritchie, new Board Member
 Jackie Mackenzie, Chief Operating Officer (COO)
 Lorenz Cairns, Interim Depute Principal (Academic)
 Maureen Masson, Secretary to the Board of Management

Apologies: Harold Gillespie, Susan Hunter

Chair: David Littlejohn
Minute Taker: Maureen Masson
Quorum: 3

Summary of Action Items			
Ref	Action	Responsibility	Time Line
8	Relocation of Pathways – Closed		
*9.1	Estates Paper on options for residences to come forward to the next meeting	COO	mid November 2018
11	Fee Waiver Policy and Student Support Funds Policy Include on Board agenda for 10 October 2018 meeting	Board Secretary	1 October 2018

Minutes:

Item

1. Welcome and Apologies

The Chair welcomed everyone to the meeting. Craig Ritchie was attending his first F&GPC meeting as a new Board Member, pending final approval processes. Andrea Saunders, Head of Finance was attending her first meeting of the Committee. Apologies were received from Harold Gillespie and Susan Hunter. The Committee noted that Jim Crooks was no longer a member of the Committee as he had taken on the role of Audit Committee Chair.

Action

2. Additions to the Agenda

There was one addition to the agenda notified by the COO which would be covered under item *6.2.

3. Declaration of Interest in any Agenda Item

There were no declarations of a conflict of interest.

4. Minutes of Meeting held on Wednesday 30 May 2018

The minutes were approved as a correct record subject to the correction of a typographical error on page 4.

5. Matters Arising from Previous Minutes

Action - HR Procedure documents to be included in the agenda for the Board of Management and papers to be provided by Head of HR and OD

Action Update – action complete - considered by the Board at its meeting on 13 June 2018

6 Accounts

***6.1 Perth College Management Accounts – 12 months to 31 July 2018**

The Chair reminded members this was an opportunity to review the year-end accounts before they become statutory accounts for sign off at the November meeting with the external auditors present. The COO wished to record that the Head of Finance and the Finance team had been instrumental in preparing the accounts pack.

The Committee noted the key considerations set out in the paper particularly the following:

- the final position for the College and the reasons for the reporting of a technical deficit;
- that the Centre for Mountain Studies continued to be a strategically important area for the College in the delivery of master and PhD options;
- the finance system had been upgraded and there would be enhanced reporting to managers;
- the forthcoming Board Strategy day would provide an opportunity to look at scenarios, including an exploration of the potential impact of Brexit, the College's international position and wider impact across the partnership; and
- the Committee noted the challenges ASW had faced during the

first year of operation.

***6.2 AST Management Accounts – 12 months to 31 July 2018**

Closed

7 Budgets

***7.1 2018-19 Budget Proposals**

The COO introduced the paper setting out the College budget for Academic Year 2018-19. The Committee noted that future years would be more challenging because of Brexit and other funding considerations such as the loss of rurality funding.

After discussion of the key considerations, the Committee approved the budget.

***7.2 Financial Forecast Return 2018/19-2022/23 - Closed**

8. Relocation of Pathways - Closed

9 Estates

***9.1 Estates Update**

The COO provided an update on the estates work that had been undertaken over the summer months. The steps leading up to the Brahan building had been replaced, work to create the one stop shop was largely complete as was the creation of the new degree kitchens and the food court had been redecorated. In addition, several areas of the college had been redecorated, flooring replaced and other ongoing maintenance undertaken as is normal during the summer recess.

COO

The Committee noted that two large contracts would be up for renewal shortly. A paper about the option for the student residences would come forward to the next F&GPC meeting.

**10 Human Resources
Human Resources Update - Closed**

11 Policies

- *11.1 **Fee Waiver Policy**
- *11.2 **Student Support Funds Policy**

The Committee approved two policies that were part of the policy development work under the banner of the Single Policy Framework. The College had contributed to these and the Committee was reassured that they would add value. Final approval would be given by the Board.

Board
Secretary

Other policies would come forward in due course.

- 12 Standing Committees**
- 12.1 Joint Negotiating Committee**

Support Staff – 11 September 2018
Lecturers – 18 June 2018

Staff Consultation Forum – 27 June 2018

Noted

- 11 Date of Next meeting**

Wednesday 28 November 2018 at 4.30pm – this would be the joint meeting with Audit Committee.

- 12 Review of Meeting**

The Committee agreed the meeting had covered its Terms of Reference.

Information (Scotland) Act 2002 (FOI(S)A). Certain exemptions apply: financial information relating to procurement items still under tender, legal advice from College lawyers, items related to national security.

Notes taken to help record minutes are also subject to Freedom of Information requests, and should be destroyed as soon as minutes are approved.

Status of Minutes – Open with removal of items 6.2, 7.2, 8 and 10

An **open** item is one over which there would be no issues for the College in releasing the information to the public in response to a freedom of information request.

A **closed** item is one that contains information that could be withheld from release to the public because an exemption under the Freedom of Information (Scotland) Act 2002 applies.

The College may also be asked for information contained in minutes about living individuals, under the terms of the Data Protection Act 1998. It is important that fact, rather than opinion, is recorded.

Do the minutes contain items which may be contentious under the terms of the Data Protection Act 1998? **Yes** **No**

Paper for Consideration

Subject: Implementation Proposal: Lean Six Sigma and Perth College UHI

Author: Margaret Cook

Date of paper:

Date of meeting: 28 November 2018

Action requested of committee:

(Tick as appropriate) For information only:
For discussion:
For recommendation/approval: ✓

Cost implications:

(Tick as appropriate) Yes: No:

Executive Summary:

This proposal outlines how it would utilise lean methodology in improving processes/collaboration within Perth College UHI and how it would align the college to a culture of continuous process improvement in order to positively impact the student experience.

Lean training and events will be driven by staff at all levels, with senior management support where needed, to reduce lead times, reduce variation, and eliminate bottlenecks. At the same time, the internal improvement culture will be developed to sustain the lean improvement efforts with the eventual goal of embedding continuous improvement with no reliance on the Project and Planning Manager.

The 'Lean Implementation and Deployment Plan' is a living document that outlines and addresses essential elements to a successful Lean implementation within Perth College UHI. Key elements include planning sessions, value stream analysis, value stream transformations and Organizational Assessments.

Initial work involves Planning Sessions, the development of comprehensive project plans, and process analysis with the Heads/Leads of each area to identify the right 'Projects/processes' to engage. As 'Projects/processes' are identified, performed, and completed, staff and students will benefit from the improvements, savings, and return on investment.

Information recorded in College minutes and papers is subject to release under the Freedom of Information (Scotland) Act 2002 (FOI(S)A). Certain exemptions apply: financial information relating to procurement items still under tender, legal advice from College lawyers, items related to national security.

Status of Papers Open Closed

An **open** item is one over which there would be no issues for the College in releasing the information to the public in response to a freedom of information request.

A **closed** item is one that contains information that could be withheld from release to the public because an exemption under the Freedom of Information (Scotland) Act 2002 applies.

The College may also be asked for information contained in minutes and papers about living individuals, under the terms of the Data Protection Act 1988.

Do the papers contain items which may be contentious under the terms of the Data Protection Act 1988? **Yes** **No**

Implementation Proposal

Implementation Proposal: Lean Six Sigma and Perth College UHI

www.perth.uhi.ac.uk



Perth College is a registered Scottish charity, number SC021209.

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Executive Summary

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Background and Introduction

What is Lean Six Sigma?

Lean Six Sigma is a structured process improvement model used widely in various industries and government sectors to engage staff in transforming their organizations to operate with a focus on process efficiency and service excellence.

Its basic premise is to eliminate waste and to reduce variation. Projects are designed around the scientific model: *Define, Measure, Analyse, Improve, and Control (DMAIC)*. Traditionally accepted outcomes yield a 40% improvement in processes.

Its basic framework consists of two groups of staff. The first group are consultant staff (called '*Green Belts*' or '*Black Belts*') who are trained to use a myriad of tools designed to facilitate the process improvement effort and to analyse data. The second group are program staff who are those subject matter experts involved with any given process. After an orientation to Lean Six Sigma, both groups partner in structured events where the 'belts' utilise selected tools to assist the program staff to meet their process improvement goals.

What is Perth College UHI already doing?

Perth College UHI already incorporates the vision of lean within its strategic aims: "*Optimise the sustainable use of our systems, processes and resources to provide the best possible student experience and outcomes*" and outlines the drive for staff to "*Increase the effectiveness and efficiency through shared processes and services across the College, University and region*".

Within specific pockets of Perth College UHI, continuous improvement is already being utilised. An example of this is the Student Records team review different aspects of their operation every 3 months to understand where improvements can be made and if changes previously made are working.

To complement the efforts that have already taken place, this 'Lean Implementation and Deployment Plan' describes a College-wide approach to implementing *Lean Six Sigma* through the 'Get to Excellence Plan'.

Project Definition

Purpose To improve processes/collaboration within Perth College UHI through embedding a culture of continuous process improvement (via Lean methodology) in order to positively impact the student experience.

Objectives

1. To imbue a culture of Continuous Improvement throughout Perth College UHI
2. To improve processes within the college through efficiency (e.g. time, money, motion, duplication) savings
3. Positively impact all Perth College UHI's students experience
4. To achieve the SFC required 3% efficiency savings

Defined Method of Approach

How we are proposing to manage it:

The implementation proposal consists of the following guided activities;

- Planning Sessions
- Value Stream Analysis
- Value Stream Transformation Activities
- Organisational Assessments

Perth College will utilise a systematic approach to (1) analyse the opportunities, (2) understand the best approach for maximum impact, (3) transform all 'Value Streams' (processes), and (4) align the improvement activities with the most effective metrics.

Scope

The scope of the proposal will split the college departments into the following areas:

- Human Resources and Operational development
- Finance
- Information Services
- Estates
- Academia (Inc. Academic Practice)

- Student Experience
- Marketing
- International
- Business Development
- AST (Air Service Training) *To be Confirmed*
- ASW (Academy of Sport & Wellbeing) *To be Confirmed*

Although the focus of the project (whether it be cross-cutting themes or independent plans) will be determined through the analysis from the planning sessions – the areas above will still remain defined.

Constraints & Assumptions

The constraints on the project are:

- An imposed technology constraint that's beyond the authority of the project to change such as a platform that must be used (i.e. UHI platforms)
- For potential large scale changes budgets and staff capacity for implementation will determine whether or not this is a viable option
- Using lean primarily will not allow for other project management methodologies to be used
- A quality condition or specification driven by a mandatory regulatory body (i.e. SQA)
- The amount of risk the college is willing to accept (i.e. budget, time)
- Time frames through;
 - Staff time to complete all necessary steps
 - Project and Planning team resource
 - Holidays – personal and public
 - Project Closure (August 2019)

The assumptions supporting the project are:

- The sufficient staff resource is available for all aspects of the project to meet the proposed timescales
- There is board level support for the project
- All systems/platforms, regardless of who they are owned by, are open to being included within the scope of the project
- There is a need to implement a continuous improvement culture within Perth College UHI

- Central UHI procedures will not restrict project implementation
-

Implementation Approach

Perth College's Lean Implementation and Deployment approach will be guided by the following expectations;

1. Standardising the management of all lean efforts through Planning Sessions and analysis so that processes are selected because they are part of a high—level value stream that can provide a significant return on investment.

Planning Sessions will be conducted with the Heads of Department and Managers/Team Leaders. Analysis will be performed on the processes selected during the Planning Sessions;

- (a) If there are found to be common processes/areas for improvement throughout all college departments then the approach will utilise processes that are constant for all departments
- (b) If analysis shows no common processes/areas for improvement then each department will move through the methodology independently

Both the Planning Sessions and the analysis will be facilitated via the Project and Planning Manager.

2. Coordinating with Head of Departments and Managers/Team Leaders (as applicable) for the selection of staff in participation of the Value Stream Analyses (VSAs) and then in the implementation of the identified projects.
3. Maximising the number of Planning Sessions, Lean Six Sigma Projects and 'Just-Do-Its' across Perth College UHI.
4. An Organisational Assessment (highlighted later) will determine the overall impact of the lean efforts on the new processes implemented and on the embedding of a continuous process improvement culture within Perth College UHI.
5. Using a Lean Implementation and Deployment Plan serves to align lean principles across the college. This includes defining the Perth College UHI lean implementation process complete with standardization of terminology and Lean Six-Sigma processes, and standardizing deployment and execution metrics for Lean efforts so that everyone in the college can see the achieved results (SharePoint page will be created to hold this information in a shared location).

While lean efforts are underway to varying degrees in Perth College UHI, this proposal has been developed to provide maximum coverage and impact.

Planning Session – Analysing the College for Opportunities

During the Planning Sessions the level of commitment and resources required to achieve a successful lean implementation and the impact it will have are identified.

These sessions can be up to two hours long in length and are conducted with Head of Departments and Managers/Team Leaders (other staff members can attend, this is dependent on the Head of Departments preference) with the Project and Planning Manager to establish strategic direction. Prior to the Planning Sessions, all participants will have been walked-through Lean Six Sigma fundamentals.

There are far too many processes/areas within Perth College UHI to begin to list them here. Therefore, a methodology must be identified to evaluate which of these processes/areas has the greatest potential savings and benefit to the college and its efforts to achieve its objectives.

The 'PICK Chart' is the proposed methodology for evaluating its processes/areas targeted during the Planning Sessions. (A 'PICK Chart' is illustrated in Appendix 1.1.) This relatively simplified methodology will be used to classify suggested process/areas as being either 'possible', 'immediately implementable', 'challenging', or 'killed' (i.e. not evaluated at all). The 'PICK Chart' process will help to quickly build consensus regarding the appropriate focus of lean efforts and designation of Value Streams Analysis.

From this it will be clear whether the implementation follows one of the two following approaches;

1. One set of college wide activities/processes to be reviewed for each of the departments
2. Each College department will have its own bespoke areas/processes

The above decision will be a key milestone in the implementation project.

Value Stream Analysis

After the target processes/areas are selected and the decision on how to approach implementation has been made, the next step is the completion of a Value Stream Analysis. During these sessions, a team comprised of Head of Departments, Managers, Team Leaders, staff members, and the Project and Planning Manager for each department will evaluate a VSA. Each team will create and analyse the current state process/area and map for sources of waste, document the 'Baseline conditions', and identify improvements (the full process is also known as Value Stream Mapping). Depending on the focus of the processes/areas, it will be appropriate to include staff members from different departments within the college as participants.

The most important deliverables of the VSA session are the Future State Map (a representation of an improved process) and the 'Get-to-Excellence Plan' (GTEP), which aligns the processes/areas into distinct categories. The GTEP is a time-phased collection of either Projects (30 days or greater to complete) or 'Just-Do-Its' (an improvement that can be accomplished without further analysis) to systematically transform the given process/area. The GTEP becomes a live document to be updated or revised as improvements are applied and lessons are learned.

Value Stream Transformations

As highlighted above, improvement opportunities identified during Value Stream Analysis are separated into one of two improvement process methodologies for implementation – Projects and 'Just-Do-Its'. Teams are formed and charters prepared to implement the GTEP, as appropriate.

In situations where the *Root Cause* of a problem is not readily apparent, or the complexity of the problem exceeds the capability of a 'Kaizen' to resolve, a project is the appropriate improvement process. The projects within the proposed implementation will utilise existing Perth College UHI project documentation and be designed around the DMAIC model.

In the Define stage, the problem is scoped, boundaries are identified and resources are committed. Baseline conditions are documented in the Measure stage, Root-cause analysis and possible solutions are identified during the Analyse stage. Solutions are implemented during the Improve stage. Standardization then occurs during the Control stage.

'Just-Do-Its' are listed and assigned an owner, these have no plans against them but are recorded when implemented. The solutions for these are measured over time to ensure they were successful as planned.

Organizational Assessment – Post Implementation Verification

The Organisation Assessment is a comprehensive examination of the improvements achieved, the effectiveness of how the project was deployed and the measure to what degree the continuous process improvement was embedded. The Project and Planning Manager will guide the Heads of Department through the Organisation Assessment process until such time as data indicates the department is capable of self-assessment. The findings and agreed upon actions of the Organizational Assessment are summarized and fed back to the college Senior Management Team (SMT).

Ideally once the project is implemented, these assessments are conducted quarterly or on a recurring 6 month basis. This is a critical phase of the transformation wherein the improvements have been completed to successfully finish on schedule with the lean expertise embedded to sustain the continuous process improvement culture going forward.

Results are examined at the process/area level for each college department. When reviewing results it is important to consider that some metrics are often not impacted until the second year when engagement and change pace is sufficient to impact the bottom line.

The Project and Planning Manger will help the college in comparing the actual lean activities to the Lean Six Sigma Model and determining if the organization is on track in embedding a continuous process improvement culture (measured through how often the application of lean principles/tools are used within each department). Lessons learned are captured and necessary course corrections are identified, roadblocks are identified and are assigned to the party responsible for removal, or elevated to the appropriate level for resolution.

Deployment Structure

The deployment structure is made up of a Lean Six Sigma Deployment Champion and then senior management and staff in various roles. The various roles are designed to prioritize, examine, improve, and control processes. Together with the Deployment Champion, they implement the Lean Six Sigma tools to transform identified processes and capture the metrics.

Lean Six Sigma Deployment Champion

Implementation and deployment will be led by the Project and Planning Manager who will be the liaison to all stakeholders within the project for communication, coordination, integration, and alignment of Lean implementation and deployment.

A central role of the Deployment Champion is ownership of the Deployment Plan and the Communication Plan, and tracking and reporting of results. The Deployment Champion will be responsible for creating the internal continuous improvement capability (embedding the continuous improvement culture in Heads of Departments and Managers), this will provide for responsive lean implementation when moving forward.

Executive Leadership

Executive Leadership consists of the Senior Management Team. They are responsible for the successful implementation of the lean efforts. They must take ownership of lean implementation providing full support of efforts in their areas and throughout the college. Senior leaders are also responsible for the removal of any barriers or hindrances to effective lean implementation (processes, procedures, facilities, etc.).

Value Stream Champions

'Value Stream Champions' will consist of those in the Corporate Management Team, but where appropriate may include managers. They are responsible for the effective execution of the GTEPs within their areas. They must be personally involved and support lean efforts, committing the necessary resources, and implementing the improvement actions. They also reap the benefits of the 'Lean Events'.

Managers, Team Leaders and Team Members

The staff that are the key resources doing the work of process improvement. Team Leaders and Team Members are responsible for the work being improved, and participate in 'Kaizens' and Projects during designated times. Their involvement is crucial and the reason lean efforts succeed. They have the knowledge and motivation to implement improvements developed during 'Kaizens' and Projects, and they own the results.

Communication Plan

It is critically important that the communications at all levels of the project remain open and honest so staff and management are fully aware of the status and plans of the lean efforts in order to get the best value from the improvements being made.

Effective communication plans are/will be developed for each of the stakeholders below. The overall communication plan is owned by the Project and Planning Manager:

- **Within the Project Team** (*all groups working on implementing the solutions*):
This communication is owned by the Project and Planning Manager and will be through regular project team meetings. Where sub teams are appointed the sub team leader will report regularly (if applicable) to the Project and Planning Manager on general progress and on exceptions as circumstances demand, which is usually as soon as they occur
- **To the Senior Management Team:**
The Project and Planning Manager will report regularly to the Senior Management Team on general project progress through highlight reports and on exceptions as circumstances demand
- **Internal stakeholders and users:**
Communications will be through departmental awareness briefings, shared online locations (ideally SharePoint) and via team catch-ups with the Project and Planning Manager (if required)
- **External stakeholders:**
Stakeholders out with Perth College UHI impacted by the projects, where relevant, will be identified within the VSA sessions.
Communication will be developed to ensure that external stakeholders are either engaged within the process to directly impact improvements, or to inform them of progress and impact achieved by those projects

Metrics

Each activity will be required to capture and report lean metrics. The metrics are divided into two categories: Lean Deployment metrics and Lean Execution metrics (results). Perth College UHI will utilise a standard reporting mechanism and submit them to the Senior Management Team in an ongoing basis. Results and progress will be published for all to see on the SharePoint once verified.

Lean Deployment Metrics

1. Number of 'Value Stream Analyses' performed: This metric indicates Lean activity and is expressed as the number of VSAs performed.
2. Number of 'Just-Do-Its': This is a measure of Lean activity and is expressed as the number of events performed.
3. Number of Projects: This metric measures the total number of projects performed for more complicated improvement efforts.
4. Basic Lean Education: The number of employees educated in Lean Six Sigma basics. This metric is captured as a total number and percentage of employees at the activity that have been trained in the introduction to the five principles of Lean and the basic Lean/Six Sigma tools.
5. Value Stream Champion Training: This metric measures the number of personnel, including the Deployment Champion and 'Value Stream Champions' that have been trained in Lean six Sigma (*level yet to be determined*).
6. Communication Plan Execution: This is a measure of the degree to which the lean Communication Plan has been implemented.

Lean Execution Metrics

The Lean Execution Metrics will report the progress towards achieving the desired results. Lean Execution Metrics should be reported on each Project. The results of the Lean efforts shall be reported quarterly to the Senior Management Team. An example of an execution metric is Savings – Projected and Actual. The execution metrics that the project proposes to include are:

1. Number of 'Hand offs' (*A count of the number of times a document or product changes hands within a process*).
2. Cycle Time (*The time it takes to successfully complete the tasks required for a process*).
3. Savings (*if applicable*).
4. Number of Continuous Improvement Sessions held independently (*this will be tracked for up to a year after the project has finished*).
5. Number of Duplications removed (*within a process and process as a whole*).

6. Student Satisfaction (*done through an independent survey and through the NSS annual surveys*).

The tracking and reporting of the above Lean Execution Metrics will be the responsibility of the Project and Planning Manager.

Timescales

The timescales for the project has been broken down into 4 different stages (these have been visualised within a timeline in Appendix 1.2).

Stage1: This focuses on the approval, planning and approach activities, the aim of which is to conclude before Perth College UHI closes for the Christmas period.

Stage 2: Focus sits on training of the project teams and then the Value stream Analyses themselves, helping to map and identify what the new processes will look like. Academic staff begin this process earlier due to the holidays they take during the summer holiday period. These activities plan to run in conjunction with the operational planning cycle.

Stage 3: From March onwards the new process identified as the improvement will be run through the appropriate transformations (Projects or 'Just-Do-Its'). This period of time will be managed, monitored and tracked by the Project and Planning Manager, however teams will drive their own process improvements.

Stage 4: The final stage focuses on the closure of the project, a review of how successful the project was and an organisational assessment to review how continuous improvement has embedded Perth College UHI. The final stage will be focused over July and August 2019.

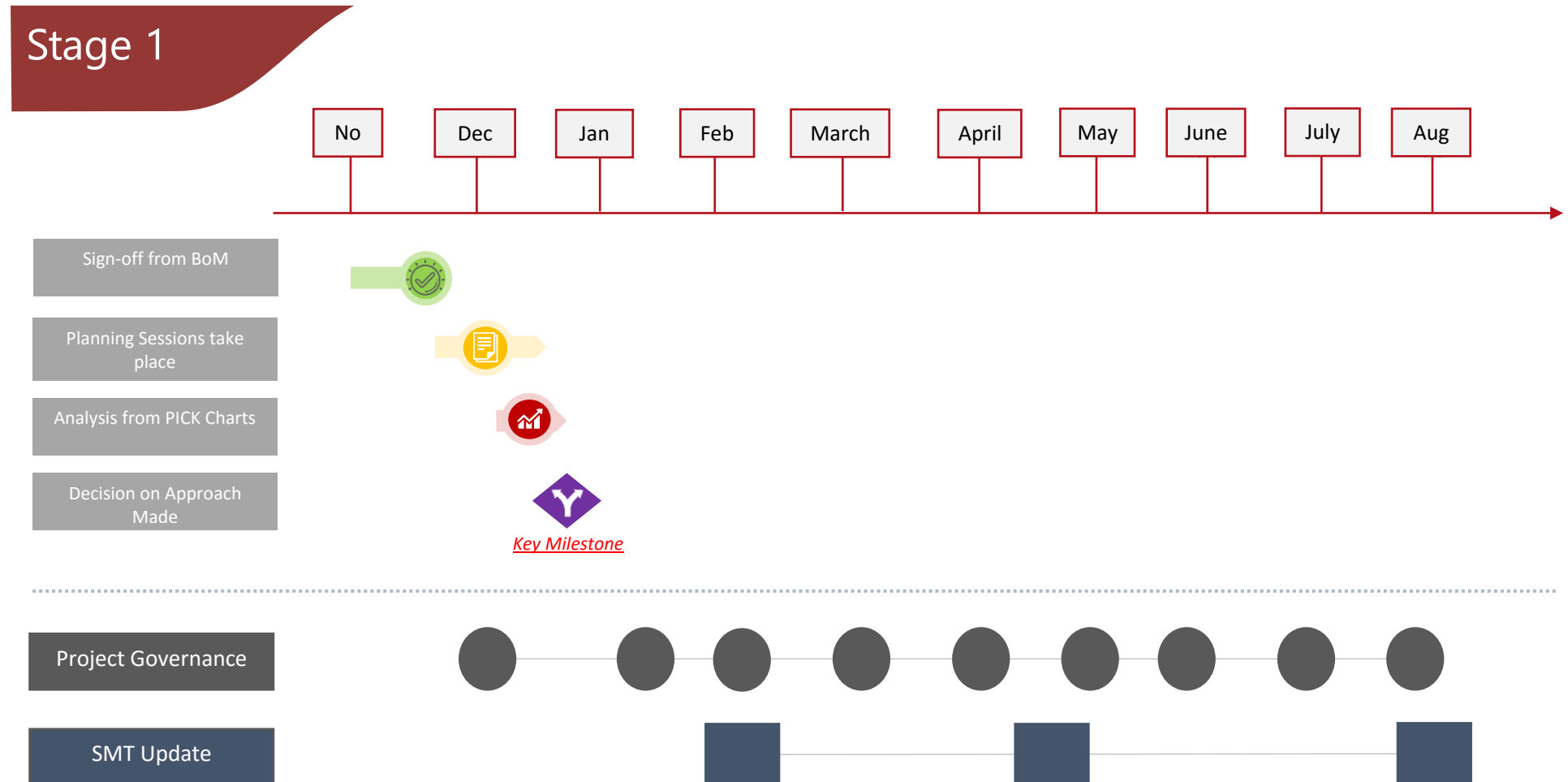
Appendix

Appendix 1.1 – Pick Chart

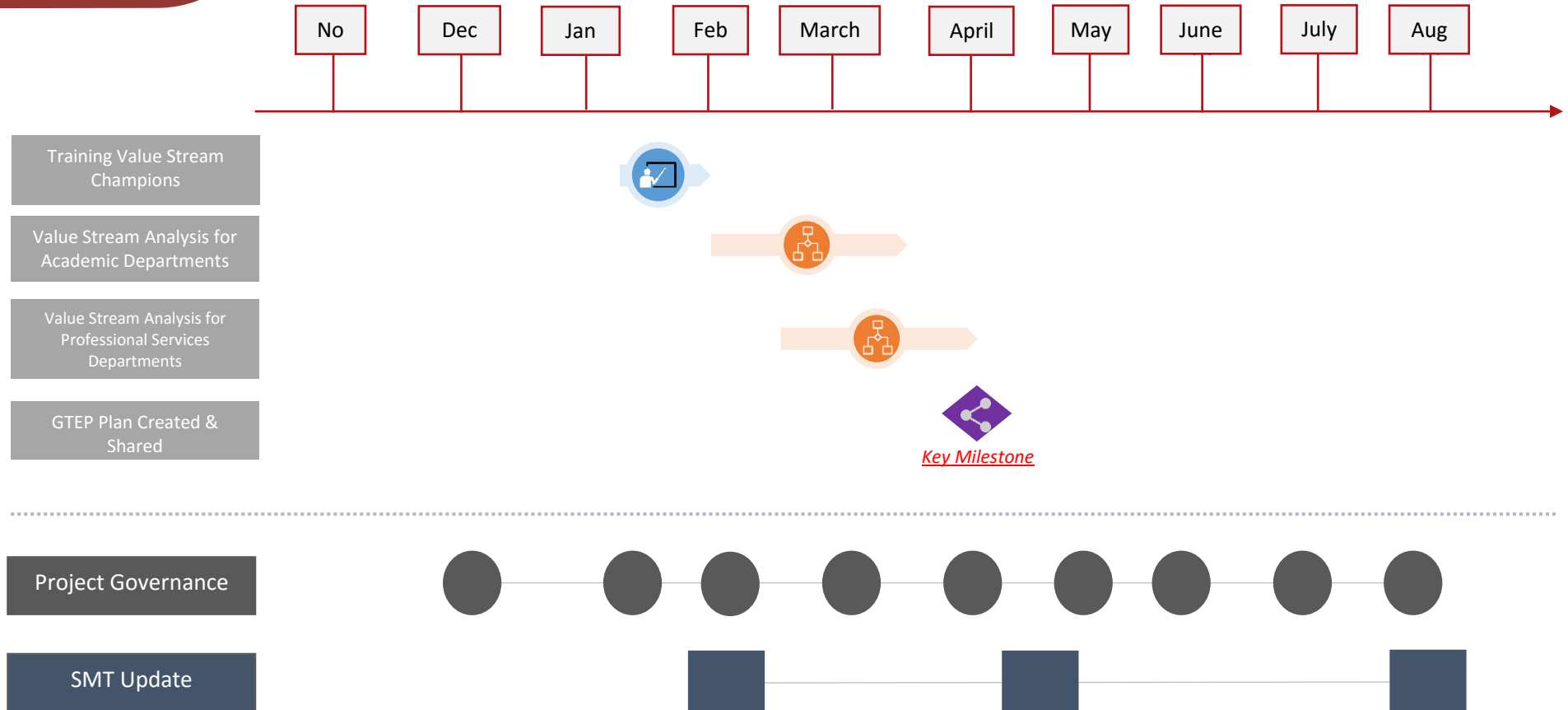
Pick Chart

	BIG Payoff	SMALL Payoff
EASY To Implement	<u>I</u> mplement	<u>P</u> ossible
HARD To Implement	<u>C</u> hallenge	<u>K</u> ill

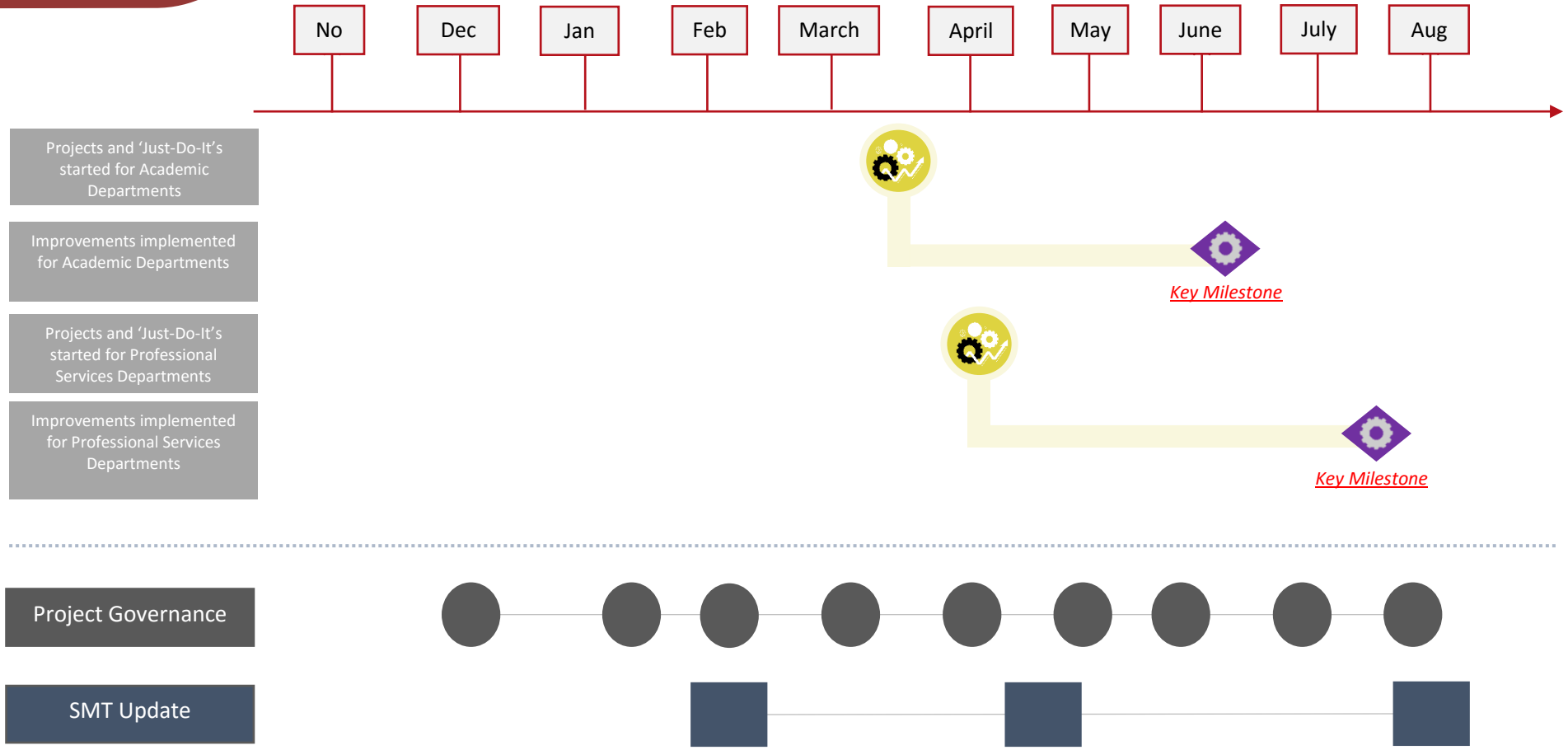
Appendix 1.2 – Timescale Stages



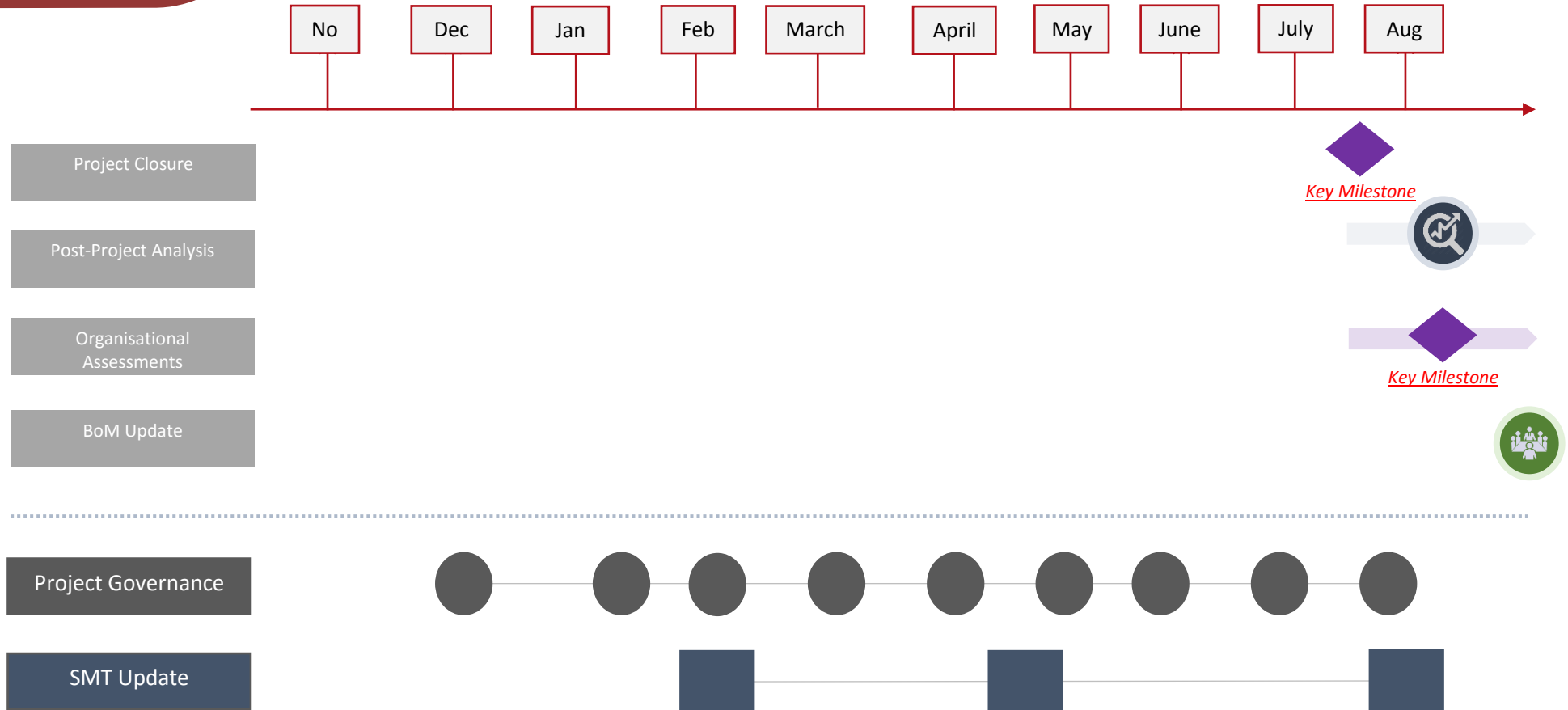
Stage 2



Stage 3



Stage 4



Appendix 1.3 – Glossary of Terms

Analyse Stage - The third stage of the Lean Six Sigma DMAIC where data is statistically analysed and/or maps are analysed for waste.

Baseline Conditions - A snapshot of the state of a process frozen at a point in time.

Control Stage – The fifth and final stage of the Lean Six Sigma DMAIC where improvements are controlled through the design of a control plan, training plan, and communication plan.

Cycle Time – The time it takes to successfully complete the tasks required for a work process.

Define Stage – The first stage of the Lean Six Sigma DMAIC that identifies the problem that needs to be solved. Several Lean Six Sigma tools are utilised to adequately define the problem, such as the Charter and Newspaper.

Deployment – The function for positioning Lean Six Sigma College wide.

Deployment Champion – The individual who owns the communication, coordination, integration, and alignment of Lean deployment and implementation. In Perth College UHI, this person is the Project and Planning Manager.

DMAIC – Refers to a data-driven quality strategy for improving processes. It is an acronym for “Define, Measure, Analyse, Improve, and Control”

Future State Map – A representation of an improved process.

Get to Excellence Plans (GTEP) – The primary product of a Value Stream Analysis. A document that lists the various activities that would lead to the future state of a value stream. Activities are organized as Projects, Kaizens, or Just-Do-Its.

Green Belt - An individual who has met the Lean Six Sigma training criteria to lead Lean Six Sigma Kaizens. The green belt employee plays an important role in executing the Six Sigma process at all levels.

Handoffs – A count of the number of times a document or product changes hands.

Implementation – The process by which Lean Six Sigma is put into practice.

Improve Stage - The fourth stage of the Lean Six Sigma DMAIC that identifies the solutions to the process being studied.

Just-Do-Its – One of the elements of a Get to Excellence Plan. An activity that can be accomplished without further analysis.

Kaizens – A Japanese term that means continuous improvement. One of the elements of a Get to Excellence Plan. An activity that is designed to improve a process that exhibits moderate complexity in one to five days.

Lean Belts – The team of people trained in Lean Six Sigma to facilitate Lean Events. (The exception is the Yellow Belt who has received the basic information to be a fully participating Team Member.)

Lean Events – A generic term that describes the body of activities whereby teams and belts work towards improving any given process.

Lean Six Sigma – A process improvement model that is a combination of Lean and Six Sigma designed to eliminate waste and reduce variation.

Lean Targets – The objectives of a Kaizen, Project, or Value Stream Analysis.

Lean Metrics – Financial, behavioural, and core-process measurements that help you monitor your organization's progress toward achieving the goals of your lean initiative.

Measure Stage - The second stage of the Lean Six Sigma DMAIC where data is quantified to best represent a process.

Organizational Assessments - A comprehensive examination of results achieved, Lean deployment, and Lean maturity of the organization. Ideally these assessments are conducted quarterly.

Planning Sessions – A two to three hour session where success is defined in the eyes of the different college departments, and the level of commitment and resources required to achieve a successful Lean implementation effort are identified.

Projects - One of the elements of a Get to Excellence Plan. An activity that is designed to improve a process that where the *Root Cause* of a problem is not readily apparent, or the complexity of the problem exceeds the capability of a '*Kaizen*' to resolve.

Root Cause - An identified reason for the presence of a defect or problem. The most basic reason, which if eliminated, would prevent recurrence. The source or origin of an event.

Root Cause Analysis - Study of original reason for non-conformance with a process. When the root cause is removed or corrected, the non-conformance will be eliminated.

Team Member - These personnel are the key resources doing the work of process improvement. Their involvement is crucial and the reason Lean efforts succeed. They have the knowledge and motivation to implement improvements.

Value Stream Analysis – A process whereby all the steps in a process are examined for waste and opportunities for improvement.

Value Stream Champion – People who are responsible for the effective execution of the GTEPs and within their division.

Appendix 1.4 – Project Plan Template

The project plan template being proposed for the managing, monitoring and tracking of the full implementation can be found [here](#). This is the standard template used throughout Perth College UHI.

Forward Calendar for F&GP Committee 2018-19

	F&GP Committee Meeting			
	26 Sept 18	28 Nov 18	27 Feb 19	22 May 19
Accounts	Draft Perth College Management Accounts 12 months to 31 July 2018	Perth College Management Accounts - Final Report and Commentary Year to 31 July 2018	Perth College Management Accounts 6 months to 31 January 2019	Perth College Management Accounts 9 months to 30 April 2019
		Draft Perth College Group Financial Statement Year ended 31 July 2018		
		Perth College Management Accounts 3 months to 31 October 2018		
	Draft AST Management Accounts 12 months to 31 July 2018	AST Management Accounts 3 months to 31 October 2018	AST Management Accounts 6 months to 31 January 2019	AST Management Accounts 9 months to 30 April 2019
Financial Management	2018/19 Budget Proposals			Perth College Financial Forecast to 31 July 2019
				Financial Forecast Return Update
				3 yr Financial Forecast 2019-2022
				Indicative Budget 2019-20
Reporting			Balanced Scorecard	
Estates	Update	Update	Update	Update
HR	Update	Update	Update	Update
Standing Committee	JNC – Support Staff & Lecturers	JNC – Support Staff & Lecturers	JNC – Support Staff & Lecturers	JNC – Support Staff & Lecturers
Committee Organisation	Review of ToR	Review of ToR	Review of ToR	Review of ToR
				Draft Calendar of meetings 2019-20

Topic Specific papers which may be brought to Committee: Shared Services, Student Residencies, Financial Regulations, Financial Memorandum

JNC for Support Staff

Thursday 25 October 2018
1.30pm, Rm 019, Brahan

Present: Susan Hunter (Chair), Margaret Cook, Stuart Hope, Patrick O'Donnell

Apologies: Winston Flynn, Rob Reed

Minutes

	Minutes	Action
1.	Welcome and Apologies Apologies were received from Winston Flynn and Rob Reed	
2.	Minutes of the Meeting of 11 September 2018 The minutes of the meeting held on 11 September 2018, having been previously circulated, were approved, as a true and accurate record of discussions.	
3.	Review of Actions / Matters arising not included elsewhere on the agenda: <ul style="list-style-type: none"> Overseas Allowance Proposal – update SH explained that this has been in place for lecturing staff for some time. It was agreed that, with the proposed amendments, this should also now apply to support staff – and everyone was agreeable to this amendments. 	
4.	Professional Review <ul style="list-style-type: none"> Research Patrick gave an overview of how this review document would work in practice. All agreed it was a lengthy document and Patrick confirmed that the timescale involved in this process is about three hours per week. Important that there is also output from the document. It will probably be of more interest to lecturing staff rather than support staff. There has not been a system in place however it was agreed to pilot this for one year. 	

	Minutes	Action
5.	<p>National Bargaining</p> <ul style="list-style-type: none"> • Change in Annual Leave Year <p>This has been implemented with an 11 month year, this year moving to 12 months next year.</p> <ul style="list-style-type: none"> • National Job Evaluation <p>Margaret confirmed that she is now involved in negotiations on the support side. SH stated that she was hoping to have a much clearer update at the next meeting. SH explained the national system procured will be FEDRA. A contract has to be signed to procure licences.</p>	
6.	<p>Reporting Facility Time</p> <p>A discussion took place with regard to reporting arrangements and SH said she would meet with Union reps separately, so that actual facility time can be reported.</p>	SH
7.	<p>JNC Terms of Reference</p> <p>SH explained that there are not terms of reference for the JNC and we didn't have a quorum. SH explained that the document had been drafted by taking the objectives from the governance guidelines. Which would now go forward to the Board for approval – all were in agreement on this .</p>	SH
8.	<p>Occupational Health</p> <p>A discussion was had about being accompanied to occupational health appointments. There may be instances where this is appropriate but this is not the norm. SH explained that Medigold is producing guidance on this matter.</p>	
9.	<p>Union and HR Communication</p> <p>The question was raised about the type of topic which should be discussed with Union rep. Routine matters shouldn't have to be discussed. Matters of consultation should be taken to</p>	

	<p>Union. Only if member requested Union participation would this be done.</p>	
10.	<p>One Stop Shop – update</p> <p>SH updated the committee that all of the contracts have been issued and signed and returned. It was agreed this item could be removed from the agenda.</p>	
11.	<p>Pathways Relocation – Update</p> <p>The lease for Pathways ceases in June 2019. Staffing hopefully will not be affected by the move to Brahan and it is hoped that redundancy can be avoided and the migration will take place over a period of time. The move will be much better for students with more facilities available to them. MC confirmed that staff will be consulted throughout the process.</p>	

12.	<p>CMT Restructure – update</p> <p>MC confirmed there were a few vacancies to fill then the restructure would be complete</p>		
13.	<p>Nursery Review – Update</p> <p>SH explained that contracts have been issued to staff and there were some questions regarding extensions to timelines. Some concerns were raised about the timing of the issuing of the contracts.</p>		
14.	<p>Terms and Conditions</p> <p>SH explained this was in reference to previous discussions where it was agreed that these would be updated to reflect status. It was agreed that this document should be reviewed and feedback submitted by tracking changes</p>		
15.	<p>AOCB</p> <p>Sport Staff Pay Award - MC – put out a document to make it clear.</p>		
16.	<p>Date and time of next meetings:</p> <ul style="list-style-type: none"> • Thursday 13 December 2018, 1.30pm, Rm 019 		

Thursday 25 October 2018
3pm, Room 019, Brahan

Present: Margaret Cook (Chair) Declan Gaughan, Sara O'Hagan, Susan Hunter

Apologies: Lorenz Cairns

Minutes

	Minutes	Action
1.	<p>Welcome and Apologies</p> <p>Apologies were received from Lorenz Cairns.</p>	
2.	<p>Minutes of the Meeting of 18 June 2018</p> <p>The minutes of the meeting held on 18 June 2018, having been previously circulated, were approved, as a true and accurate record of discussions.</p>	
3.	<p>Review of Actions / Matters arising not included elsewhere on the agenda:</p> <ul style="list-style-type: none"> • School Travel Time <p>SH explained that she surveyed the Sector Managers and this is handles different in each sector. SH said she didn't know if it would be possible to agree a standard, SOH agreed.</p> <p>SOH said that some of the work is local and some not – and that timetables are different. SOH said contractors feel that they are not being treated fairly. It was agreed that a common sense approach should be taken and sector managers are already doing this, all agreed timetabling minute to minute was not workable.</p>	

<p>4.</p>	<p>Professional Review</p> <ul style="list-style-type: none"> - Research Patrick outlined the process and explained that he had produced an exemplar to make the form more user friendly and that the form now also captured scholarship. SOH asked if this was at the end of the professional review. SH said that this was to be part of the professional review discussion and planning for next year and if people are not involved in research there is no need for them to complete it. It was agreed that Patrick would attend the Sector Managers meeting next Tuesday to outline what is happening. - Timeline Timeline to change with operational planning – Lorenz wants to leave it where it is at the moment as he needs to understand CPD requirements. Agreed to leave it where it is for this year. 	<p>POD</p>
<p>5.</p>	<p>National Bargaining</p> <ul style="list-style-type: none"> - 23 Plus 1 Update SOH reported that staff she had spoken to had just got on to with it and that protocols were required to resolve these issues. Managed sickness absences as they occurred. A report will be run at the end of 12 weeks and everyone was happy with that. MC said that nationally there were quite a lot of questions regarding interpretation. - Contractual Clauses and Contracts The new contractual clause was agreed as and SH stated that we don't have a pay in lieu of notice clause in the contract so this would be added to "you will not normally be timetabled for more than 18 teaching sessions per week with no more than 2 sessions in the evening. A teaching session maybe of 1,2,or 3 hours in duration" - TQFE Payments SH noted has been received and implementation took place in July. SH added there had been some questions about this but 	

	<p>this was in regard to implementation dates and that those staff were not sue to receive this until April 2019.</p>	
6.	<p>Reporting Facility Time</p> <p>Guidance Notes were issued. SOH confirmed that these hours were recorded on a spreadsheet. SH requested that Declan passed his information to her by the end of November. It was agreed that in future house should be submitted on a monthly basis.</p>	SOH & DG
7.	<p>JNC Terms of Reference</p> <p>A discussion took place about the above. It was agreed that quorum would be two EIS representatives and that a deputy should be nominated in the event of being unable to attend. It was agreed this should now be passed to the Board for approval.</p>	
8.	<p>Union and HR Communications</p> <p>SH explained that SOH had a meeting with SMT but further discussions had taken place with Unison about notification of individual cases. SOH said what they do need is advance notice of consultation and redundancies. It was agreed that EIS would be informed by staff requiring accompaniment.</p>	
9.	<p>One Stop Shop – Update</p> <p>SH confirmed that the building work had finished and the staff were in the new roles and contract letters gone out and been signed. SH thanked all for their support and it was agreed this could be removed from the agenda..</p>	
10.	<p>Pathways Relocation – Update</p> <p>MC – went down and actually met with them. Board approved relocation – working towards getting integration at Perth College. Can't give a cast iron guarantee about redundancy. Got until the summer. May move before June. SOH – relocate here? MC not stopping what we do. Some of the leisure classes run up here anyway. We are formally going to put letters out to staff. We will publicise this as a good news story. It could be seen negatively.</p>	
11.	<p>CMT Restructure – Update</p> <p>Need three roles – Information Technology, Business</p>	

	<p>Development, International and Marketing.</p> <p>Look at grading for CMT. SOH questioned whether this would be external recruitment.</p>	
12.	<p>Timetabling Protocols</p> <p>SOH and SH had worked hard to get current version out. The remission tariffs for the networked programmes were discussed, it was acknowledged that this previously hadn't consulted with EIS however, in the future this would be done. It was agreed that status quo should be maintained for this semester and start afresh for second semester and that the dates would reflect this. MC stated that this made sense and suggested contact with Lorenz to make sure dates reflect that.</p>	
13.	<p>Lecturing Terms and Conditions</p> <p>SH stated that she had spoken about updating them and as such a draft was submitted. It was agreed that any feedback would be provided via tracked changes.</p>	SOH and DG
14.	<p>AOCB</p> <p>New Start and Leaver Lists</p> <p>SOH asked about provision of these lists to EIS. SH explained that advice from Dawne Hodgkinson had been that to do this we would be giving names to a third party and in line with GDPR we would need to seek permission. Which would then inadvertently give HR a list of potential union members. SH agreed to ask James Knock the question.</p> <p>IV Co-ordination</p> <p>SOH asked about the plus 1 in relation to IV. SH said Sector Managers now had an additional 3 hours where they were not teaching and as such remission requests were not lots of hours. MC added that there was a bit of a debate nationally, about co-ordination of IV, which could be undertaken as part of the plus one, but not the actual management of IV-ing.</p> <p>Payments</p> <p>SOH mentioned that there had been a lot of enquiries about pay and confusion by staff about whether they are being paid the correct amount based on the change from hourly to monthly pay. It was agreed that</p>	

	<p>HR would put out another communication about this to clarify the situation in particular related to holiday pay.</p> <p>MC mentioned that anything different to full time makes it difficult to understand.</p> <p>Permanisation</p> <p>SH said we will have a full picture of 2 years when the semester 2 information comes in. SOH questioned what happened to staff who have been here longer than two years. MC said that they will be treated in the same way.</p>	
15.	<p>Date and time of next meeting:</p> <ul style="list-style-type: none">• Thursday 13 December 2018, 3pm, Rm 019	

Finance and General Purposes Committee Terms of Reference

Membership

Chairman (ex officio).

Vice Chairman (ex officio).

Principal (ex officio).

No fewer than **2** other Board of Management members.

In attendance

Chief Operating Officer

Head of Human Resources and Organisational Development

Quorum

The quorum shall be 3 members of which **at least 2 to be independent Board of Management members.**

Frequency of Meetings

The Committee shall meet no less than four times per year.

Terms of Reference

- 1 Consideration of the annual estimate of revenue income and expenditure.
- 2 Consideration of the annual estimate of capital income and expenditure.
- 3* Responsibility to ensure that appropriate control systems are in place:
 - a To administer and control all revenue and capital grants received from the Scottish Government and all other sources.
 - b To administer and control the payment of all monies due and the collection of all income due.
 - c To ensure the efficient management of the College Catering Service and Food Court and Halls of Residence.
 - d To administer and control matters relating to the repair, maintenance and upkeep of land, buildings etc.
- 4 Liaison with the Audit Committee in reporting to the Board on the state of the College's finances.
- 5 Consideration and approval of the College's Financial Regulations and Procedures, ensuring their implementation, monitoring and review in relation to all matters financial, including approving organisations in which funds may be invested and setting investment limits.

- 6 Generally the formulation of advice to the Board on financial matters and the supervision of the financial affairs of the Board.
- 7 Strategic oversight of procurement, contract management and ICT service level agreement on behalf of the Board.
- 8* Consideration of tenders received for any works the cost of which are in excess of £50,000.
- 9 The acquisition and/or disposal of heritable property whether by purchase/sale or lease.
- 10* Consideration of any proposals to obtain plant equipment furnishings or fittings the cost of which is expected to be more than £50,000.
- 11 Consideration and assessment of priorities for capital grant for new building work or the major modification of existing buildings. Recommendations to the Board on issues relating to College estates and resources
- 12 The oversight of the Board's statutory functions and responsibilities as an employer of the staff of the College.
- 13 Consideration of all matters relating to:
 - a The establishment and staffing structure of the College.
 - b The salaries, wages and conditions of service of all staff except the Principal, Executive and Managers as individual contracts with the Board.
- 14 Responsibilities for early retirement/early severance policy.
- 15 Oversight of the disciplinary and grievance policies and procedures of the College.
- 16 Consideration of matters relating to staff relations including union recognition and local bargaining agreements.

The functions marked thus * stand delegated.

Approved at Committee – 12 October 2016, updated August 2018

Paper for Consideration

Subject: Perth College Management Accounts Financial Year to 31 July 2018

Author: Andrea Saunders

Date of paper: 22 November 2018

Date of meeting: 28 November 2018

Action requested of committee:

(Tick as appropriate) For information only:
For discussion:
For recommendation/approval:

Cost implications:

(Tick as appropriate) Yes: No:

Executive Summary:

Perth College Management Accounts – Financial Year to 31st July 2018 for discussion.

Information recorded in College minutes and papers is subject to release under the Freedom of Information (Scotland) Act 2002 (FOI(S)A). Certain exemptions apply: financial information relating to procurement items still under tender, legal advice from College lawyers, items related to national security.

Status of Papers **Open** **Closed**

An **open** item is one over which there would be no issues for the College in releasing the information to the public in response to a freedom of information request.

A **closed** item is one that contains information that could be withheld from release to the public because an exemption under the Freedom of Information (Scotland) Act 2002 applies.

The College may also be asked for information contained in minutes and papers about living individuals, under the terms of the Data Protection Act 1988.

Do the papers contain items which may be contentious under the terms of the Data Protection Act 1988? **Yes** **No**

PERTH COLLEGE

FINANCIAL ACCOUNTS FOR Year Ended 31 July 2018

COMMENTARY

Introduction

This is the final set of accounts released for the financial year 2017/18 and covers the 12 months to 31st July 2018.

INCOME

FE/HE Recurrent Grants

- Final HE Main grant is up against budget by £131K.
- Adjustments have been made to accurately reflect both income and Expenditure in relation to Shared Services.
- MicroRAM monies included in these accounts are £105K payable, this is against an original budget of £350K.
- £583K of Estates Grants has been included in Income and Expenditure for the period, to cover related expenditure. This includes both FE & HE.

Tuition Fees

- Tuition fees have performed well across most areas, some Foundation Apprenticeship income has been released in 17-18 to coincide with expenditure. The Foundation Apprenticeship income will continue to be released as the costs are incurred.

International Tuition Fees

- There is shortfall of International Income – Non China income being reported £172K below budget for the year.

Catering and Residences

Income and expenditure for these activities are pooled together on the face of the Income and Expenditure Accounts (in line with the format laid down by SFC). There is however a detailed breakdown of the Students Residences and Catering financials as a separate sheet within the pack (Page 6).

Other Income Generating Activities

Excluding Commercial Language School figures, total commercial income for the year is shown as £1,299K. This is £233K below the income budget for the year. Overall contribution of £357 is £183K below the budgeted contribution.

International student fee income is included within the curriculum commercial activity figures. International fee income for the year is £533K against a budget of £766K. This can be viewed in more detail on page(5a.) included within these accounts.

Language School commercial income of £133K compares to a budget of £108K for the year. Actual expenditure of £34K is reporting on slightly above the 12 month budget due to cost associated with increased income. All teaching delivery costs have been charged through the funded cost centre (ALS01) and no transfer of such teaching costs has been made from the funded costs centre to the commercial cost centre (FLS01).

In addition, it should be noted that there may be certain expenditure incurred in relation to commercial activity that is not charged through the commercial cost centres. This is due to difficulties in being able to accurately split staff time and shared materials between academic and commercial use.

Research Centres

Centre for Mountain Studies income shows £171K, which is lower than budgeted figure of £306K. Expenditure at £311K is higher than budget at £297K giving an overall contribution of (£141K).

Some Research Project income received in 17-18 has been deferred, on the basis that income matched against expenditure, with the intention of full release on completion.

Expenditure

Staff Costs

Overall staff costs of £15,700K compared to budgeted figure of £15,443.
Predominately due to unbudgeted non recurring Staff Costs.

Non Staffing Costs

Showing a total overspend of £559K against budget for the 12 months,

- Teaching Departments – unbudgeted Academic Equipment
- Administration & Central Services - unbudgeted organisational costs
- Premises, additional maintenance works carried out for One Stop Shop and Rm 324 Home Economics.

An additional two pages have been added to the Management Accounts pack, commentary for these are as follows:

International Activity

This page has been included to allow us to monitor the full costs of the International Activity, split between “China” and “Other International”.

ASW

There is an overall shortfall of £196K on income for the 12 months July 2018.
Actual Income is reported at £320K, compared to budgeted figure of £516K.

College Surplus/Deficit

The College has recorded a (£577K) deficit for the year which compares to a (£359K) budgeted deficit. £215K from AST draft accounts will be donated to the College resulting in the Group recording a deficit of (£362K).

AST

Figures included for AST draft accounts are shown at £215K profit. This will be donated to the College, after which, AST will show a position of breakeven. Management Accounts to the end of July 2018.

Final Comments

The actual Group Operating Position at 31st July 2018 is an overall deficit of £362K against a budgeted deficit of £359K.

The figures in this report are draft and subject to final sign off by our external auditors, Ernst & Young.

Lynne Stewart
Management Accountant

19th September 2018

AUGUST 2017 - JULY 2018			
Management Accounts			
Actual 12 MONTHS to 31-07-2017	PERTH COLLEGE GROUP		Actual 12 MONTHS to 31-07-2018 £000's
	FINANCIAL STATEMENT		
	12 MONTHS to 31st July 2018		
			Budget 12 MONTHS to 31-07-2018 £000's
	INCOME		
14,058	Funding Council Grants excluding Research based	14,314	13,740
3,937	Tuition Fees & Education Contracts	3,863	3,635
1,056	Catering & Residences	1,081	902
10	European Income	0	0
160	UHI Non Recurrent Income	167	165
1,731	Other Income Generating Activities	1,431	1,640
230	Research Centre Activity Income & Grant Funding	171	306
197	Release of Deferred Capital Grant	197	197
0	ASW & Climbing Centre Income	320	383
1,025	Other Income	777	754
22,404	INCOME SUB TOTAL	22,321	21,723
2,254	Bursary/ Hardship Grant (Excluding Childcare)	2,430	2,526
24,659	TOTAL INCOME	24,750	24,249
	EXPENDITURE		
	Staff Costs		
9,793	Teaching Departments	10,333	10,302
1,431	Teaching Support Services	1,440	1,484
1,997	Administration & Central Services	1,934	1,705
0	Restructuring costs	0	0
949	Premises	804	787
0	ASW & Climbing Centre	330	346
548	Other Income Generating Activities	583	573
220	Research Centres	276	246
14,938	TOTAL STAFF COSTS	15,700	15,443
	Non Staff Costs		
770	Teaching Departments	689	641
597	Teaching Support Services	467	478
1,291	Administration & Central Services	1,469	1,357
1,727	Premises	1,369	1,200
0	ASW & Climbing Centre	242	223
1,003	Catering & Residences	1,068	837
551	Other Income Generating Activities	393	450
21	Research Centres	35	51
458	Other Expenses - Childcare	489	425
0	Student Support Funds Overspend (incl. Childcare)	0	0
39	Interest Payable	23	23
1,030	Depreciation	953	953
7,486	NON STAFF COSTS SUB TOTAL	7,197	6,638
0	LESS: Reduction in Early Retirement Pension Provision	0	0
7,486	TOTAL NON STAFF COSTS	7,197	6,638
	EXPENDITURE SUB TOTAL		
22,424		22,897	22,081
2,254	Bursary/ Hardship Payments (Excluding Childcare)	2,430	2,526
24,678	TOTAL EXPENDITURE	25,327	24,607
(20)	COLLEGE SURPLUS/(DEFICIT)	(577)	(358)
25	PROFIT/(LOSS)CONTRIBUTION FROM A.S.T.	215	0
5	TOTAL GROUP SURPLUS/DEFICIT(-)	(362)	(358)
279	REVALUATION DEPRECIATION ADD BACK	279	279
284	Group Historical Cost Surplus/(Deficit) for the Period	(83)	(79)
0	Less: Transfers to ALF	0	0
284	Amount to be transferred to retained earnings	(83)	(79)
	Amount transferred to ALF to date	7,916	
	Amount received from ALF to date	(7,850)	
	Balance retained within ALF	66	

PERTH COLLEGE			
BALANCE SHEET			
as at 31st July 2018			
		AS AT	AS AT
		31/07/2018	31/07/2017
		£000	£000
FIXED ASSETS			
TANGIBLE ASSETS		32,469	33,421
INVESTMENTS		20	20
		32,489	33,441
CURRENT ASSETS			
STOCKS		15	14
DEBTORS		594	589
CASH AT BANK AND IN HAND		1,522	852
AMOUNTS DUE FROM SUBSIDIARY COMPANY		0	20
		2,131	1,475
CREDITORS:AMOUNTS DUE WITHIN ONE YEAR			
BANK TERM LOAN		200	400
TRADE CREDITORS		350	342
OTHER TAXATION AND SOCIAL SECURITY		302	313
OTHER CREDITORS		172	161
ACCRUALS AND DEFERRED INCOME		2,805	1,876
DEFERRED INCOME - CAPITAL GRANT		50	198
UNSPENT STUDENT SUPPORT FUNDS		200	262
AMOUNTS DUE TO SUBSIDIARY COMPANY		0	0
		4,079	3,552
NET CURRENT ASSETS/(LIABILITIES)		(1,948)	(2,077)
TOTAL ASSETS LESS CURRENT LIABILITIES		30,541	31,364
CREDITORS:AMOUNTS DUE AFTER MORE THAN ONE YEAR			
PROVISION FOR LIABILITIES AND CHARGES / DEFERRED GRANT		5,413	5,462
LOANS		100	300
NET ASSETS Excluding Pension Liability		25,028	25,602
Pension Liability		8,979	8,979
NET ASSETS Including Pension Liability		16,049	16,623
REPRESENTED BY:			
DEFERRED CAPITAL GRANTS		0	0
REVALUATION RESERVES		14,026	14,305
DESIGNATED RESERVES		0	0
INCOME & EXPENDITURE ACCOUNT		11,002	11,297
PENSION RESERVE		(8,979)	(8,979)
TOTAL RESERVES		16,049	16,623
TOTAL		16,049	16,623

PERTH COLLEGE					
GRANTS					
2016-17	ACTUAL V BUDGET		2017-2018	2017-2018	ACTUAL V BUDGET
12 MONTHS ACTUAL	to 31-07-2018	CODE	12 MONTHS ACTUAL	12 MONTH BUDGET	VARIANCE +/-
6,866,753	FE MAIN RECURRENT GRANT		£6,864,122	£6,811,402	52,720
0	FE LUPS	123	£208,877	£293,100	(84,223)
6,866,753					0
6,440,888	HE MAIN RECURRENT GRANT	108	£6,234,302	£6,103,329	130,973
-371,475	MICRORAM		-£105,334	-£350,000	244,666
457,599	CHILDCARE	524	£489,018	£425,000	64,018
49,182	ADDITIONAL ESOL GRANT FUNDING	148	£24,000	£20,000	4,000
3,054	ESIF DSW	125	£4,000	£0	4,000
0	UHI KNOWLEDGE TRANSFER		£20,000	£0	20,000
10,730	EMA ADMIN SUPPORT & OTHER SUNDRY GRANTS	121	£8,000	£8,000	0
0	ESTATES GRANT RELEASE - F.E.	386	£237,399	£237,399	0
175,594	ESTATES GRANT RELEASE - H.E.	385	£192,883	£192,150	733
19,484	ESTATES GRANT RELEASE - FE 16-17	380	£154,076	£0	154,076
120,263	ESTATE GRANT RELEASE - ADDITIONAL MAINTENANCE - F.E.	381	£0	£0	0
303,014	ESTATE GRANT RELEASE - ADDITIONAL MAINTENANCE - H.E.	382	£0	£0	0
14,075,086			£14,331,343	£13,740,380	468,390
16,942	LESS:UHI FUNDING SHOWN UNDER RESEARCH		£16,942	£0	16,942
14,058,144	PER ACCOUNTS		£14,314,401	£13,740,380	451,448
	UHI NON RECURRENT				
154,063	PL & Module Unit Payments (Excluding Research Centres)	U26 & U41	£162,246	£141,000	21,246
5,600	EXAM BOARD	U11	£4,600	£6,000	(1,400)
0	OTHER	U03/U23/U25 U04	£0	£0	0
159,663			£166,846	£147,000	19,846
14,217,807			£14,481,247	£13,887,380	471,294

PERTH COLLEGE				
ESTATES /CAPITAL GRANT RELEASE - 2017-18				
MAKE UP OF FIGURES				
	CODE	2017-18 ORIGINAL BUDGET	EXPENDITURE July 2018 ACCOUNTS	COVERED BY GRANT RELEASE
Planned Building Maintenance etc	B 201001 EPC15	£349,154	£139,178	£139,178
FURNITURE BIDS	B 201001 EPC15 617	£0	£12,739	£12,739
Environmental Sustainability	B 201001 EPC15 619	£0	£1,037	£1,037
Brahan Refectory Furniture	B 201001 EPC15 620	£0	£0	£0
Summer Refurbishments	B 201001 EPC15 626	£0	£0	£0
Asbestos Removal	B 201001 EPC15 625	£0	£0	£0
Maintenance of Academic Equipment	B 201001 EPC15 635	£0	£15,553	£15,553
Fixed Wire Testing & Electrical Dist.	B 201001 EPC15 638	£0	£1,980	£1,980
Consultancy & Feasibility Studies	B 201001 EPC15 654	£0	£10,924	£10,924
Condition Survey Programme	B 201001 EPC15 655	£0	£0	£0
Fire Upgrade Works	B 201001 EPC15 656	£0	£15,220	£15,220
Security Improvements	B 201001 EPC15 657	£0	£222	£222
DDA Works	B 201001 EPC15 658	£0	£177	£177
Brahan One-Stop-Shop	B 201001 EPC15 689	£0	£124,412	£124,412
Home Economics RM 324	B 201001 EPC15 690	£0	£134,004	£134,004
Legionella Works	B 201001 EPC15 691	£0	£10,941	£10,941
Goodlyburn Classrooms Project - Phase 1	B 201001 EPC15 591	£0	£0	£0
Footpath Brahan Car Park roadside	B 201001 EPC15 600	£0	£0	£0
Academy of Sport and Wellbeing Less Capitalised Spend	B201001 EPC18 831	£0	£-2,662	£-2,662
Multi Purpose Outdoor Sports Area	B 201001 EPC18 832	£0	£0	£0
Summer Refurbishment	B 201001 EPC15 870	£0	£0	£0
Goodlyburn Roof	B 201001 EPC15 864	£0	£0	£0
Lift Replacment	B 201001 EPC15 581	£0	£-9,100	£-9,100
Demolition former Residences	B 201001 EPC15 414	£0	£0	£0
Footpath Gradient Brahan to Webster	B 201001 EPC15 592	£0	£0	£0
MOT Testing Bay	B 201001 EPC15 593	£0	£0	£0
Brahan Beauty Salon Modernisation	B 201001 EPC15 608	£0	£1,512	£0
Brahan Hair Salon Modernisation	B 201001 EPC15 612	£0	£0	£0
<i>Sub Total</i>		£349,154	£456,137	£454,625
ACADEMIC EQUIPMENT Curriculum RAG	B 702005 Various	£0	£34,884	£0
SOFTWARE	B 302051 BMI01	£10,000	£7,321	£0
<i>Sub Total</i>		£10,000	£42,205	£0
Total		£369,154	£498,342	£454,625
ALLOCATION TO PLANNED MAINTENANCE	B 201002 EPC15	£70,000	£90,563	£80,962
ALLOCATION TO PLANNED MAINTENANCE	B201002 EPC20	£0	£0	£0
ALLOCATION TO UNPLANNED MAINTENANCE	B 201003 EPC15	£120,000	£125,320	£0
ALLOCATION TO UNPLANNED MAINTENANCE ASW	B 201003 EPC20	£10,000	£0	£0
REVENUE EXPENDITURE FUNDED OUT OF ESTATES GRANT		£569,154	£714,225	£535,587
		£569,154	£714,225	£535,587

PERTH COLLEGE			
TUITION FEE SUMMARY			
ACTUAL 12 MONTHS to 31-07-2017	12 MONTHS to 31st July 2018	ACTUAL 12 MONTHS to 31-07-2018	BUDGET 12 MONTHS to 31-07-2018
2,918,446	H.E.FULL TIME	2,840,052	2,837,616
156,182	H.E.PART TIME	274,528	154,560
64,311	F.E.PART TIME	120,496	46,000
217,983	EVENING NON VOCATIONAL	181,240	189,000
0	CENTRAL ADMIN	0	0
18,720	OPEN/DISTANCE LEARNING	34,191	45,000
75	OPEN ACCESS	400	0
181,010	SKILLSEEKERS (Managing Agents)	187,097	140,000
223,396	TRAINING AGENCY - Mod Appr	202,320	220,000
125,908	SDS/Foundation Apprenticeships	16,326	0
31,049	Employability (Ready to Work)	1,700	3,000
0	Flexible Workforce Dev Fund	4,217	0
0	MONTH END ACCRUAL (PREPAYMENT)		0
3,937,080		3,862,567	3,635,176
BREAKDOWN OF F.E.P.T.			
19,375	ASC01 - 11 - 802202	51,875	13,000
0	ATC01 - 09 - 802202	0	0
277	ALT01/2	0	0
39,808	HIGHERS - 802215	45,766	27,500
0	EVENING VOCATIONAL - 802401	0	0
4,852	Academic Other Fees - 555/556/673 ETC.	22,854	5,500
0	ABD01 - ABD07	0	0
0	ATC01 - 07	0	0
64,311		120,496	46,000

PERTH COLLEGE				
INTERNATIONAL FEE SUMMARY				
ACTUAL 12 MONTHS to 31-07-2017	12 MONTHS to 31st July 2018		ACTUAL 12 MONTHS to 31-07-2018	BUDGET 12 MONTHS to 31-07-2018
UNDERGRADUATE				
2,220	Social Sciences	FSC04	6,510	13,020
6,583	Hospitality	FSC06	5,000	25,040
28,985	Business and Accounting	FSC07	0	0
16,450	Computing	FSC08	6,510	13,020
0	Sport and Fitness	FSC09	0	0
6,510	Music and Music Business	FTC02	10,500	10,500
63,968	- Zhoukou	FTC02 867	54,964	65,952
2,500	Art and Creative Technologies	FTC03	-2,000	8,100
9,825	Sound and Audio Engineering	FTC04	9,840	9,840
196,569	Aeronautical and Aircraft Engineering	FTC09	57,195	120,085
	- Zhengzhou International Centre	FIC01 880	23,413	
5,250	- Zhengzhou	FTC09 880	0	0
11,400	- Chenjdu	FTC09 873	0	0
1,035	Electrical and Mechanical Systems	FTC10	0	80,850
275,406	- Hunan	FTC00 842	257,621	295,442
87,610	- HUUC	FTC00 868	93,040	104,402
714,312	Total Undergraduate		522,593	746,251
POST GRADUATE				
18,344	Management	FSC05	6,996	19,440
		FIC01 L65	3,408	
18,344	Total Post Graduate		10,404	19,440
TOTAL			532,997	765,691

12 MONTHS ACTUAL to 31-07-2017	PERTH COLLEGE	12 MONTHS ACTUAL to 31-07-2018	12 MONTHS BUDGET to 31-07-2018
	STUDENT RESIDENCES		
	INCOME		
£278,772	RENTAL INCOME	£292,691	£295,000
£51,839	SUMMER LETS	£25,258	£60,000
£3,464	SUNDRY INCOME	£3,703	£3,500
£334,075	TOTAL INCOME	£321,652	£358,500
	EXPENDITURE		
£15,557	UNPLANNED MAINTENANCE	£12,925	£20,000
£20,210	ELECTRICITY, WATER & GAS	£24,290	£17,671
£0	WARDEN SALARIES	£3,178	£0
£5,543	EQUIPMENT/MATERIALS/HOSPITALITY	£4,251	£5,500
£77	BANK CHARGES	£122	£0
£10,537	Contract Cleaning of Halls	£10,997	£11,000
£123,541	SUB CONTRACTED SERVICES - SYHA	£128,078	£124,000
£38,879	AGENTS COMMISSION	£43,594	£39,000
£214,344	TOTAL EXPENDITURE	£227,435	£217,171
£119,731	SURPLUS / (DEFICIT) before Depreciation and Interest	£94,217	£141,329
£86,166	DEPRECIATION	£86,166	£86,166
£0	LOAN INTEREST	£0	£0
£33,565	SURPLUS / (DEFICIT) after Depreciation and Interest	£8,051	£55,163
Done			
	CATERING		
	INCOME		
£209,569	BRAHAN	£190,929	£168,000
£293,150	GOODLYBURN	£339,880	£178,000
£218,978	SHOP	£228,954	£197,000
£721,696	TOTAL INCOME	£759,762	£543,000
	EXPENDITURE		
£220,427	BRAHAN	£218,387	£315,000
£322,722	GOODLYBURN	£382,441	£169,000
£245,028	SHOP	£239,833	£136,000
£788,177	TOTAL EXPENDITURE	£840,661	£620,000
-£66,480	OPERATING SURPLUS / (DEFICIT)	-£80,899	-£77,000
Done			

PERTH COLLEGE											
OTHER INCOME GENERATING ACTIVITIES											
SUMMARY BY FACULTY/UNIT											
12											
YEAR TO 31st July 2018											
To 31st July 2018											
FACULTY	INCOME BUDGET YEAR TO 31-07-2018	EXPENDITURE BUDGET YEAR TO 31-07-2018	CONTRIBUTION BUDGET YEAR TO 31-07-2018	INCOME BUDGET 12 MONTHS 31-07-2018	EXPENDITURE BUDGET 12 MONTHS 31-07-2018	CONTRIBUTION BUDGET 12 MONTHS 31-07-2018	INCOME ACTUAL 12 MONTHS 31-07-2018	EXPENDITURE ACTUAL 12 MONTHS 31-07-2018	CONTRIBUTION ACTUAL 12 MONTHS 31-07-2018	CONTRIBUTION ACTUAL 12 MONTHS 31-07-2017	
BMCL	109,500	46,100	63,400	109,500	46,100	63,400	70,293	48,001	22,292	75,810	
STEM	778,279	121,331	656,948	778,279	121,331	656,948	580,524	185,646	394,878	606,613	
CI	99,892	1,500	98,392	99,892	1,500	98,392	75,600	12,188	63,412	83,052	
HESS	115,520	20,200	95,320	115,520	20,200	95,320	153,069	15,297	137,772	85,155	
NURSERY	300,000	383,753	(83,753)	300,000	383,753	(83,753)	303,891	353,652	(49,761)	(88,227)	
INTERNATIONAL RECRUITMENT - FEES FIC 01	9,000	298,843	(289,843)	9,000	298,843	(289,843)	34,274	245,305	(211,031)	(236,621)	
INTERNATIONAL RECRUITMENT - ACCOM. FIC01.L01/5	120,000	120,000	0	120,000	120,000	0	81,145	81,566	(421)	1,043	
Sub Total	1,532,191 0	991,727 0	540,464	1,532,191	991,727	540,464	1,298,796 0	941,655	357,141 0	526,825	
LANGUAGE SCHOOL - Commercial Income	108,180	31,000	77,180	108,180	31,000	77,180	132,550	33,897	98,653	105,643	
Grand Total	1,640,371	1,022,727	617,644	1,640,371	1,022,727	617,644	1,431,346	975,552	455,794	632,468	
			617,644			617,644			455,794		
										0	
Comparatives to 31st July 2017							1,731,355	1,098,887	632,468		

Note 1 - In the current year all teaching delivery costs have been charged through the funded cost centre (ALS01). No transfer of teaching costs has been made from the funded cost centre (ALS01) to the commercial cost centre (FLS01).

In addition to Note 1 above there may be other expenditure incurred in relation to commercial activity that is not charged through the commercial cost centres due to the difficulty in accurately splitting these costs out.

PERTH COLLEGE											
INCOME & EXPENDITURE SUMMARY SHEET											
RESEARCH CENTRES				12							
<u>To 31st July 2018</u>											
	INCOME BUDGET YEAR TO 31-07-2018	EXPENDITURE BUDGET YEAR TO 31-07-2018	CONTRIBUTION BUDGET YEAR TO 31-07-2018	INCOME BUDGET 12 MONTHS 31-07-2018	EXPENDITURE BUDGET 12 MONTHS 31-07-2018	CONTRIBUTION BUDGET 12 MONTHS 31-07-2018	INCOME ACTUAL 12 MONTHS 31-07-2018	EXPENDITURE ACTUAL 12 MONTHS 31-07-2018	CONTRIBUTION ACTUAL 12 MONTHS 31-07-2018	CONTRIBUTION ACTUAL 12 MONTHS 30-07-2017	
CENTRE FOR MOUNTAIN STUDIES	305,960	296,859	9,101	305,960	296,859	9,101	170,580	311,385	(140,805)	(11,414)	
CENTRE FOR CULTURE, HERITAGE & TOURISM	0	0	0	0	0	0	0	0	0	0	
CENTRE FOR RURAL CHILD	0	0	0	0	0	0	0	0	0	0	
CENTRE FOR ALZHEIMERS RESEARCH	0	0	0	0	0	0	0	0	0	67	
TOTAL RESEARCH	305,960	296,859	9,101	305,960	296,859	9,101	170,580	311,385	(140,805)	(11,347)	
SURPLUS / (DEFICIT) AT 31st July 2017							229,623	240,970	(11,347)		

PERTH COLLEGE			
BREAKDOWN OF 'OTHER INCOME'			
12 MONTHS to 31st July 2018			
12 MONTHS to 31-07-2017 ACTUAL		12 MONTHS to 31-07-2018 ACTUAL	12 MONTHS TO 31-07-2018 BUDGET
1,460	HIRE OF ACCOMMODATION	£1,487	£1,400
4,093	LIBRARY	-£1,040	£4,000
60,690	SCHOOLS DIRECT	£60,690	£61,000
5,696	LEARNING TECHNOLOGY CENTRE	£4,615	£3,000
25,153	CENTRAL ADMIN/FINANCE/MIS	£39,967	£7,100
4,279	ACADEMIC CENTRAL ADMIN	-£2,822	£2,000
4,005	EXAM FEES	£3,314	£3,000
80,133	SECONDMENT SALARY RECHARGES	£63,713	£68,971
32,235	RECHARGES TO UHI	£31,634	£28,000
24,891	COMMUNITY DEVELOPMENT/SVS PROJECTS	£33,000	£22,987
9,536	NEW OPPORTUNITIES	£100	£5,000
42,398	ADULT LITERACY PROJECT - 470	£40,811	£37,000
5,198	SUNDRY INCOME & PROJECTS / STUDENTS UNION	£5,038	£500
32,469	SALES OF BEAUTY THERAPY KITS	£27,106	£34,000
196,037	CURRICULUM DEVELOPMENT FUND L & T PROJECTS -	£54,876	£3,000
0	H.I.T.SCOTLAND BURSARY AWARDS	£0	£600
32,105	PROPERTY	£33,527	£33,200
0	APUC Fees from Partners	£1,585	£0
28,324	PROPERTY CAR PARKING	£82,635	£48,000
382	MARKETING/MARKET RESEARCH	£0	£0
19,434	PRIZEGIVING / GRADUATION	£11,676	£10,000
2,796	INTEREST RECEIVED	£2,623	£3,000
15,182	ABD07 / WEE Centre Project	£4,740	£15,911
6,536	H.R.& STAFF DEVELOPMENT	£5,203	£5,000
2,490	STUDENT SERVICES	£2,000	£1,000
35,135	STUDENT SUPPORT - ELS	£43,598	£25,000
6,287	LEARNING CENTRES	-£7,098	£5,100
39,148	CURRICULUM OTHER INCOME	£81,382	£28,000
17,580	Essential Student Equipment - Bursary Funded	£18,445	£37,000
0	FUTURE SKILLS FOR CREATIVE INDUSTRIES	£0	£2,000
100,000	MANAGEMENT CHARGE TO AST	£100,000	£100,000
0	NQ Sports	£675	£1,000
46,558	TCI - Other Income	£16,855	£0
15,211	Conference & Hospitality Services	£1,605	£1,000
0	Materials Development	£7,428	£8,500
0	DONATION FROM AST	£0	£0
9,900	Sale/Purchase of Books	£2,658	£15,000
0	Development Trust	£1,915	£0
5,096	CREATIVE IND BURSARY FUND	£2,769	£6,000
910,439		£776,708	£626,269

PERTH COLLEGE				
12 MONTHS ACTUAL to 31-07-2017	ANALYSIS OF PROPERTY COSTS		12 MONTHS ACTUAL to 31-07-2018	12 MONTHS BUDGET 31-07-2018
£168,792	PLANNED BUILDING PROJECTS		£456,137	£330,549
£0	FURNITURE REPLACEMENT		£0	£0
£111,622	PLANNED MAINTENANCE		£90,563	£70,000
£449,563	ADDITIONAL PLANNED MAINTENANCE		£0	£0
£96,683	UNPLANNED MAINTENANCE	EPC15	£125,320	£120,000
£0	UNPLANNED MAINTENANCE -Acad Equip		£377	£5,000
£710	CAR PARK REPAIRS AND MAINTENANCE		£63,817	£28,000
6,871	CATERING COSTS		£14,071	£12,000
£17,844	GROUND UPKEEP		£26,135	£25,000
£243,935	ELECTRICITY		£235,504	£246,527
£60,306	GAS	EPC17	£71,186	£64,883
£89,771	RATES	EPC17	£89,842	£89,270
£0	RATES - REBATE		£0	£0
£23,548	WATER METERED RATES	EPC17	£24,583	£26,975
£18,493	CLEANING EQUIPMENT	EPC16	£14,319	£14,000
£15,925	JANITORIAL SUPPLIES	EPC16	£21,856	£30,000
£16,866	PROPERTY SECURITY	EPC15	£9,587	£12,500
£67,463	HIRE OF SKIPS	EPC15	£69,008	£55,000
£61,232	Hire of Portacabins	EPC01	£433	£0
£4,243	SUPPLIES & SERVICES ETC.	EPC01	£3,358	£5,500
£27,907	TRANSPORT HIRE/TRAVEL	EPC16	£25,769	£35,100
£9,853	Vehicle Maintenance		£7,757	£9,000
£0	Insurance Claims		£750	£1,000
£14,087	CAR PARK MANAGEMENT		£19,025	£20,000
1,505,714	PER BOARD ACCOUNTS - NON STAFFING COSTS		£1,369,397	£1,200,304
£201,762	ADMIN SALARIES		£157,036	£135,941
£84,136	TECHNICIAN SALARIES		£87,072	£86,169
£243,335	CARETAKERS SALARIES		£265,012	£243,143
£264,138	CLEANERS SALARIES		£294,257	£321,252
793,371	PER BOARD ACCOUNTS - STAFFING COSTS		£803,377	£786,505

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12 MONTHS ACTUAL to 31-07-2017		PERTH COLLEGE	12 MONTHS ACTUAL to 31-07-2018	12 MONTHS BUDGET 31-07-2018	ACTUAL V BUDGET VARIANCE
		ANALYSIS OF International Activity			
		<i>China</i>			
		Income			
£0		Fees - Partners (China)	£405,626	£399,844	5,782
		Total Income	£405,626	£399,844	5,782
		Expenditure			
		Staff			
£0		Teaching - (China)	£21,895	£25,000	(3,105)
£0		Management	£20,000	£20,000	0
		Total Staff	£41,895	£45,000	(3,105)
		Non Staff			
£0		Supplies & Services - China	£25,687	£10,000	15,687
£0		Travel - China	£51,783	£35,331	16,452
£0		Agents Commission	£0	£27,500	(27,500)
£0		Membership fees & Subscriptions	£0	£16,000	(16,000)
		Total Non Staff	£77,470	£88,831	(11,361)
		OPERATING SURPLUS / (DEFICIT)	£286,261	£266,013	20,248
		<i>Other International</i>			
		Income			
£0		Fees - Students	124,672	284,997	(160,325)
£0		Fees - Summer School	44,277	£22,500	21,777
£0		Fees - Language School	88,273	£85,680	2,593
£0		Residences - Host Family	81,145	£120,000	(38,855)
£0		Other Income	10,053	£9,000	1,053
		Total Income	£348,420	£522,177	(173,757)
		Expenditure			
		Staff			
£0		Teaching - (Others)		£0	0
£0		Summer School	£4,916	£8,000	(3,084)
£0		Admin Salaries - International Centre	£160,556	£181,343	(20,787)
		Language School	£7,615	£8,000	(385)
		Total Staff	£173,087	£197,343	(24,256)
		Non Staff			
£0		Residences Costs - Host Family	£81,566	£120,000	(38,434)
£0		Supplies & Services	£50,928	£11,500	39,428
£0		Supplies & Services - Summer School	£7,227	£4,000	3,227
£0		Supplies & Services - Language School	£2,651	£3,500	(849)
£0		Travel	£40,421	£40,000	421
£0		Bad Debt	£15,000	£15,000	0
£0		Advertising - India	£346	£7,500	(7,154)
£0		Advertising - Other Overseas	£28,100	£7,500	20,600
£0		Membership fees & Subscriptions	£15,638	£16,000	(362)
		Agents Commission	£11,515	£27,500	(15,985)
		Total Non Staff	£253,392	£252,500	892
		OPERATING SURPLUS / (DEFICIT)	-£78,059	£72,334	(150,393)

PERTH COLLEGE				
12 MONTHS ACTUAL to 31-07-2017	ANALYSIS OF ASW		12 MONTHS ACTUAL to 31-07-2018	12 MONTHS BUDGET 31-07-2018
	ASW			
	<u>Income</u>			
£0	Sports Hall Income		£71,365	£71,000
£0	Gym Income		£6,471	£0
£0	Hire of Rooms		£2,105	£37,500
£0	Other Income		£7,052	£25,000
£0	Events Income		£4,453	£0
£0	Membership - Students		£58,954	£249,500
£0	Membership - Commercial		£35,386	£0
£0	Membership - Staff		£17,297	£0
£43,497	Total Income		£203,082	£383,000
	<u>Pay Expenditure</u>			
£65,683	Admin Salaries		£199,954	£207,009
£65,683			£199,954	£207,009
	<u>Non Pay Expenditure</u>			
£0	Planned Maintenance		£8,487	£0
£6,371	Unplanned Maintenance		£20,481	£10,000
£35,517	Electricity		£52,614	£50,000
£8,363	Gas		£8,006	£20,000
£0	Rates		£14,000	£14,000
£0	Water Meter		£5,000	£5,000
£5,642	Cleaning Equipment		£3,750	£1,000
£1,744	Janitorial Supplies		£58	£2,000
£287	Hire of Skips		£7,299	£2,000
£21,291	Supplies & Services		£15,607	£7,500
£0	Supplies & Services Events		£1,484	£0
£60,725	Equipment Rental		£86,874	£93,000
£0	Computer Maintenance Agreements		£7,897	£0
£0	Travel		£365	£0
£1,464	Marketing		£1,064	£6,000
£135,033	Total Expenditure		£232,986	£210,500
-£157,219	OPERATING SURPLUS / (DEFICIT)		-£229,858	-£34,509
	<u>Climbing Centre</u>			
	<u>Income</u>			
£0	Climbing Centre Income		£91,074	£132,500
£0	Hire of Equipment		£6,073	£0
£0	Other Income		£40	£0
£0	Other Income NICAS		£13,300	£0
£0	Membership Fees - Students		£1,330	£0
£0	Membership Fees - Commercial		£5,005	£0
£0	Membership Fees - Staff		£32	£0
£39,340	Total Income		£116,853	£132,500
	<u>Pay Expenditure</u>			
£40,290	Salaries		£130,266	£139,215
£40,290			£130,266	£139,215
	<u>Non Pay Expenditure</u>			
£0	Equipment/Materials		£7,881	£6,000
£0	Equipment/Materials NICAS		£728	£0
£156	Equipment Rental		£0	£0
£0	Marketing		£500	£6,000
£156	Total Expenditure		£9,109	£12,000
(1,106)	OPERATING SURPLUS / (DEFICIT)		-£22,522	-£18,715

Perth College UHI

Reconciliation of Management Accounts to Financial Statements

Financial Year 2017/18

Group Deficit Deficit in Management Accounts to 31/07/18 - 362

Additional Charges post Management Accounts

Depreciation on Revalued Asset Values	96
PC Increase Pay Cost	5
AST Increase in Holiday Pay Accrual	4
AST Tax	3

Revised Group Management Accounts Deficit - 470

Adjustments per Financial Statements

Total Pension Contributions	1,899
Employers Pension Contribution	- 920
Actuarial Gain on Pension Liability	- 7,075
Rounding	2

Total Comprehensive Income in Financial Statements 5,624

Paper for Consideration

Subject: Draft Perth College Group Report and Financial Statements for the Year Ended 31 July 2018

Author: Andrea Saunders

Date of paper: 22 November 2018

Date of meeting: 28 November 2018

Action requested of committee:

(Tick as appropriate) For information only:
For discussion:
For recommendation/approval:

Cost implications:

(Tick as appropriate) Yes: No:

Executive Summary:

Draft Perth College Group Report and Financial Statements for the Year Ended 31 July 2017 – for discussion and recommendation to Audit Committee for approval.

Information recorded in College minutes and papers is subject to release under the Freedom of Information (Scotland) Act 2002 (FOI(S)A). Certain exemptions apply: financial information relating to procurement items still under tender, legal advice from College lawyers, items related to national security.

Status of Papers **Open** **Closed**

An **open** item is one over which there would be no issues for the College in releasing the information to the public in response to a freedom of information request.

A **closed** item is one that contains information that could be withheld from release to the public because an exemption under the Freedom of Information (Scotland) Act 2002 applies.

The College may also be asked for information contained in minutes and papers about living individuals, under the terms of the Data Protection Act 1988.

Do the papers contain items which may be contentious under the terms of the Data Protection Act 1988? **Yes** **No**

Report and Financial Statements for the Year Ended 31 July 2018

DRAFT

Also available in large print (16pt)
and electronic format.

Ask Student Services for details.

www.perth.uhi.ac.uk

Perth College is a registered Scottish charity, number SC021209.



Perth College – for the year ended 31 July 2018

Key Management Personnel, Board of Management and Professional Advisers

Key Management personnel

Key management personnel are defined as members of the Senior Management Team and were represented by the following in 2017-18:

Dr Margaret Cook, Principal and Chief Executive; Accounting Officer
Lorenz Cairns, Interim Depute Principal (From 2nd April 2018)
Jacqueline Mackenzie, Chief Operating Officer
Veronica Lynch, Vice Principal, External (From 7th May 2018)

External Auditor:

Ernst & Young LLP
Atria One
144 Morrison Street,
Edinburgh,
EH3 8EB

Internal Auditor:

Henderson Loggie
The Vision Building
20 Greenmarket
Dundee
DD1 4QB

Bankers:

Bank of Scotland
10-16 King Edward Street
Perth
PH1 5UT

Solicitors:

Thornton Solicitors
17-21 George Street
Perth
PH1 5JY

Perth College – for the year ended 31 July 2018

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Perth College – for the year ended 31 July 2018

Performance Report

Overview

The members present their report and the audited financial statements for the year ended 31 July 2018.

Legal Status

The Board of Management was established under the Further and Higher Education (Scotland) Act 1992 for the purposes of managing and conducting Perth College.

Provisions of the Post-16 Education (Scotland) Act 2013, which received Royal Assent on 7 August 2013, are being commenced in several stages and will have far reaching effect on the provision of education. Based on this legislation, the Office for National Statistics reclassified colleges as part of Central Government. This has resulted in colleges being determined as part of the local government sector for National Accounts purposes from 1st April 2014.

The College is correctly registered with the Office of the Scottish Charity Regulator for charity status and is recognised by HM Revenue & Customs as a charity for tax purposes.

Our Vision for the Future

In June 2016, the Board of Management adopted Vision 2021: Strategic Plan 2016-21.

Our Vision is...

To be an inspirational partner in economic and social transformation

Our Mission is...

To change lives through excellence in education, research and innovation, developing knowledge and skills and the experience to succeed.

Our Values are...

Ambition, Integrity and Respect.

Implementation of Strategic Plan

The College Strategic Plan 2016-21 aligns to the University of the Highlands and Islands Regional Outcome Agreement to ensure a strong and ambitious contribution to the success of Perth and Kinross, our wider region and University, and beyond. Vision 2021 is the outcome of extensive consultation with students, staff, partners and community groups and is designed to take the college forward in the future as a

Perth College – for the year ended 31 July 2018

tertiary institution and recognises the contribution of all areas of the College to the 5 underlying aims to:

- Inspire and empower our students, regardless of background, to recognise and achieve their potential;
- Work in partnership to foster and drive positive change and growth in local, regional, national and international economies;
- Provide dynamic learning and research experiences within a curriculum that meets economic and societal needs and aspirations;
- Optimise the sustainable use of our systems, processes and resources to provide the best possible student experience and outcomes;
- Have a talented, confident and inspirational staff who contribute to and make a vital difference the success of students, the life of the College, the University and our communities.

Each underlying aim articulates supporting aims with specific, aspirational targets to be achieved by July 2021.

The Board monitors the performance of the College against these targets using a balanced scorecard supplemented by a narrative which reports on four cross-cutting themes:

- Students and staff achieving their potential;
- Sustainability;
- Student activity measures and
- Student Satisfaction.

These perspectives are reviewed by the Board of Management who have also delegated the responsibility for more detailed review of them to the Finance and General Purposes Committee and to the Academic Affairs Committee. The balanced scorecard records and reports past trends and thus includes performance, actual and forecast, over the period until 2017-18.

In June 2018 the Board of Management reviewed the College's progress for the academic year 2017-18 against the Strategic Plan 2016-2021.

The top achievements were:

- Recruitment targets for FE and HE students were met for 2017-18
- In FE the number of students achieving a qualification has slightly increased and overall remains at a satisfactory level
- An overall student satisfaction score of 85% for the UHI has put the partnership 2% above the Scottish average. Here at Perth College UHI we had an overall student satisfaction score of 88%
- Those students entering a positive destination after completion remain at a high satisfactory level (FE being 87%; HE being 91%)

Perth College – for the year ended 31 July 2018

Financial Objectives

Our goal is to optimise financial stability through innovative and careful management. Every effort will be made to maximise the efficient and effective use of funds to support the academic aims and objectives of the College within the constraints of ONS. Scottish Government budgeting and accounting requirements require the College to at least break even on both an operational and resource basis in each fiscal year and to minimise cash balances.

Performance Indicators

The targets set for 2018 in the College Strategic Plan are set in the context of national, regional and local priorities. This integration ensures that we contribute fully to the outcomes of the region as a whole and College performance against these targets is monitored using the balanced scorecard of key performance indicators.

The performance of the College is regularly reviewed by a range of external bodies and agencies. During 2017-18 these reviews have all been complimentary of the services that the College offers to its community and learners.

Financial Position

Financial Results

The Group generated a deficit in the year of £1,450k (2016-17 surplus of £6,494k) with total comprehensive income of £5,624 (2016-17 (£7,401k)). The deficit in the year is attributable to an operating deficit of £470k and £979k of defined benefit pension scheme costs recognised through the Statement of Comprehensive Income.

The surplus generated in 2016-17 is attributable to £7,305k of non-government grant income released in line with the performance model and £817k of defined benefit pension scheme costs recognised through the Statement of Comprehensive Income.

During the year 2013-14 the college generated a deficit of £6,192k as a result of transfers it made to the Scottish Colleges Foundation, a charity registered in Scotland for the advancement and promotion of further and higher education in Scotland. The surplus generated in the current year offsets this prior year deficit and is as a direct result of successful funding applications made to the foundation in relation the construction of the new Academy of Sport and Wellbeing building. In accordance with the SORP, this income is treated as non-government grant income and accounted for under the performance model. This essentially requires it to be released in full to the I&E in year rather than deferred and released in line with depreciation over the useful economic life of the asset it relates to.

Total comprehensive income also includes an actuarial gain in respect of the defined benefit pension scheme of £7,075k (2016-17 £907k). Both pension adjustment figures are as a result of the annual valuation of the scheme by qualified actuaries and represent non-cash movements.

Perth College – for the year ended 31 July 2018

Reconciliation of Total Comprehensive Income to Underlying Operating Position

	2017/17	2016/17
	£000	£000
Surplus / (Deficit) for the year as per statement of comprehensive income	5,624	7,397
Impact of pension on College – salary costs	1,899	1,688
Impact of pension on College – employer contributions	(920)	(871)
Actuarial (gain) / loss in respect of pension schemes	(7,075)	(907)
Non-government deferred capital grant release		7,305
Underlying Operating Surplus / (Deficit) for the year	(470)	2

The College complies with government accounting and budgeting rules on a financial year basis (i.e. to the end of March). The College is given a revenue resource budget (RDEL) and a capital resource budget (CDEL) and must account for this budget on a financial year basis. The College has fully utilised both the resource and capital budgets with no overspend or underspend other than that representing repayment of its long term loan as per SFC guidelines.

The Group has accumulated reserves of £26,256k and cash balances of £2,188k. Since the change in the status of colleges which brings them within the regulations of the National Statistics Office, the College will no longer be allowed to continue to accumulate reserves and cash balances as it previously did as part of its objective to achieve continued financial security.

Total non Scottish Funding Council (SFC) Income as a % of total income for 2017-18 was 39% (2016-17 54% and 2015-16 42%).

The College has a strong commitment to diversity and equality and issues of compliance with the disability provisions contained within the Equality Act 2010 are always incorporated in refurbishment and building works.

The College has a subsidiary company, Air Service Training (Engineering) Limited (AST). The principal activity of AST is the provision of aeronautical engineering courses for both the aviation industry worldwide and individual students. In the current year, AST achieved a breakeven operating position after a donation of £208k to the College.

Treasury Policies and Objectives

The College has a separate treasury management policy in place and defines treasury management as the management of the organisation's cash flows, its banking and investment transactions; the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks. The College had short term borrowings at 31 July 2018 of £300k.

Perth College – for the year ended 31 July 2018

Cash Flows and Liquidity

The College maintained a positive cash flow during the year. During the year the College had long term debt of £nil (2016-17 £300K) and at the year end the liquidity ratio stands at 0.61:1 (2016-17 0.54:1). Days ratio of Cash to Total expenditure, at 31 July 2018 was 33 days (2016-17 22 days). The College's gearing ratio at 31 July 2018 was 0.00:1 (2016-17 0.02:1).

Payment Performance

The College has a policy of paying its suppliers within 30 days of invoice unless other separate terms are in place, and excluding invoices held in dispute. The level of creditors in terms of the year end creditors to the aggregated invoiced amounts during the year was 28 days (2016-17 24 days). No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Current and Future Development and Performance

Student Numbers

In 2017-18 the College has delivered activity that has produced £12,993k in SFC main grant allocation (2016-17 - £12,624k). The College had approximately 3,733 SFC fundable students (expressed as full time equivalents) and 249 non SFC funded students.

Student Achievements

We are extremely proud of our students' achievements. These are wide in range and in level and our formal KPIs for 2017-18 on retention, attainment and progression at all levels remain at a good overall level.

We have a strategic aim that every programme of study at the College will return at least 70% as the percentage of attainers to starters. This has been used by us in self-evaluation and action planning to raise the bar through taking a holistic view on both retention and attainment across the portfolio and then taking action.

Our focus is not only on student attainment but also on wider achievement. We celebrate student success in citizenship, being enterprising, improving health and wellbeing and taking an active role in environmental sustainability. We are confident that our students leave the College with enhanced employability skills and are job ready.

We exceeded our student recruitment target for 2017-18 both at Further Education (FE) and at Higher Education (HE) and our student achievement KPIs have attained a satisfactory level.

Perth College – for the year ended 31 July 2018

Curriculum Developments

The following have been new and successful implementations for 2017-18:

Further Education

NQ Gateway to Creative Industries
NC Wellness Therapies
NC Accounting

Higher Education

PGDE Teaching Primary
BAH Outdoor Education and Learning

Estates Strategy

During 2017-18 the ongoing improvement programme for the College Estate continued to encompass the upgrading of student and teaching facilities together with addressing backlog maintenance. The major projects undertaken included improving accessibility, student reception and one stop shop projects and the creation of a state of the art teaching kitchen to support the provision of new teaching degrees.

Future Developments

The College continues to diversify its income through the development of greater specialist expertise leading to increased research funding, knowledge transfer, consultancy and international recruitment. Our focus remains on employment skills development and career opportunities for our students and this is being enhanced through our relationships with local businesses, the Chamber of Commerce, Federation of Small Businesses and our Business Link activities. We are diversifying our international activity and new relationships are being developed which are taking an increasingly greater UHI and internationalisation perspective to the benefit of home and international students. We are pursuing active collaborations with other Colleges and Universities, in particular through the UHI Partnership, to have a coherent curriculum offering and appropriate sharing of best practice and services.

Future developments within the College estates programme include:

- Improving and re-purposing existing facilities to provide an integrated approach to the development and delivery of curriculum, research and wider stakeholder engagement within all areas.
- Growth in student numbers and diversity will require additional accommodation, and discussions are ongoing to identify options on campus.

Perth College – for the year ended 31 July 2018

- The College is now undertaking a review of its estate which will underpin a forward strategy to ensure an estate that is fit for purpose in the 21st century.

Resources

Tangible resources include the main College site consisting of 4 major buildings, 1 outreach centre, the nursery and 3 student residence buildings.

Financial

The College has £26.1 million of net assets after deducting long term liabilities of £8.1 million.

People

The College employs 421 people (expressed as full time equivalents), of whom 188 are teaching staff. Permanent staff turnover for the year to 31 July 2018 expressed as a full time equivalent was 18% (21% in 2016/17). Working days lost through sickness absence expressed as a percentage of lost time against the total available working days was 6.2%.

Reputation

The College has a good reputation locally, nationally and internationally. Maintaining a quality brand is essential for the College's success in attracting students and developing and maintaining external relationships.

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 Senior Management Team monitors key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms embedded within the operational units and reinforced by risk awareness in operational planning. The Senior Management Team and the Audit Committee also receive regular reports from Internal Audit and Health, Safety and Environmental monitoring functions which include recommendations for improvement. Internal Audit concentrates on areas of key activities determined by a risk analysis and in accordance with the annual internal audit plan approved and amended by the Audit Committee. The internal auditor has direct access to the Chair of the Audit Committee and issues an annual report with an opinion of the adequacy, reliability and effectiveness of the College's internal control system.

Perth College – for the year ended 31 July 2018

The Audit Committee considers risk at each Committee Meeting and receives a copy of the College Strategic Risk Register which is updated quarterly by the College Senior Management Team.

The Board of Management receive reports thereon from the Audit Committee, the emphasis being on obtaining the relevant degree of assurance and not merely reporting by exception.

The Board of Management is of a view that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place throughout the year ended 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Management and accords with the Turnbull guidance on internal control, as applicable to the further education sector.

Outlined below is a description of the principal risk factors that may affect the College. Not all factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1 **Government Funding**

The College has considerable reliance on continued Government funding through the SFC and UHI. In 2017-18, 61% of the College's recurrent revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

This risk is mitigated in a number of ways:

- The College seeks to maximise income from non-Exchequer sources through a number of direct and indirect contractual arrangements.
- By delivering consistently dynamic, excellent learning and training throughout the College.
- Maintaining and managing key relationships with the various funding bodies.
- Regular interaction and dialogue with funding bodies.

2 **Unfunded Pension Liabilities**

The financial statements report the provision made for pension costs arising from past early retirements in line with the valuation carried out by an independent firm of actuaries. The College's share of the Local Government Pension Scheme deficit is reported in the College's balance sheet in line with the requirements of FRS 102.

3 **Overseas Students**

Our overseas student population is looked after by our experienced and dedicated team in our International Centre. The strategic and operational risks associated with overseas students are actively monitored by the international team and our academic structures.

Perth College – for the year ended 31 July 2018

The College has built up a network of overseas agents which is being supplemented by a growing number of partnerships of well-established educational establishments abroad and we have successfully retained our highly trusted status with the UK Borders Agency.

The College's subsidiary company, AST, is acknowledged worldwide as a leading provider of aeronautical engineering training.

Stakeholder Relationship

In line with other colleges and universities, Perth College has many stakeholders. These include:

- Students and alumni.
- Staff.
- Scottish Funding Council.
- Local, national and international employers.
- Local authorities.
- Government offices and agencies.
- The local community.
- Community planning partnership.
- Chamber of Commerce and other business organisations.
- Scotland's Colleges, other FE and HE institutions.
- Partner institutions of UHI.
- Trade unions.
- Professional bodies.

EQUALITY & DIVERSITY

Equality and Diversity Vision

The College consulted on and developed a vision for its commitment to equality and diversity:

At Perth College UHI we have a passion for achieving more, a passion to become the most inclusive college in Scotland.

Equality Reporting

On 30 April 2013 we published our Equality Report and Mainstreaming Plan 2013-2018 which showed how we were integrating equality into the day-to-day working of the college, having built on good practice from the work already carried out on the previous equalities duties for race, gender and disability and recognising the importance of considering ways to broaden our approach to include the newer protected characteristics.

We continue on our journey of ensuring the student and staff experience at Perth College UHI is excellent. We continue to mainstream equality and diversity into all aspects of our operations and in doing so provide a learning and working

Perth College – for the year ended 31 July 2018

environment which is founded on key principles of fairness, opportunities and respect for everyone.

Central to mainstreaming has been the gathering and consideration of further relevant data. This has involved assessing existing available evidence and also considering what other evidence may be available to help us make progress in further meeting the general equality duty.

Reporting on this work will help us to demonstrate to our staff, students and other stakeholders that we are taking steps to further mainstream the equality duty into the exercise of the functions of our College, and the progress we have made.

Our Equality Mainstreaming Report 2015 shows the progress made towards achieving the equality outcomes we published in 2013, and how this progress has helped us mainstream equality in the College.

Our Equality Reports are published on our website:

<http://www.perth.uhi.ac.uk/about-us/policies-regulations-and-guidelines/equality-and-diversity>

The College also published an Equal Pay Statement and this can also be found on the College website at:

<http://www.perth.uhi.ac.uk/about-us/policies-regulations-and-guidelines/equality-and-diversity>

The Equal Pay Statement details the College's gender pay gap and shows that this decreased as a result of the implementation of job evaluation, the living wage and flat cash increases for lower graded posts. The Statement also provides information on occupational segregation and an Equal Pay Action plan to address the remaining equal pay gap.

Disclosure of Information to Auditor

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditor is 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 auditor is aware of the information.

Approved by order of the member of the Board of Management on 12 December 2018 and signed on its behalf by:

Brian Crichton
Chair

Perth College – for the year ended 31 July 2018

Accountability Report

Remuneration and Staff Report

Introduction

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2017-18 Government Financial Reporting Model (FRoM) issued by the Scottish Government, which came into force for the period ending 31 March 2018.

The report sets out the remuneration and accrued pension benefits of the Senior Management Team members of the College.

The report also provides information on the number of College employees (including Senior Management Team members) whose total actual remuneration was £60,000 or more, this information being disclosed in salary bandings of £5,000 above £60,000. The following report has been prepared in accordance with the aforementioned Regulations.

The College's External Auditor is required to audit certain parts of the Remuneration Report and give a separate opinion in his report on the Statement of Accounts as to whether the Remuneration Report has been properly prepared in accordance with the Regulations. All the tables in this report are subject to audit except those relating to Staff Members Allowances and Expenses.

Remuneration arrangements

Senior Management Team

The Remuneration Committee makes recommendations to the Board of Management on the service arrangements and remuneration of the Principal and determines the service arrangements and remuneration of the other senior post holders.

Remuneration of the Senior Management Team is as set out in note 8 to the financial statements. In addition, the following table provides detail of the remuneration and pension interests of senior management.

Name	12 months ended 31 July 2018			12 months ended 31 July 2017		
	Salary	Pension Benefit	Total	Salary	Pension Benefit	Total
	£000	£000	£000	£000	£000	£000
M Cook	105	22	127	0	0	0
M Munckton	0	0	0	113	14	127
P Wilson	22	-9	13	76	11	87
S Bald	0	0	0	76	24	100
V Lynch	18	2	20	0	0	0
J Mackenzie	79	28	107	76	24	100

Perth College – for the year ended 31 July 2018

The Regulations require information to be published on the total number of College employees (including Senior Management Team members) whose total actual remuneration was £60,000 or more. This information is to be disclosed in salary bandings of £5,000 above £60,000 and is shown in the following table:

Salary Band	2017-18	2016-17
£000	Number of staff	Number of staff
60-65	3	1
65-70	0	1
70-75	1	0
75-80	1	3
85-90	0	0
100-105	1	1

During the year, the College made no payments for compensation on early retirement or for loss of office (2016-17 £Nil).

During the year, the College made no non-cash benefits available to staff (2016-17 None).

Median Remuneration:

	2017-18	2016-17
	£	£
Median Remuneration	25,401	29,520
Mid-Point of Banded Remuneration of Highest Paid Official	105,000	112,500

During 2017-18, the mid-point of the banded remuneration of the highest paid official was 4.1 times (2016-17 3.7 times) the median remuneration of the workforce.

Accrued pension benefits

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

Prior to 1st April 2015 both STSS and LGPS were final salary pension schemes. This meant that pension benefits were based on the final year's pay and the number of years that the person had been a member of the scheme. From 1st April 2015 both pension schemes became Career Average Revalued Earnings (CARE) schemes. This means that pension benefits are now built up using an accrual rate of 1/57th of annual pensionable pay for STSS and 1/49th of annual pensionable pay for LGPS. Benefits built up prior to April 2015 will be protected and continue to be calculated on final pensionable pay.

The scheme's normal retirement age is now linked to the members own State Pension Age.

Perth College – for the year ended 31 July 2018

Contribution rates are set annually for all employees and are based on salary bandings. 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.

Senior Management Team Pension

Pension benefits are provided to Senior Management Team on the same basis as all other staff. The accrued pension benefits for Senior Management Team members are set out in the table below, together with the pension contributions made by the College:

Name	Accrued pension at pension age at 31 July 2018	Accrued lump sum at pension age at 31 July 2018	Real increase in pension 1 August 2017 to 31 July 2018	Real increase in lump sum 1 August 2017 to 31 July 2018	CETV at 31 July 2018	CETV at 31 July 2017	Real increase in CETV
	£000	£000	£000	£000	£000	£000	£000
M Cook	2	0	2	0	2	26	24
P Wilson	19	57	1	2	434	449	- 17
J Mackenzie	6	0	2	0	91	63	28
V Lynch	19	25	19	25	290	0	290

Cash equivalent Transfer Value (CETV)

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 within the relevant scheme and may not be reflective of their total Local Government service or current appointment.

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

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

Perth College – for the year ended 31 July 2018

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Staff Numbers and Costs

	2018	2018	2018	2017
	Staff on Permanent Contracts	Other staff	Total	Total
Total staff costs (£000)	14,602	2,193	16,795	16,039
Average number of FTE	353	68	424	424

Based on headcount, the College employed 409 females and 269 males as at 31 July 2018.

Sickness Absence Rates

The following table provides the total sick days lost, average sick days per head and % working time lost as at the end of July 2017-18 with comparatives to the end July 2016-17.

	2017-18			2016-17		
	Total sick days	Average sick days per head	% working time lost	Total sick days	Average sick days per head	% working time lost
Total	6,824	14.58	6.23%	4,140	7.6	3.45%

Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements Regulations 2017), the College provided 5 Union Representatives with a maximum of 4 hours per week Facility Time during the year ended 31 July 2018.

Perth College – for the year ended 31 July 2018

The College is currently undertaking work to capture, cost report on the uptake of Facility Time.

Statement of Corporate Governance and Internal Control

From 1 August 2014, Perth College was assigned to the University of the Highlands and Islands as its Regional Strategic Body and the provisions of the Post-16 Education (Scotland) Act 2013 commenced for the College. As an assigned college, the Board is accountable to the Regional Strategic Body.

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 main principles of the 2017 code of good governance for Scotland's Colleges. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the Board of Management, the College complies with all the provisions of the 2017 code of good governance for Scotland's Colleges, and it has complied throughout the year ended 31 July 2018.

There have been no significant lapses of data security and no personal data related incidents reported to the Information Commissioner's Office during the period.

The Board of Management

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

		Date of Appointment	Date of Resignation	Status of Appointment	Committees Served
Dr Margaret Cook	Principal and Chief Executive	1 August 2017		Principal and Chief Executive	Chair: Academic Affairs; Chairs'; Finance & General Purposes; Engagement; AST undertook the role of Chair until 30 September 2017
Dr Harold Gillespie	Retired	20 March 2013		Independent member	Academic Affairs; Finance & General Purposes
Ian Jackson	Director Scotland General Dental Council	15 December 2011	31 October 2017	Independent Member	Member of Audit Committee; Engagement
John McDonald	Executive Director Real Life Options	27 June 2012	16 October 2017	Independent Member	Chair: Engagement; Finance and General Purposes; Chairs'; Remuneration
David Littlejohn	Head of Tay Cities Deal	18 December 2013		Independent Member	Chair: Finance & General Purposes; Vice Chair: Engagement;

Perth College – for the year ended 31 July 2018

					Chairs'; Remuneration
Grant Myles	Business Change Consultant	18 December 2013 Appt to Chair 1 December 2014	17 August 2018	Independent Member	Finance and General Purposes; Capital Projects; Chairs'; Remuneration
Lindsey Farquharson (now McLeod)	Careers Consultant	1 August 2015	31 July 2018	Independent Member	Audit; Engagement
Prince Honeysett	HISA Perth President	1 July 2017		Student Member	Academic Affairs; Engagement
Nurina Sharmin	HISA Perth Vice President	1 July 2017	30 June 2018	Student member	Academic Affairs
Brian Crichton	Crichton Consulting	15 June 2016 Appt to Chair 20 August 2018		Independent Member	Audit; Chair from 12 September 2018 Academic Affairs; Remuneration; Chair's
Jim Crooks	Church Pastor	15 June 2016		Independent Member	Finance and General Purposes; Academic Affairs; AST
Sharon Hammel	Head of Strategic Change & Engagement NHS Scotland	15 June 2016		Independent Member	Engagement; AST
Anne Irvine	Retired Manager, Aberdeen City Council	15 June 2017		Independent Member	Audit; Engagement
Sharon McGuire	Sector Manager, Perth College	15 June 2017	13 June 2018	Teaching Staff Member	Academic Affairs; Capital Projects
Lorna Nicoll	Self Employed, Alba Accountancy Services	15 June 2017	22 February 2018	Independent Member	Audit
Charlie Shentall	Director, The Lodge, Perth Racecourse	15 June 2017		Independent Member	Engagement; AST Chair from 10 October 2018; Health and Safety Champion
Deborah Hutchison	Director, Merlin ERD; Marketing Consultant	1 November 2017		Independent Member	Finance and General Purposes Committee
Lynn Oswald	Team Leader, Finnace Support Team, Education & Childrens Services,	1 November 2017		Independent Member	Audit

Perth College – for the year ended 31 July 2018

	Perth & Kinross Council				
Anna Zvarikova	Company Secretariat, SSE Plc, Utility and Energy	1 November 2017			Audit
Donald MacLean	FOI & Data Protection Officer, Perth College	22 March 2017	29 March 2018	Staff Member	Engagement; Academic Affairs
John Dare	Library Adviser/Subject Network Librarian, Perth College	14 June 2018		Staff Member	Engagement
Andrew Comrie	Director of Fair Access (Part-Time, Royal Conservatoire of Scotland)	24 September 2018		Independent Member	Academic Affairs, Audit
Declan Gaughan	Lecturer, Perth College UHI	21 September 2018		Staff Member	Academic Affairs
Craig Ritchie	Hymans Robertson LLP, Pensions Consultancy	24 September 2018		Independent Member	AST, F&GPC

Maureen Masson served as Clerk to the Board during the year.

It is the Board of Management's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Board of Management complies with the internal control guidance published by the Turnbull Committee and the good practice in the Guide for Board Members in the College Sector 2015 issued by Scotland's Colleges. The College also complies with the principles of the Code of Good Governance for Scotland's Colleges (Dec 2014 and updated in August 2017).

The Board of Management is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board of Management meets at least 4 times a year.

The Board conducts its business through a number of committees. Each committee has formally constituted terms of reference. These committees include: Finance and General Purposes Committee; Audit Committee; Academic Affairs Committee; Engagement Committee; Capital Projects Committee (disbanded after the completion of the Academy of Sport and Wellbeing); Chairs' Committee; and a

Perth College – for the year ended 31 July 2018

Remuneration Committee. In addition, the Board of Management holds development planning days and training evenings during the course of the year for the purposes of training, self-evaluation and development. The Board is supported by an Independent Clerk.

Full minutes of all Board meetings, except those deemed to be confidential by the Board, are available on the College website or from the Clerk to the Board at:

Perth College
Crieff Road
Perth PH1 2NX

The Clerk to the Board maintains a register of financial and personal interests of the Board members. The Register is available for inspection at the above address or on the College website.

All Board members are able to take independent professional advice in furtherance of their duties at the College's expense and have access to an independent Clerk, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Board as a whole.

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

The Board of Management has a strong and independent non-executive element 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 independent judgment.

Board members are required to self-evaluate collectively as Board and as individually as Board members. The self-evaluation process includes consideration of the performance of the Chair and individual Committee Chairs and of the collective effectiveness of the Board of Management, and individual reflection on their adherence to the Nine Principles' of Public Life.

There is a clear division of responsibility in that the roles of the Chair and Principal are separate.

Appointments to the Board of Management

From 1 August 2014, the authority for appointments to the Board of Management of Perth College resides with the University of the Highlands and Islands and must be made in accordance with Ministerial Guidance on Board Appointments.

The Board of Management ensures that a process is in place to provide appropriate induction training to new Board of Management members and new Board members are expected to undertake induction training.

Perth College – for the year ended 31 July 2018

Members of the Board of Management are appointed for an initial term of office not exceeding 4 years and may be reappointed.

Remuneration Committee

The Remuneration Committee comprises of the Chair, the Vice Chair and the Chair of each of the Standing Committees. The committee is responsible for making recommendations to the Board on the remuneration and benefits of the Principal and the Clerk to the Board.

Details of the remuneration of senior post-holders for the year ended 31 July 2018 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises at least 4 non-executive members of the Board of Management (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Board of Management.

The Audit Committee meets 4 times a year and provides a forum for reporting by the College's external and internal auditor, who have access to the Committee for independent discussion, without the presence of College management.

The Audit Committee advises the College on the appointment of the internal auditor and the auditor's remuneration. The Audit Committee establishes the College's risk tolerance and monitors risk.

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

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to the Audit Committee to ensure such recommendations have been implemented.

The Audit Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Scottish Funding Council and Audit Scotland as they affect the College's business and monitors adherence to the regulatory requirements.

Finance and General Purposes Committee

The Finance Committee comprises 4 non-executive members of the Board of Management and includes the Principal. The Committee operates in accordance with written terms of reference approved by the Board of Management.

The Finance Committee meets at least 4 times a year and, among other matters, recommends to the Board of Management the College's annual revenue and capital budgets and monitors performance in relation to approved budgets. It monitors the

Perth College – for the year ended 31 July 2018

College's financial and business perspectives. It approves all key financial decisions, approves the annual budget, considers the annual accounts and recommends for approval, oversees the system of financial control and delegated authority. It also considers any other matters relevant to the financial duties of the Board including estates strategy.

Corporate Strategy

The Board of Management is responsible for the overall strategic development of the College and is the guardian of its vision and values. Strategic development takes place at an annual Board of Management away day, with the College's Senior Management Team. This is supported by horizon scanning and futures work and has led to the development of strategic plans underpinned by operational plans. Progress against the agreed strategic priorities in the plan is monitored through a balanced scorecard approach by the appropriate Board committees on a regular basis.

Risk Management and Internal Control

Scope of Responsibility

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

The Board of Management has delegated the day-to-day responsibility to the Principal, as Chief Executive Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets of Perth College including those derived from the Regional Strategic Body. The Principal is also responsible for reporting to the Board of Management any material weaknesses or breakdowns in internal control.

The Purpose of the System of Internal Control

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

Perth College – for the year ended 31 July 2018

of internal control has been in place in Perth College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

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 these risks. The Board of Management is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Board of Management.

The Risk and Control Framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Management.
- Regular reviews by the Board of Management of periodic and annual financial reports which indicate financial performance against forecasts.
- Setting targets to measure financial and other performance.
- Clearly defined capital investment control guidelines.
- The adoption of formal project management disciplines, where appropriate.

Perth College appoints an Internal Audit service, which operates in accordance with the requirements of the Scottish Funding Council's mandatory requirements. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board of Management on the recommendation of the Audit Committee. The Internal Auditor provides the Board of Management with a report on internal audit activity within the College. These reports include the Internal Auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of Effectiveness

As Accountable Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditor.
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework.

Perth College – for the year ended 31 July 2018

- The comments made by the College's external auditor in their management letters and other reports.

The Board of Management has been advised on the implications of the review of the effectiveness of internal control by the Audit Committee, which oversees the work of the internal auditor.

The internal audit service concentrates on areas of key activities determined by a risk analysis and in accordance with the annual internal report plan amended and approved and by the Audit Committee. The internal auditor has direct access to the Chair of the Audit Committee and issues an annual report with an opinion of the adequacy, reliability and effectiveness of the College's internal control system.

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. The Senior Management Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Audit Committee considers risk at each Committee meeting and receives a copy of the College Strategic Risk Register which is updated quarterly by the College Senior Management Team. The Board of Management receives reports thereon from the Audit Committee, the emphasis being on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Board of Management carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2018.

Going Concern

The Board of Management confirms that they consider the College to be a going concern as described in the Code (section C.1.3) and that the financial statements have been prepared on this basis.

Approved by order of the members of the Board of Management on 12 December 2018 and signed on its behalf by:

**Brian Crichton
Chair**

**Dr Margaret Cook
Principal and Chief
Executive**

Perth College – for the year ended 31 July 2018

Statement of Responsibilities of the Members of the Board of Management

The Board of Management are 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 ensuring that proper accounting records are maintained 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, the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the relevant Government Financial Reporting Model (FReM) and other relevant accounting standards.

In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Management, the Board, through its Chief Executive, the Principal, is required to prepare financial statements for each financial year 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 year.

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; and
- prepare financial statements on a 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 Scottish Funding Council, including those derived through the Regional Strategic Board, 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; and
- secure the economical, efficient and effective management of the College's resources and expenditure.

Perth College – for the year ended 31 July 2018

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, heads of academic and administrative areas;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly 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;
- Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Finance Committee; and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Management, and whose head 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 order of the member of the Board of Management on 12 December 2018 and signed on its behalf by:

Brian Crichton
Chair

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

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Perth College and its group for the year ended 31 July 2018 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 Consolidated and College Statement of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheet, and the Consolidated Cash Flow 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 affairs of the college and its group as at 31 July 2018 and of the college's surplus and the group's surplus 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 in the UK (ISAs (UK)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the college and its group 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

- the college has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Board of Management for the Financial Statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other information in the annual report and accounts

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements in accordance with ISAs (UK), our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

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

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

Responsibilities for regularity

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

Report on other requirements

Opinions on other prescribed matters

We are required by the Auditor General for Scotland to express an opinion on the following matters.

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

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the college and its environment obtained in the course of the audit, we have not identified material misstatements in the Performance Report or Governance Statement.

We are required by The Charities Accounts (Scotland) Regulations 2006 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.

Stephen Reid, (for and on behalf of Ernst & Young LLP)
Ernst & Young LLP,
Atria One
144 Morrison Street,
Edinburgh,
EH3 8EB

Date:

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Perth College
Consolidated and College Statements of Comprehensive Income for the year ended
31 July 2018

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Group	College	Group	College
		£000	£000	£000	£000
Income					
Funding council grants	2	14,669	14,669	14,420	14,420
Tuition fees and education contracts	3	5,629	3,897	5,737	3,978
Other grants and contracts	4	125	125	154	154
Other income	5	3,602	3,625	11,173	11,175
Investment income	6	3	3	3	3
Total Income		24,028	22,318	31,487	29,730
Expenditure					
Staff costs	7	17,774	16,719	16,858	15,755
Other operating expenses	9	6,596	6,185	7,032	6,417
Depreciation	13	1,081	1,049	1,064	1,030
Interest and other finance costs	10	27	23	39	39
Total Expenditure		25,478	23,975	24,993	23,241
Surplus/(Deficit) before tax		(1,450)	(1,657)	6,494	6,489
Taxation	11	(1)	-	(4)	-
Surplus/(Deficit) for the year	12	(1,451)	(1,657)	6,490	6,489
Actuarial gain/(loss) in respect of pension schemes	23	7,075	7,075	907	907
Total Comprehensive Income / (Expenditure) for the year		5,624	5,418	7,397	7,396

The income and expenditure account is in respect of continuing activities. There were no operations that were acquired or discontinued by Perth College during the year.

Perth College

Consolidated and College Statement of Changes in Reserves for the year ended 31 July 2018

	Income and expenditure reserve	Revaluation reserve	Total
Group	£000	£000	£000
Balance at 1st August 2016	(5,355)	14,586	9,231
(Deficit) from the income and expenditure account	6,490	-	6,490
Other comprehensive (expenditure)	907	-	907
Transfers between revaluation and income and expenditure reserves	279	(279)	-
	<u>7,676</u>	<u>(279)</u>	<u>7,397</u>
Balance at 31st July 2017	<u>2,321</u>	<u>14,307</u>	<u>16,628</u>
Surplus from the income and expenditure account	(1,450)	-	(1,450)
Impact of Revaluation		4,001	4,001
Other comprehensive (expenditure) / income	7,075	-	7,075
Transfers between revaluation and income and expenditure reserves	359	(359)	-
	<u>5,984</u>	<u>3,642</u>	<u>9,626</u>
Balance at 31 July 2018	<u>8,305</u>	<u>17,949</u>	<u>26,254</u>
College	£000	£000	£000
Balance at 1 August 2016	(5,356)	14,586	9,230
Surplus from the income and expenditure account	6,489	-	6,489
Impact of Revaluation		-	-
Other comprehensive (expenditure) / income	907		907
Transfers between revaluation and income and expenditure reserves	279	(279)	-
	<u>7,675</u>	<u>(279)</u>	<u>7,396</u>
Balance at 31st July 2017	<u>2,319</u>	<u>14,307</u>	<u>16,626</u>
Deficit from the income and expenditure account	(1,657)	-	(1,657)
Other comprehensive (expenditure) / income	7,075	4,003	7,075
Transfers between revaluation and income and expenditure reserves	359	(359)	-
	<u>5,776</u>	<u>3,644</u>	<u>9,420</u>
Balance at 31 July 2018	<u>8,095</u>	<u>17,951</u>	<u>26,046</u>

Perth College
Consolidated and College Balance Sheets as at 31 July 2018

	Notes	Group 2018	College 2018	Group 2017	College 2017
		£000	£000	£000	£000
Non current assets					
Tangible fixed assets	13	36,533	36,375	33,611	33,421
Investments	14		20		20
		36,533	36,395	33,611	33,441
Current assets					
Stock		19	15	18	14
Trade and other receivables	15	1,194	971	1,172	884
Cash and cash equivalents	22	2,188	1,522	1,411	852
		3,401	2,507	2,601	1,751
Less: Creditors - amounts falling due within one year	17	(5,531)	(4,500)	(4,842)	(3,824)
Net current (liabilities)		(2,131)	(1,993)	(2,241)	(2,073)
Total assets less current liabilities		34,402	34,402	31,370	31,368
Creditors - amounts falling due after more than one year	18	(5,265)	(5,265)	(5,763)	(5,763)
Pension provision	20	(2,883)	(2,883)	(8,979)	(8,979)
Total net assets		26,254	26,254	16,628	16,626
Unrestricted Reserves					
Revaluation reserve		17,949	17,949	14,305	14,305
Designated reserve		500	500	500	500
Pension reserve	23	(2,883)	(2,883)	(8,979)	(8,979)
Income and expenditure reserve		10,688	10,688	10,801	10,800
Total unrestricted reserves		26,254	26,254	16,627	16,626

The financial statements on pages 28 to 56 were approved by the Board of Management on 12 December 2018 and were signed on its behalf by:

G Myles - Chair

Dr M Cook - Principal and Chief Executive

Perth College
Consolidated Statement of Cash Flows for the year ended 31 July 2018

	Notes	Year ended 31 July 2018	Year ended 31 July 2017
		£000	£000
Cash flow from operating activities			
Surplus / (Deficit) for the year		(1 451)	6,490
Adjustment for non-cash items			
Depreciation	13	1,081	1,064
Deferred capital grants released to income		(197)	(7,502)
(Increase) / Decrease in stocks		(1)	(3)
Decrease / (Increase) in debtors		(22)	704
(Decrease) / Increase in creditors		787	(1,203)
(Decrease) in provisions		-	-
Pension costs less contribution payable		979	817
Taxation		1	4
Adjustment for investing or financing activities			
Interest receivable	6	(3)	(3)
Interest payable	10	27	41
Net cash flow from operating activities		<u>1,201</u>	<u>409</u>
Cash flows from investing activities			
Deferred capital grant		-	755
Payments made to acquire fixed assets		-	(1,897)
		<u>-</u>	<u>(1 142)</u>
Cash flows from financing activities			
Interest received		3	3
Interest paid		(27)	(41)
Repayments of amounts borrowed		(400)	(400)
		<u>(424)</u>	<u>(438)</u>
Increase in cash and cash equivalents in the year	22	<u>777</u>	<u>(1 171)</u>
Cash and cash equivalents at beginning of the year		1,411	2,582
Cash and cash equivalents at end of the year		2,188	1,411

Notes to the Accounts for the year ended 31 July 2018

1. Statement of Accounting Policies and estimation techniques

Basis of preparation

The financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the Accounts Directions issued thereunder by the Scottish Funding Council, which requires compliance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), and the relevant Government Financial Reporting Model (FReM).

The statements have also been prepared in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS102).

The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Basis of accounting

The financial statements have been prepared under the historic cost convention.

Basis of consolidation

The consolidated accounts include the financial statements of the College and its subsidiary undertaking made up to 31 July 2018. Intra group sales and profits are eliminated fully on consolidation.

Non-current assets - Tangible fixed assets

Land and buildings

Land and buildings inherited from Tayside Regional Council are stated in the balance sheet at a value based on the depreciated replacement cost basis. Land and Buildings acquired since incorporation are included in the balance sheet at cost less accumulated depreciation and accumulated impairment losses. Revaluations will be carried out in accordance with the applicable FReM. Feuhold land associated with the buildings and undeveloped feuhold land is not depreciated. Buildings are depreciated over their economic life on a straight line basis to the College of between 20 to 50 years.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. Government grants are credited to a deferred capital grant account and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Non-government grants are released to income when performance related conditions have been met. The deferred income is allocated between creditors due within one year and those due after more than one year.

Notes to the Accounts for the year ended 31 July 2018

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

Equipment

Equipment purchased as part of a capital building project is capitalised and depreciated over its useful economic life. Individual items of equipment purchased with values greater than £1,000 are capitalised at cost if deemed to have a minimum economic useful life of 3 years and not regarded as a repair to existing assets. Capitalised equipment is depreciated on a straight line basis over its useful economic life as follows:

Motor vehicles and general equipment	10%, 25% and 33% per year
Computer equipment	20% and 25% per year

Where equipment is acquired with the aid of specific government grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the Statement of Comprehensive Income over the expected useful economic life of the related equipment.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

Rental costs in respect of operating leases are charged to expenditure at the cost incurred during the year. Leasing arrangements which 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 elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements.

Notes to the Accounts for the year ended 31 July 2018

The capital element is applied to reduce the outstanding obligations and the interest element is charged to the Statement of Comprehensive Income 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 held under hire purchase contracts, which have the characteristics of finance leases, are depreciated over their useful economic lives.

Investments

Fixed asset investments are carried at historical cost less any provision for a permanent diminution in their value.

Recognition of Income

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Income from tuition fees is recognised in the period for which it is received. Income from donations is included to the extent of the relevant expenditure incurred during the year. Recurrent grants from the SFC are recognised in the period to which they relate.

Capital grants from SFC or other government bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets, under the accrual method as permitted by FRS102.

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.

Accounting for post-employment benefits

The College participates in 2 multi-employer defined benefit pension schemes.

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA). Perth College is unable to identify its share of the underlying assets and liabilities of the STSS on a consistent and reasonable basis and therefore, as permitted by FRS102, applies multi-employer exemption and accounts for its participation in the STSS as if it were a defined contribution scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations and are recognised in the accounting periods in which they arise.

Administrative and support staff may join the Local Government Pension Scheme (LGPS) which is administered by Dundee City Council. The fund is a defined benefit scheme, providing benefits based on a career average revalued earnings (CARE) basis, which is contracted out of the State Earnings-Related Pension Fund.

Notes to the Accounts for the year ended 31 July 2018

The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. Qualified actuarial valuations are obtained annually and are updated at each balance sheet date.

The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other comprehensive income.

Short term employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Stocks

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

Cash and Cash Equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial Liabilities and Equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Notes to the Accounts for the year ended 31 July 2018

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded at the exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the year.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary company, Air Service Training (Engineering) Limited is subject to corporation tax and VAT in the same way as any other commercial organisation. Tax relief is available on Air Service Training (Engineering) Limited's profits that are gift aided to the College.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the Accounts for the year ended 31 July 2018

Provisions

Provisions are recognised when the institution 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. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

Revaluation reserve

Surpluses arising on the revaluation of the College's properties are transferred to the revaluation reserve. Additional depreciation charged on the revalued amount of these assets is transferred from revaluation reserve to the Income and Expenditure reserve together with any surplus or deficit on disposal.

Agency arrangements

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the Statement of Comprehensive Income, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, and these funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College Statement of Comprehensive Income.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets

Tangible fixed assets, other than investment properties, 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. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Notes to the Accounts for the year ended 31 July 2018

- 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 27, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- Post Balance Sheet Events

As a result of a High Court decision on 26 October 2018, pension schemes which have members with Guaranteed Minimum Pensions (GMPs) must take action to address inequalities in those GMPs if they were contracted-out of the State scheme between 1978 and 1997. The University / College considers it is likely that this ruling will impact the defined benefit scheme in which it is a participating employer and may result in the recognition of additional liabilities. As a consequence of this ruling, trustees of pension schemes will need to consider the integrity of their pension scheme data, the adjustments to benefits that may be necessary and any implications for scheme liabilities and funding. The High Court ruling on 26 October 2018 creates an obligation on that date for the Trustees to amend the scheme rules to reflect the consequences of the ruling. Therefore this is considered to be a non-adjusting event after the reporting period. The calculation of any additional liabilities will be a complex and lengthy process and as such the financial effect of any adjustment that may arise cannot be estimated at this stage. Any adjustment will be reflected in the financial statements for the year ended 31 July 2019.

Perth College
Notes to the Accounts for the year ended 31 July 2018

2 Funding Council grants

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
SFC FE recurrent grant (including fee waiver)	7,073	6,867
University of the Highlands and Islands recurrent grant	6,130	6,069
FE Childcare funds (note 30)	489	458
Release of government capital grants	197	197
Other SFC grants	427	203
Other University of the Highlands and Islands grants	354	626
	<u>14,670</u>	<u>14,420</u>

3 Tuition fees and education contracts

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
UK Higher Education students	3,185	3,132
UK Further Education students	487	466
	<u>3,672</u>	<u>3,598</u>
Management of Skills Development Scotland contract	225	380
Tuition fees of subsidiary	1,732	1,759
	<u>5,629</u>	<u>5,737</u>

4 Other grants and contracts

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Research grants	125	154
	<u>125</u>	<u>154</u>

Perth College
Notes to the Accounts for the year ended 31 July 2018

5 Other income

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Residences and catering	1,081	1,091
Other income generating activities	1,596	1,849
Releases from deferred capital grants (non Funding Council)	-	7,305
Other income	925	928
	<u>3,602</u>	<u>11,173</u>

6 Investment income

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Interest receivable	3	3
	<u>3</u>	<u>3</u>

7 Staff costs

	Year ended 31 July 2018	Year ended 31 July 2017
	Number	Number
The average monthly number of persons (including senior post-holders) employed by the College during the year, expressed as full-time equivalents, was:		
Teaching departments - teaching staff	188	191
Teaching departments - other staff	61	63
Teaching support services	43	43
Administration and central services	46	45
Premises	42	40
Subsidiary (AST) staff	27	29
Other	14	13
	<u>421</u>	<u>424</u>
Analysed as:		
Staff on indefinite contracts	353	356
Staff on temporary contracts	68	68
	<u>421</u>	<u>424</u>

Perth College

Notes to the Accounts for the year ended 31 July 2018

7 Staff costs (continued)

Staff costs for these persons:

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Wages and salaries	13,548	12,816
Social security costs	1,243	1,216
Other pension costs	2,983	2,826
	<u>17,774</u>	<u>16,858</u>
Teaching departments - teaching staff	8,957	8,604
Teaching departments - other staff	1,452	1,223
Teaching departments - AST staff	611	976
Teaching support services	1,387	1,398
Administration and central services	2,392	2,123
Premises	1,137	949
Other income generating activities	859	768
Charge in relation to defined benefit pension	979	817
	<u>17,774</u>	<u>16,858</u>
Analysed as:		
Staff on indefinite contracts	14,602	13,662
Staff on temporary contracts	2,193	2,379
Charge in relation to defined benefit pension	979	817
	<u>17,774</u>	<u>16,858</u>

The number of staff, including senior post-holders and the principal, who received emoluments in the following ranges was:

	Year ended 31 July 2018		Year ended 31 July 2017	
	Number Senior post- holders	Number Other Staff	Number Senior post- holders	Number Other Staff
£60,001 to £70,000	-		-	2
£70,001 to £80,000	-	4	-	2
£80,001 to £90,000		-	3	-
£90,001 to £100,000	1			
£110,001 to £120,000	-	-	-	-
£120,000 to £130,000	1	-	-	-
£130,001 to £140,000		-	1	-
	<u>2</u>	<u>4</u>	<u>4</u>	<u>4</u>

Perth College
Notes to the Accounts for the year ended 31 July 2018

8 Senior post-holders' emoluments

	Number 2018	Number 2017
The number of senior post-holders including the Principal was:	4	4
Senior post-holders' emoluments are made up as follows:	£000	£000
Salaries	224	353
Pension contributions	38	59
	<u>262</u>	<u>412</u>

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of:

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Salary	<u>105</u>	<u>113</u>
	<u>105</u>	<u>113</u>
Pension contributions	<u>18</u>	<u>19</u>

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Scottish Teachers Superannuation Scheme or Tayside Superannuation Scheme and are paid at the same rate as for other employees.

The members of the Board of Management other than the Principal and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

No pay award was paid during the year to senior post holders, including the Principal and other senior management staff. No bonuses were paid or payable to senior post holders for 2017/18.

Perth College
Notes to the Accounts for the year ended 31 July 2018

9 Other operating expenses

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Teaching departments	898	1,067
Teaching support services	467	597
Administration and central services	1,460	1,410
Premises costs	1,808	1,926
Other income generating activities	413	572
Catering and residence operations	1,065	1,002
Other expenses - Childcare Grant	489	458
	<u>6,600</u>	<u>7,032</u>

Other operating expenses include:

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Auditors' remuneration:		
external audit	17	15
internal audit	13	11
other services from external audit	2	5
other services from internal audit	-	4
Hire of plant and machinery - operating leases	95	95
Hire of other assets - operating leases	<u>164</u>	<u>167</u>

10 Interest payable

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
On bank loans, overdrafts and other loans: Repayable within 5 years, not by instalments	<u>27</u>	<u>41</u>

11 Taxation

The College is not liable for any corporation tax arising out of its activities during the year (2017 - £nil). There is a taxation debit arising in its subsidiary of £2k (2016 - £17k debit) , in relation to taxation.

12 Surplus on continuing operations for the year

The surplus on continuing operations for the year is made up as follows:

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
College's surplus for the year	(678)	1
Surplus generated by subsidiary undertaking	209	1
	<u>(469)</u>	<u>2</u>

Perth College
Notes to the Accounts for the year ended 31 July 2018

13 Tangible Fixed Assets (Group)

	Freehold Land and Buildings £000	Equipment £000	Total £000
Cost or Valuation			
At 1 August 2017	35,580	5,030	40,610
Additions	1,627	-	1,627
At 31 July 2018	<u>37,207</u>	<u>5,030</u>	<u>42,237</u>
Depreciation			
At 1 August 2017	2,387	4,612	6,999
Charge for year	(1 385)	90	(1 295)
At 31 July 2018	<u>1,002</u>	<u>4,702</u>	<u>5,704</u>
Net book value At 31 July 2018	<u>36,205</u>	<u>328</u>	<u>36,533</u>
Net book value At 1 August 2017	<u>33,193</u>	<u>418</u>	<u>33,611</u>
Inherited	5,749	-	5,749
Financed by capital grant	5,160	107	5,266
Other	25,296	252	25,549
Net book value At 31 July 2018	<u>36,205</u>	<u>359</u>	<u>36,564</u>

A full revaluation of Perth College Group buildings was completed during 2017/18

Perth College
Notes to the Accounts for the year ended 31 July 2018

13 Tangible Fixed Assets (College only)

	Freehold Land and Buildings £000	Equipment £000	Total £000
Cost or Valuation			
At 1 August 2017	35,580	4,408	39,988
Additions	<u>1,627</u>	<u>-</u>	<u>1,627</u>
At 31 July 2018	<u>37,207</u>	<u>4,408</u>	<u>41,615</u>
Depreciation			
At 1 August 2017	2,387	4,180	6,566
Charge for year	<u>(1 385)</u>	<u>59</u>	<u>(1 326)</u>
At 31 July 2018	<u>1,002</u>	<u>4,238</u>	<u>5,240</u>
Net book value			
At 31 July 2018	<u>36,205</u>	<u>170</u>	<u>36,375</u>
Net book value			
At 1 August 2017	<u>33,193</u>	<u>228</u>	<u>33,421</u>
Inherited	5,749	-	5,749
Financed by capital grant	5,160	107	5,266
Other	25,296	63	25,359
Net book value			
At 31 July 2018	<u>36,205</u>	<u>170</u>	<u>36,375</u>

Land and buildings were revalued during the year and depreciated replacement cost by J & E Shepherd (Chartered Surveyors). Other tangible fixed assets inherited from the Local authority at incorporation have not been valued.

Inherited Land and buildings with a net book value of £5.7M have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council to surrender the proceeds.

Perth College
Notes to the Accounts for the year ended 31 July 2018

13 Tangible Fixed Assets (College only) (continued)

If inherited land and buildings had not been valued they would have been included at the following amounts:

	£000
Cost	-
Aggregate depreciation based on cost	-
Net book value based on cost	<u>-</u>

14 Investments

	College Year ended 31 July 2018 £000	College Year ended 31 July 2017 £000
Investments in subsidiary company	<u>20</u>	<u>20</u>

The college owns 100% of the issued ordinary £1 shares of Air Service Training (Engineering) Limited, a company incorporated in Great Britain and registered in Scotland.

The principal business activity of Air Service Training (Engineering) Limited is the provision of training and education in the field of aeronautical engineering.

In the year to 31st July 2018, the Company made an operating profit before tax of £206k and had a net asset position of £23k at that date.

15 Debtors

	Group Year ended 31 July 2018 £000	College Year ended 31 July 2018 £000	Group Year ended 31 July 2017 £000	College Year ended 31 July 2017 £000
Amounts falling due within one year				
Trade Debtors	743	344	506	249
Amounts owed by group undertakings:				
Subsidiary undertaking	-	234	-	20
Prepayments and accrued income	451	393	666	615
	<u>1,194</u>	<u>971</u>	<u>1,172</u>	<u>884</u>

Perth College

Notes to the Accounts for the year ended 31 July 2018

16 Deferred taxation

	Group Year ended 31 July 2018 £000	College Year ended 31 July 2018 £000	Group Year ended 31 July 2017 £000	College Year ended 31 July 2017 £000
The deferred tax included in the Balance Sheet is as follows:				
Included in debtors/creditors (Note 15/17)	4	-	-	-
The movement in the deferred taxation account during the year was:				
At 1 August 2016	-	-	-	-
Profit and loss account movement arising during the year	4	-	-	-
At 31 July 2017	4	-	-	-
The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:				
Other timing differences	-	-	-	-

17 Creditors - amounts falling due within one year

	Group Year ended 31 July 2018 £000	College Year ended 31 July 2018 £000	Group Year ended 31 July 2017 £000	College Year ended 31 July 2017 £000
Bank loans and overdrafts	300	300	400	400
Trade creditors	511	459	458	411
Amounts owed to group undertakings:				
Other creditors	208	179	169	154
Other taxation and social security	326	299	339	310
Accruals and deferred income	3,694	2,772	3,000	2,073
Deferred income - capital grants	197	197	197	197
Unspent student support funds	293	293	279	279
	<u>5,529</u>	<u>4,499</u>	<u>4,842</u>	<u>3,824</u>

18 Creditors - amounts falling due after more than one year

	Group Year ended 31 July 2018 £000	College Year ended 31 July 2018 £000	Group Year ended 31 July 2017 £000	College Year ended 31 July 2017 £000
Bank of Scotland term loan	-	-	300	300
Deferred income - capital grants	5,266	5,266	5,463	5,463
	<u>5,266</u>	<u>5,266</u>	<u>5,763</u>	<u>5,763</u>

19 Borrowings

	Group Year ended 31 July 2018 £000	College Year ended 31 July 2018 £000	Group Year ended 31 July 2017 £000	College Year ended 31 July 2017 £000
Repayable loans				
The Repayable loans are repayable as follows:				
In one year or less	300	300	400	400
Between one and two years	-	-	300	300
Between two and five years	-	-	-	-
	<u>300</u>	<u>300</u>	<u>700</u>	<u>700</u>

The term loan taken out with the Bank of Scotland is secured over the property known within the Standard Security as the Student Accommodation, Perth College, Brahan Campus, Crieff Road, Perth. The loan is repayable over 5 years and carries an interest rate of 4.38% p.a.

Perth College
Notes to the Accounts for the year ended 31 July 2018

20 Pension Provisions

	Group and College	
	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
At 1 August	8,979	9,069
Movement	<u>(6,096)</u>	<u>(90)</u>
At 31 July	<u><u>2,883</u></u>	<u><u>8,979</u></u>

The provision is solely in relation to defined benefit obligations relating to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in note 23.

21 Deferred capital grants included within creditors

	Government £000	Non Government £000	Total £000
Balance at 1 August			
Land and buildings	686	4,852	5,538
Equipment	37	85	122
Cash received			
Land and buildings	-	-	-
Released to income and expenditure account			
Land and buildings	(182)	0	(182)
Equipment	(15)	-	(15)
At 31 July			
Land and buildings	<u>504</u>	<u>4,852</u>	<u>5,356</u>
Equipment	<u>22</u>	<u>85</u>	<u>107</u>
	<u><u>526</u></u>	<u><u>4,937</u></u>	<u><u>5,463</u></u>

22 Cash and cash equivalents

	At 1 August 2017 £000	Cash flows £000	At 31 July 2018 £000
Cash and cash equivalents	1,411	777	2,188
Total	<u><u>1,411</u></u>	<u><u>777</u></u>	<u><u>2,188</u></u>

Perth College
Notes to the Accounts for the year ended 31 July 2018

23 Defined benefit obligations

The College's employees belong to two principal post-employment benefit schemes: the Scottish Teachers Superannuation Scheme (STSS) and Tayside Superannuation Scheme, the Local Government Pension Scheme (LGPS), which is managed by Dundee City Council. Both are multi-employer defined-benefit schemes.

Total pension cost for the year	2018	2017
	£000	£000
Scottish Teachers' Superannuation Scheme: contributions paid	1,118	1,068
Local Government Pension Scheme:		
Contributions paid	920	871
FRS102 (28) charge	<u>979</u>	<u>817</u>
Charge to the Statement of Comprehensive Income	1,899	1,688
Total pension cost for year within staff costs	<u><u>3,017</u></u>	<u><u>2,756</u></u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal valuation of the STSS was 31 March 2012 and of the LGPS 31 March 2014.

Scottish Teachers' Superannuation Scheme

The STSS is an unfunded multi-employer defined benefit scheme. It is accepted that the treatment can be as a defined contribution scheme as the STSS is unable to identify its share of the underlying assets and liabilities of the scheme. As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the schemes actuaries at a level to meet the costs of the pensions as they accrue.

Under the definitions set out in FRS102 (28.11), the STSS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS102 and has accounted for its contributions as if it were a defined contribution scheme.

The current contribution paid by Perth College for the year was 17.2%.

Local Government Pension Scheme (Tayside Superannuation Fund)

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contributions made for the year ended 31 July 2018 were £1,217k, of which employer's contributions totalled £920k and employee's contributions totalled £297k. The agreed contribution rates for future years are 17% for employers and range from 5.5% to 11.2% for employees, depending on salary.

In previous years the College claimed multi-employer exemption in relation to its participation in the Tayside Superannuation Fund and as such did not apply the provisions of the previous reporting standard FRS17 (Retirement Benefits). On transition to FRS102 the College has fully applied the accounting provisions in relation to defined benefit plan pension costs. This is consistent with other employers within the fund and reflects actuarial advice that scheme assets can be tracked in a consistent and reasonable basis.

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Perth College
Notes to the Accounts for the year ended 31 July 2018

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2014 updated to 31 July 2018 by a qualified independent actuary.

	At 31 July 2018	At 31 July 2017
Discount rate	2.65%	2.7%
Pension increases	2.35%	2.7%
Salary increases	3.35%	3.7%
Inflation assumption (CPI)	2.35%	2.7%
Commutation of pensions to lump sums	50%	50%

The assumed life expectations from age 65 are:

	At 31 July 2018	At 31 July 2017
	years	years
<i>Retiring today</i>		
Males	20.3	21.5
Females	22.3	23.5
<i>Retiring in 20 years</i>		
Males	22.1	23.7
Females	24.1	25.8

The College's estimated share of assets in the scheme at the balance sheet date were:

	Fair value as at	
	31 July 2018	31 July 2017
	£000	£000
Equities	20,653	17,944
Gilts	1,576	1,688
Other bonds	3,200	2,680
Property	3,494	2,549
Cash	475	316
Alternatives	7	-
Total fair value of scheme assets	<u>29,405</u>	<u>25,177</u>

The return on the Fund for the year to 31 July 2019 is estimated to be 11%

Actual return on scheme assets	<u>2,897</u>	<u>3,337</u>
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Perth College

Notes to the Accounts for the year ended 31 July 2018

The amount included in the balance sheet in respect of the defined benefit pension scheme is as follows:

	2018	2017
	£000	£000
Fair value of scheme assets	29,405	25,177
Present value of scheme liabilities	(31,046)	(32,720)
Present value of unfunded liabilities	(1,242)	(1,436)
Net pensions (liability) (Note 20)	<u>(2,883)</u>	<u>(8,979)</u>

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

	2018	2017
	£000	£000
Amounts included in staff costs		
Current service cost	1,657	1,452
Finance charges	230	225
Admin expenses	12	11
Total	<u>1,899</u>	<u>1,688</u>

Amounts included in investment income

Net interest income	-	-
	<u>-</u>	<u>-</u>

Amount recognised in Other Comprehensive Income

Return on scheme assets in excess of interest	2,209	2,775
Change in financial assumptions	2,070	(1,831)
Experience (loss)/gain on defined benefit obligation	333	(37)
Other Actuarial Gains/Losses	749	
Change in Demographic Assumptions	1,714	
Amount recognised in Other Comprehensive Income	<u>7,075</u>	<u>907</u>

Movement in net defined benefit (liability) during the year

	2018	2017
	£000	£000
Net defined benefit (liability) in scheme at 1 August	(8,979)	(9,069)
Movement in year:		
Current service cost	(1,657)	(1,452)
Employer contributions	920	871
Net interest on the defined (liability)	(230)	(225)
Administration expenses	(12)	(11)
Actuarial gain or loss	7,075	907
Net defined benefit (liability) at 31 July	<u>(2,883)</u>	<u>(8,979)</u>

Perth College
Notes to the Accounts for the year ended 31 July 2018

Asset and liability reconciliation

	2018	2017
	£000	£000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	34,156	30,478
Current service cost	1,657	1,452
Interest cost	918	787
Change in financial assumptions	(2,070)	1,831
Change in demographic assumptions	(1,714)	
Experience loss on defined benefit obligations	(333)	37
Estimated benefits paid net of transfers in	(513)	(597)
Contributions by Scheme participants and other employers	297	276
Unfunded pension payments	(110)	(108)
Defined benefit obligations at end of period	<u>32,288</u>	<u>34,156</u>

	2018	2017
	£000	£000
Changes in fair value of Fund assets		
Fair value of Fund assets at start of period	25,177	21,409
Interest on assets	688	562
Return on assets less interest	2,209	2,775
Other Actuarial Gains/Losses	749	
Administration expenses	(12)	(11)
Contributions by employer including unfunded	920	871
Contributions by Scheme participants and other employers	297	276
Estimated benefits paid plus unfunded net of transfers in	(623)	(705)
Fair value of Fund assets at end of period	<u>29,405</u>	<u>25,177</u>

Perth College
Notes to the Accounts for the year ended 31 July 2018

24 Post balance sheet events

There are no post balance sheet events to report.

25 Capital commitments

	Group and College	
	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Commitments contracted for at 31 July	<u>-</u>	<u>-</u>
Authorised but not contracted for at 31 July	<u>-</u>	<u>-</u>

26 Lease obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	Group Year ended 31 July 2018 £000	College Year ended 31 July 2018 £000	Group Year ended 31 July 2017 £000	College Year ended 31 July 2017 £000
Future minimum lease payments due				
Land and Buildings				
Expiring within one year	138	30	138	30
Expiring within two and five years inclusive	-	-	138	30
Other				
Expiring within one year	76	76	25	25
Expiring within two and five years inclusive	-	-	76	76
Total	<u>214</u>	<u>106</u>	<u>377</u>	<u>161</u>

27 Contingent liability

The College and Air Service Training (Engineering) Limited has executed a Corporate Guarantee under which each Borrower guarantees the payment of all Indebtedness now or in the future owing by each Borrower to Bank of Scotland.

Perth College
Notes to the Accounts for the year ended 31 July 2018

28 Related party transactions

Due to the nature of the College's operations and the composition of the 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 Board of Management may have an interest. All transactions involving organisation in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. Transactions during the year with non-public bodies in which a member of the Board of Management may have a material interest and which in aggregate exceeded £5,000 are noted below:

Company	Member(s)	Contract	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
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*The Perth College Development Trust 2004 was established to provide financial and other assistance for Perth College and its students. There are therefore transactions between the two entities. Perth College nominates Trustees to the board of the Trust and administers the Trust on a day to day basis.

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29 Bursaries and other student support funds

	Bursary £000	FE H'ship £000	EMAs £000	Other £000	Year ended 31-Jul-18 Total £000	Year ended 31-Jul-17 Total £000
Balance brought forward	160	38	-	6	204	120
Allocation received in year	2,100	81	137	112	2,430	2,485
Expenditure	(2,100)	(81)	(137)	(112)	(2,430)	(2,254)
Repaid to SFC/UHI (Clawback)	-	-	-	-	-	(91)
Virements	-	-	-	-	-	(56)
Balance carried forward	<u>160</u>	<u>38</u>	<u>(0)</u>	<u>6</u>	<u>204</u>	<u>204</u>

Represented by:

Repayable to SFC/UHI as clawback	160	20	-	6
Retained by College for students	-	18	-	-

Bursary funds, Higher Education Hardship, Further Education Hardship and Education Maintenance Allowances (EMAs) are available solely for students; the college acts only as a paying agent. The income and related disbursements are therefore excluded from the Income and Expenditure Account.

30 Childcare funds

	Year ended 31-Jul-18 Total £000	Year ended 31-Jul-17 Total £000
Balance brought forward	63	35
Allocation received in year	489	429
Expenditure	(489)	(457)
Repaid to SFC (Clawback)	-	-
Virements	-	56
Balance carried forward	<u>63</u>	<u>63</u>

Represented by:

Repayable to SFC as clawback	28	28
Retained by College for students	35	35

The income and related disbursements are included in the Income and Expenditure Account.

Perth College Annual Audit Report

Year ended 31 July 2018

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28 November 2018

Section	Appointed auditor responsibility	Pages
Executive summary		1-3
Financial statements accounting and audit matters	Provide an opinion on audited bodies' financial statements	4-7
	Review and report on, as appropriate, other information such as performance and accountability reports, including governance statement and remuneration report	8
Wider scope audit	Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies:	
	▸ arrangements for securing financial sustainability	14-16
	▸ suitability and effectiveness of corporate governance arrangements	17-18
Appendices	Undertake statutory duties, and comply with professional engagement and ethical standards:	
	Appendix A: audited bodies' responsibilities	20
	Appendix B: independence and audit quality	21-22
	Appendix C: required auditor communications	23-24
	Appendix D: action plan	25
	Appendix E: summary of audit differences	26

About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Auditor General for Scotland has appointed us as external auditor of Perth College (the College) for financial years 2016/17 to 2020/21. We undertake our audit in accordance with the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustees Investment (Scotland) Act 2005 and our responsibilities as set out within Audit Scotland's Code of Audit Practice (the Code), issued on 26 May 2016.

This report is for the benefit of the College and is made available to the Auditor General and Audit Scotland (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Diane McGiffen, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive Summary

Purpose of this report

In accordance with the section 21 of the Public Finance and Accountability (Scotland) Act 2000, the Auditor General for Scotland appointed EY as the external auditor of Perth College (the College) for the five year period 2016/17 to 2020/21. We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise our key findings and conclusions from our audit work. It is addressed to both members of the College and the Auditor General for Scotland, and presented to both College management and those charged with governance, identified as being the Board and the College's Audit and Risk Committee. After consideration by the College, this report is provided to Audit Scotland and published on their website.

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the College. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the College employs best practice and where processes can be improved. We use these insights to form our audit recommendations to support the College in improving its practices around financial management and control, as well as around key aspects of the wider scope dimensions of audit. These are highlighted throughout the report together with our judgements and conclusions regarding arrangements.

Scope and responsibilities

The Code sets out the responsibilities of both the College and the auditor. We provided details of these in our Annual Audit Plan, which was presented to the Audit and Risk Committee on 22 May 2018. We summarise these responsibilities in Appendix A.

Our Annual Audit Plan set out an overview of our audit scope and approach for the audit of the 2017/18 financial statements. We carried out our audit in accordance with the plan. We applied the materiality levels below to our audit, as outlined in our audit plan and based on our consideration of the key risks and issues facing the College and its financial statements. We reassessed materiality on receipt of the draft financial statements and at the conclusion of our audit work, and concluded the levels identified during our planning work remained appropriate.

▶ Materiality for our audit - no change to that reported in our Annual Audit Plan	£440,000
▶ Tolerable Error is our materiality applied at an individual account balance - no change	£330,000
▶ Reporting threshold, set in line with the requirements of the Code - no change	£22,000

Financial statement audit

We are responsible for conducting an audit of the financial statements of the College. We provide an opinion on the financial statements as to whether:

- ▶ they 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 affairs of the College and Group as at 31 July 2018 and its deficit for the year then ended;
- ▶ they have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder issued 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).

We also review and report on other information prepared and published by the College along with its financial statements.

Wider scope audit

Our responsibilities extend beyond the audit of the financial statements. The Code requires auditors to provide judgements and conclusions on the dimensions of wider-scope public audit that are relevant for each body. As outlined in our audit plan, the College qualifies as a “smaller body” in line with Audit Scotland guidance, therefore our wider-scope work covers the arrangements in respect of financial sustainability and governance and transparency.

Key contacts

Stephen Reid, Partner
sreid2@uk.ey.com

Rob Jones
rjones9@uk.ey.com

Ernst & Young LLP, Atria One, 144 Morrison Street, Edinburgh EH3 8EX

Independence

We confirm that we have undertaken client and engagement continuance procedures, included in which is our assessment of our continuing assessment of our independence to act as your external auditor.

Financial statements audit

We [\[have issued\]](#) an unqualified audit opinion on the College’s consolidated financial statements. We have concluded satisfactorily in respect of each of the significant risks and audit focus areas identified in our Annual Audit Plan. Completed draft financial statements, including the Performance Report, Accountability Report and Remuneration and Staff Report were received on 14 November, after the onsite audit work. We recognise the College finance team experienced significant turnover in the year, in particular with three heads of finance. This impacted management’s capacity to provide the financial statements in line with the initially agreed timetable. We have agreed with management that for 2018/19 a detailed timetable for the financial statement preparation process will be agreed. We made a number of suggestions to enhance the presentation and readability, and to ensure compliance with disclosure requirements. [\[Management responded positively to audit comments and addressed all material matters in the finalised version of the financial statements.\]](#)

Management made a number of adjustments following the start of our onsite audit work. We identified no audit differences arising from our audit work, There is no impact on the income and expenditure account from the unadjusted difference.

Wider scope audit – key messages

We set out below our key messages in respect of the dimensions we consider for the College based on our scope of work outlined in our Annual Audit Plan, along with our overall assessment of each of these in terms of red / amber / green. Our assessment is built on our consideration of the risks facing the College, the extent to which these are mitigated by the College’s processes and controls, and our assessment of management’s process in implementing recommendations from the 2016/17 audit, where appropriate.

Financial sustainability	<ul style="list-style-type: none"> ▶ The financial environment in which the College operates continues to be challenging, with significant uncertainty going forward around both key income and expenditure sources, in particular around future increases to staff costs through national bargaining and future SFC funding. ▶ Management is sighted on the requirement for savings to be delivered over the next five years and has begun reviewing possible avenues for delivering these, including increasing income through commercial partnerships and funding and reducing costs through review of teaching arrangements and management structure. As the College develops these plans it is important these are quantified in a detailed medium term financial plan which aligns to FFR’s and strategic and operational plans for the next five years. 	Amber
Governance and transparency	<ul style="list-style-type: none"> ▶ The College has a number of the key requirements in place for good governance and transparency. The College has committed to transparency in its operations, including sharing information on the College website. ▶ [The College has identified no areas of non-compliance with the Scottish Code of Good Governance in its Governance Statement.] 	Green

2. 2017/18 financial statements audit

2. Summary of 2017/18 audit opinion



The detailed form and content of our audit report, and the requirements underpinning the report, are set out in guidance issued by Audit Scotland. This covers our reporting requirements in accordance with International Standards on Auditing (UK), plus those matters prescribed by the Code.

Element of Audit opinion	Nature of opinion and basis for that
Opinion on financial statements	Unqualified opinion
<ul style="list-style-type: none"> ▶ Truth and fairness of the state of affairs of the College and Group at 31 July 2018 and of the deficit for the year then ended ▶ Preparation of the financial statements in accordance with the relevant financial reporting framework 	<ul style="list-style-type: none"> ▶ Performance of audit procedures to respond to our assessed risk of misstatement, including significant risks ▶ Accounting policies are appropriate and estimates are reasonable ▶ Completion of financial statement disclosure checklists / consideration of relevant guidance issued by Audit Scotland
Conclusions relating to the going concern basis of accounting	No matters to report
<ul style="list-style-type: none"> ▶ The use of the going concern basis of accounting used in the preparation of the financial statements is not appropriate 	<ul style="list-style-type: none"> ▶ Supported by our core financial statements audit work, supplemented by our wider scope audit procedures in respect of financial sustainability
Other information in the financial statements	No matters to report
<ul style="list-style-type: none"> ▶ We are required to consider whether the other information in the financial statements is materially inconsistent with the annual accounts or our knowledge obtained in the audit 	<ul style="list-style-type: none"> ▶ Review of committee minutes and papers / discussions with management / understanding of the business
Opinions on matters prescribed by Audit Scotland	Unqualified opinions
<ul style="list-style-type: none"> ▶ The audited part of the Remuneration and Staff Report has been properly prepared in accordance with applicable regulations ▶ Information in the Accountability Report / Annual Governance Statement is consistent with the financial statements, and prepared in accordance with the relevant guidance 	<ul style="list-style-type: none"> ▶ We agreed the form of the report to the regulations and agreed the disclosures to underlying accounting records and supporting schedules ▶ We reviewed the content of the narrative statements to the information known to us in the audit, and against the requirements of the guidance
Matters on which we are required to report by exception	No matters to report by exception
<ul style="list-style-type: none"> ▶ Whether adequate accounting records have been kept ▶ Whether financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records ▶ Whether we have not received the information we require for our audit 	<ul style="list-style-type: none"> ▶ We were provided with all the information we required ▶ We have been able to agree information to the accounting records

The annual financial statements enables the College to demonstrate its accountability for the resources at its disposal, and its overall performance in the application of those resources during the year. They also enable the College to demonstrate openness and transparency in its governance and remuneration arrangements.

Financial Statement preparation 2017/18

Compliance with requirements

As part of our oversight of the College's financial reporting process, we report on our consideration of the quality of working papers and supporting documentation prepared predominantly by the finance team to support the audit.

The financial statements were prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder issued 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).

Presentation and quality of financial statements

Management provided completed draft financial statements, including the Performance Report, Accountability Report and Remuneration and Staff Report on 14 November, after the onsite audit work. In our 2016/17 audit report we noted the importance of providing complete financial statements, including front end narrative sections, at the start of the audit. We recognise the College finance team has experienced significant turnover in the year, in particular with three heads of finance through the financial year, and this has had an impact on management's capacity to provide the financial statements in line with the initially agreed timetable. We have agreed with management that for 2018/19 a detailed timetable for the financial statement preparation process will be agreed.

The draft financial statements provided by management were comparable in quality with the prior year audit. We made a number of suggestions to enhance presentation and readability, and to ensure compliance with disclosure requirements. In particular, the financial statements required a number of updates to ensure compliance with the new requirements as outlined in the SFC's 2017/18 Accounts Direction. [\[Management responded positively to audit comments and addressed all material matters in the finalised version of the financial statements, pending our review of the final financial statements and associated governance checklist.\]](#) While the financial statements are materially compliant with the requirements outlined in the SFC 2017/18 Accounts Direction, FE SORP and FRS 102, the readability and usefulness to the reader should be an ongoing area of focus and improvement in future years.

Audit differences

Management made a number of adjustments following the start of our onsite audit work in relation to the valuation at 31 July 2018 of property, plant and equipment. We identified no audit differences arising from our audit work, There is no impact on the income and expenditure account from the unadjusted difference.

The annual financial statements enables the College to demonstrate its accountability for the resources at its disposal, and its overall performance in the application of those resources during the year. They also enable the College to demonstrate openness and transparency in its governance and remuneration arrangements.

Financial Statement preparation 2017/18: Other areas

Arms Length Foundation (ALF)

As a result of the reclassification of Scotland's Colleges from 1 April 2014, Arm's Length Foundations (ALF) were set up in order that any reserves were not required to be returned to the Scottish Government. Perth College transferred assets to the Scottish Colleges Foundation. At 31 July 2018 approximately £116,000 remained in the ALF. This is to be awarded by the ALF to applicants in line with the ALF's charitable objectives. The governance arrangements between colleges and ALFs across the sector is an area of increased focus in 2017/18, in particular around the independence of the ALF and influence college's can extend over their operations.

We have re-assessed the independence of the ALF for the year ended 31 July 2018 to consider the requirement for consolidation of the ALF into the College financial statements. We have concluded that the ALF is independent of the College based on a number of factors:

- ▶ There is a board of Trustees which is independent of the College; no trustees are appointed by the College
- ▶ All applications for funding from the ALF are reviewed against the ALF's charitable objectives
- ▶ Day to day management of the ALF is not delegated to, and does not involve, management from the College

We have also considered that should the College be deemed to have exercised significant influence or control over the ALF, based on the financial position at 31 July 2018 and the 2017/18 financial transactions, the ALF would not be considered material to the College's financial statements.

Consolidated financial statements and subsidiary audit arrangements

The College prepares group financial statements, consolidating the results of the College and its subsidiary undertakings, AST (Trading) Limited. We are satisfied that the consolidated financial statements have been prepared appropriately with inter-company transactions eliminated in line with accounting requirements. We have also completed the audit of the subsidiary stand alone financial statements and [\[have issued\]](#) an unqualified audit opinion.

We have considered the arrangements in respect of the Perth College Development Trust (the Trust), and concluded that, in line with the prior year, it remains appropriate to not consolidate the Trust's financial statements into the College group financial statements. This is on the basis of the Trust being independent through its Trustee arrangements. The Trust financial position at 31 July 2018 is also immaterial to the College's financial statements.

2. 2017/18 financial statements audit



The annual financial statements enables the College to demonstrate its accountability for the resources at its disposal, and its overall performance in the application of those resources during the year. They also enable the College to demonstrate openness and transparency in its governance and remuneration arrangements.

Opinions on matters prescribed by the Audit Scotland

Performance Report: In accordance with the Code, we review the information contained within the Performance Report and confirm that this is consistent with the information reported within the financial statements. Audit Scotland requires us to also express an opinion on whether the Performance Report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

We are satisfied that the information within the Performance Report is consistent with the financial statements and has been prepared in accordance with applicable requirements.

Accountability Report, including the Governance Statement: Audit Scotland requires us to read the information in the Governance Statement and express an opinion on whether it is consistent with the financial statements and that it has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

We have reviewed the Governance Statement and provided commentary to management around enhancing the layout and structure of the information, including the requirement to include committee attendance. See further commentary within governance and transparency section of wider-scope. We are satisfied that the information with the Accountability Report is consistent with the financial statements and has been prepared in accordance with applicable requirements.

Remuneration and Staff Report: Auditors are required by the Code to audit the disclosures of remuneration and pension benefit, pay bands, and exit packages and express a separate opinion within their independent auditor's report on whether they have been properly prepared in accordance with the regulations.

We are satisfied that auditable part of the Remuneration and Staff Report has been properly prepared in accordance with regulations.

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

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.

2. Significant audit risks



Significant risk - risk of fraud in income and expenditure recognition: ISA (UK) 240 requires us to make a rebuttable presumption that the fraud risk from income recognition is a significant risk. In the public sector, we extend that to consider the risk of material misstatements by manipulation of expenditure.

Our overall approach

As set out in our Annual Audit Plan, given the nature of funding to the College from the Scottish Funding Council (SFC), we rebutted the assumed fraud risk in respect of this income stream. However we recognised a revenue recognition risk for tuition income and other material income in respect of possible manipulation of cut-off around the financial year end.

We also recognised the same risk around incorrect recognition of non-pay expenditure in line with Practice Note 10.

What did we do in response to the significant risk?

We undertook the following procedures as part of our audit:

- ▶ Reviewed and tested revenue and expenditure recognition policies against the relevant accounting standards and the SORP
- ▶ Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias
- ▶ Developed a testing strategy in respect of material revenue and expenditure streams:
 - ▶ For tuition fees and education contracts, we performed an analytical review of the key movements in the year and substantive testing across a sample of contracts to ensure appropriate recognition
 - ▶ For SFC and other funding body grant income we reviewed all material grant funding recognised in the year for any indicators of either claw-back or that the terms and conditions of the financial memorandum have not been complied with in all material respects
 - ▶ For other income and expenditure, we performed an analytical review of movements and selected key item and representative samples for testing, and obtained the third party evidence along with confirmation of the balance received / receivable by the College.
- ▶ We performed focused additional testing around income and expenditure transactions posted nearer to the year end to gain comfort that any material items are recorded in the correct accounting period. In particular we focused on material income transactions incurred after 31 July, but included in the 2017/18 financial ledger, and material expenditure transaction incurred before 31 July but deferred into 2018/19
- ▶ We reviewed and tested a sample of debtor balances at the year end, including any material balances. We undertook an assessment of aged balances held on the balance sheet at year end including investigation of unusual items, such as those past payment due date
- ▶ We tested an extended sample of year end income and expenditure accruals held on the balance sheet at 31 July. We obtained evidence to support management's conclusion that balances related to transactions in respect of the financial year in question

What are our conclusions?

Our testing has not identified any material misstatements relating to revenue and expenditure recognition. We did not identify any areas of significant estimation or judgement as part of our audit work in these areas.

2. Significant audit risks (cont.)



Significant risk - management override: As identified in ISA 240, management is in a unique position to perpetrate fraud in its financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively.

We respond to this risk on every engagement

Audit procedures performed	What did we find?
<p>We gave consideration to the risk of fraud, inquiring of management about their assessment of the risks of fraud and the controls put in place to address those risks. We also updated and developed our understanding of the oversight of those charged with governance over management's processes over fraud.</p>	<p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>As part of the audit process we wrote to the chair of the Audit and Risk Committee to make inquiries around both the governance arrangements at the College and any instances or possible non-compliance identified in the year. Those charged with governance identified through their response no instances of non-compliance. They also did not draw to our attention to any significant matters or material weaknesses or concerns in respect of the College's governance arrangements.</p>
<p>Test the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and used our bespoke data analysers to identify any unusual journal types or amounts based on our identified risk areas for the audit. We then tested a sample of these journals, understood their purpose and agreed and corroborated them to supporting documentation.</p>
<p>Review accounting estimates for evidence of management bias, including management's retrospective consideration of prior year estimates.</p>	<p>We identified and considered the appropriateness of key accounting estimates, including provisions, and their susceptibility to bias. Management has disclosed their consideration of the critical accounting judgements and key estimates in the financial statements. We have reviewed these and agree with the detail of the assessment performed.</p>
<p>Evaluate the business rationale for any significant unusual transactions</p>	<p>We did not identify any significant unusual transactions outside the normal course of business.</p>
<p>Consistency and application of accounting policies / overall presentation of financial information</p>	<p>We consider the accounting policies adopted by the College to be appropriate. There are no significant accounting practices which materially depart from what is acceptable under FRS 102 or the SORP.</p>

What are our conclusions?

We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.

There was no disagreement during the course of the audit over any accounting treatment or disclosure. We encountered no significant difficulties in the audit through our interaction with management.

2. Other inherent risks



Valuation of property, plant and equipment: Our overall approach

The value of property, plant and equipment (“PPE”) represents a significant balance on the College’s balance sheet and is subject to valuation changes, depreciation charges and possible impairment. The total value of the College estate at 31 July 2018 was £37 million (2017: £33.6 million), and was subject to a full revaluation at 1 August 2018, with an interim revaluation due again in 2021.

As set out in our Annual Audit Plan, given that a number of assumptions are used in valuing property, plant and equipment, we assigned a higher inherent risk to the valuation of PPE at 31 July 2018.

What did we do in response to the risk?

We undertook the following procedures as part of our audit:

- ▶ We reviewed the valuation of the College estate at 1 August 2018 completed by the external specialists engaged by the College. We assessed their independence and expertise to complete the valuation exercise, and challenged the key assumptions included in the valuation. We agreed the valuation to the underlying accounting records
- ▶ We reviewed the College’s backlog maintenance plans, including consideration of possible indicators of impairment of the existing estate, and whether backlog maintenance expenditure in the year had been correctly accounted for as capital or revenue expenditure
- ▶ We agreed the PPE balances disclosed in the financial statements to underlying accounting records, in particular the College’s fixed asset register
- ▶ We tested a sample of additions and disposals in the year, considering the appropriateness of capitalisation in line with the College’s accounting policies and to ensure the correspondingly replaced assets had been appropriately disposed
- ▶ We considered any material capital grant income to supporting documentation and consideration of the appropriateness of recognition against the terms of any grant conditions, the College’s own accounting policies and the applicable accounting standards.

What are our conclusions?

The valuation of the College estate in 2017/18 resulted in an increase of £4 million. We were satisfied with the results of our inquiries of both management and management’s external specialist.

Our testing has not identified any material misstatements relating to property, plant and equipment.

2. Other inherent risks (cont.)



Accounting for retirement benefits: Our overall approach

In line with accounting standards, the College recognises the cost of retirement benefits provided to its staff in the reported cost of service when they are earned by the employee and not when the pension benefits are actually paid.

The College's employees belong to two principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS) and the Tayside Pension Scheme (LGPS). The present value of Unfunded Obligations in relation to early retirements agreed in previous years is £1.2 million (2016/17: £1.4 million). As at 31 July 2018, the College's share of the pension scheme net liability is £2.8 million (2016/17: £8.9 million).

The information disclosed is based on the FRS 102 report issued to the College by the actuary appointed by the Tayside Pension Fund. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do in response to the risk?

As a result of the thematic review performed by the Financial Reporting Council, there has been an increase in focus in accounting for retirement benefits and, as such, auditors have additional requirements to address in completing and concluding on the valuation of these balances. We undertook the following procedures as part of our audit:

- ▶ Obtained the actuarial report at the year end date for the scheme and utilised our in-house experts to assess both the robustness of the methodology used to derive the key actuarial assumptions, and the reasonableness and consistency of the assumptions underpinning such reports
- ▶ We wrote to the actuaries of the pension scheme to confirm their independence and expertise to ensure this was appropriate and sufficient for the purposes of preparing their FRS 102 report
- ▶ We wrote to the auditor of the Pension Fund to gain assurance over the completeness, existence and valuation of the assets at 31 March 2018, as well as the processes and controls to ensure accurate information is obtained in respect of the College's share of fund assets
- ▶ We performed additional testing on the College's share of the fund pension assets at 31 July, performing roll forward procedures on its share of assets from 31 March to the College balance sheet date
- ▶ We reviewed the calculation of the College's valuation of future early retirement liabilities at 31 July and completed integrity testing over the inputs into the calculation

What are our conclusions?

We concluded that we were able to rely on the work of management's specialists - the pension fund actuaries - and were satisfied that the actuarial assumptions used in the preparation of the FRS 102 report were appropriate. These include the assumptions directed to be used by management (such as assumptions over future salary cost increases).

We obtained relevant assurances from the pension fund auditor to support our conclusions.

Our testing has not identified any material misstatements relating to future early retirement liabilities.

3. Wider scope audit

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Amber

- ▶ The financial environment in which the College operates continues to be challenging, with significant uncertainty going forward around both key income and expenditure sources, in particular around future increases to staff costs through national bargaining and future SFC funding.
- ▶ Management is sighted on the requirement for savings to be delivered over the next five years and has begun reviewing possible avenues for delivering these, including increasing income through commercial partnerships and funding and reducing costs through review of teaching arrangements and management structure. As the College develops these plans it is important these are quantified in a detailed medium term financial plan which aligns to FFR's and strategic and operational plans for the next five years.

Elements of financial sustainability, and our assessment of the College's arrangements

We consider whether:

- ▶ The College's revenue and capital outturn for 2017/18 was in line with the approved budgets, with material changes to budgets identified and reported?
- ▶ The College has a medium term financial strategy and plan which takes into account risks and uncertainties?
- ▶ The College has arrangements to address any identified funding gaps?

The context for financial sustainability

In June 2018, Audit Scotland published their report *Scotland's colleges 2018*. This report provided an overview of the college sector in Scotland and provided an update on college finances across the sector. The report highlighted that while the college sector's underlying financial position improved in 2016/17, several colleges face significant financial challenges. Scotland's 20 incorporated colleges reported an overall underlying financial surplus for 2016/17 of £0.3 million. This compares to an underlying deficit of £8 million in 2015/16. Across the sector, the cash held by colleges increased by 13 per cent in 2016/17 and the net value of their assets - such as land and property, compared against financial liabilities such as pension costs - grew by 10%. However, these sector-wide increases mask significant variations between colleges.

The report noted that several factors pose a risk to colleges' financial sustainability, including: the future impact of national bargaining for support staff; uncertainties around long-term funding of improved employment terms; the cost of maintaining buildings and land; and the potential impact of leaving the European Union.

The SFC's 2017 estates condition survey indicates that college buildings require urgent and significant investment. The survey estimates a backlog of repairs and maintenance over the next five years of up to £360 million. The SFC is providing £27 million of capital funding to colleges in 2018/19 to cover the very high priority needs identified in the condition survey.

2017/18 College financial position

The College reported an accounting deficit of £1.5 million for the year (2016/17: £6.4 million surplus). Following actuarial gains of £7.1 million, the College reported total comprehensive income of £5.6 million (2016/17: £7.4 million).

Elements of financial sustainability, and our assessment of the College's arrangements (cont.)

2017/18 College financial position (continued)

The 2017/18 budget was approved in the summer of 2017. The College budgeted for an underlying operating deficit of £470,000, excluding accounting transactions for FRS 102 pension adjustments and any property revaluations. The College's underlying operating position in 2017/18 showed a gain of just over £1 million after removal of costs in relation to non-cash transactions for fixed assets and pensions. As part of the submission of its financial forecast return ("FFR") for 2018/19, management outlined the key movements in the year between the College's 2017/18 budget and actual position. We have reviewed the movements against our understanding from our yearend audit work, and our review of the budget from the prior year audit. We consider the movements to be reasonable given the timing of variances crystallising and not indicative of underlying inaccuracies in the College's budget process.

Medium term financial strategy and plan

The College has prepared its five-year financial forecasts from 2018 to 2023 and submitted these to the SFC through its FFR. We have outlined the forecast position through to 2023.

Year	18/19 / £000's	19/20 / £000's	20/21 / £000's	21/22 / £000's	22/23 / £000's	Total
Accounting surplus / (deficit)	(245)	(745)	(910)	(1,320)	(1,444)	(4,664)
Underlying surplus / (deficit)	287	24	(145)	(552)	(672)	(1,058)
Forecast cash position at yearend	1,454	1,054	754	554	354	354

The five year projection forecasts two years of underlying surpluses followed by deficits from 2020 through to 2023. Overall the College forecasts an underlying deficit of £1 million across the five year period, however it is projecting maintaining a positive cash position throughout the period. Management has noted in its preparation of these forecasts a number of assumptions that could have a significant impact on the future financial position:

- ▶ Assumption around future SFC income is based on current instructions provided from the regional strategic body, including the forecast reductions in funding (and the College's associated share of this reduction) from 2021/22. This could still change as funding is confirmed on an annual basis
- ▶ Assumption that cost of living increases through the period remain at approximately 2%
- ▶ The College has correctly assumed capital funding for backlog maintenance for 2018/19 only, in line with SFC guidance, however has not forecast any additional funding from its own resources from 2019/20 onwards

Elements of financial sustainability, and our assessment of the College's arrangements (cont.)

Assessment of the College's Financial Forecast Return

We have reviewed the College's FFR submitted to the SFC for 2018/19 through 2022/23, as well as the underlying assumptions underpinning the return. The forecast submitted is based on robust management workings for the five year period and represent management's best estimate of the future position. The forecast financial position throughout the five year period shows a continuingly challenging environment for the College, in particular further out in the period as the SFC funding reductions forecast and increases in staff costs have a cumulative effect on the College's underlying position.

This position could be impacted significantly by changes to income and expenditure from that forecast in the period, given the materiality of the sensitivities in the forecast, as outlined on the previous page. In our view the assumptions used by management for the forecast period are not overly optimistic, and these sensitivities could impact the future performance of the College positively as well as negatively. However, the College projects to have £354,000 in cash at the end of the forecast period, against £124 million income during the period. It would not take a significant variance against current assumptions, combined with no effective action, to result in the College requiring cash flow support during the period.

The College has established a track record in recent years of identifying and delivering on required savings it needs to not exceed its income at an operating level, and is sighted of the requirements going forward in the next five years. The College is also forecasting operating surpluses for the period to July 2021, providing time to implement the required savings to address deficits in later years. However, given the savings achieved by the sector and the College in recent years, additional savings will be more challenging as more traditional approaches to reducing costs or increasing income have already been utilised.

Management is sighted on the requirement for savings to be delivered over the next five years and has begun reviewing possible avenues for delivering these, including increasing income through commercial partnerships and funding and reducing costs through review of its teaching arrangements and management structure. As it develops these plans it is important that these are quantified in a detailed medium term financial plan which aligns to FFR's and strategic and operational plans for the next five years. The College's future financial forecast should be reviewed, not just annually with each submission, but as significant updates are required as saving programmes are identified or assumptions crystalize. Any significant changes should be communicated to UHI as the regional strategic body, and the SFC as appropriate. Should sufficient savings not be identified to address forecast deficits in the next financial period, management should consider alternate action with the regional strategic body.

Recommendation one

Focus on EU withdrawal

Withdrawing from the European Union will have implications for the college sector. In October 2018 Audit Scotland published a paper setting out the key issues for the public sector. The issues were identified around the three themes of people, finances and rules and regulations.

The risks and opportunities presented by EU withdrawal will vary markedly between organisations. Some parts of the public sector are already experiencing an impact. Audit Scotland expects all public bodies to be assessing the potential impact of EU withdrawal on their organisation, and identifying any specific risks and how they will respond to them.

Discussions with management and review of Board papers has confirmed that the College is sighted on Brexit as likely to have an impact on both the further education and wider College sector, while recognising uncertainty as to the detail behind those risks. We have confirmed as part of our review of the College's medium term financial plan that it does not assume any future income through EU grant funding from 2018/19. Management has noted a risk around the impact of Brexit on EU student numbers, which could impact income through tuition fee reductions.

Outcomes from the Audit Scotland Overview Report

Audit Scotland published its overview report for the sector in June 2018. This included comparative data across all Colleges in the country and analysis of a number of key developments in the sector. No specific matters were raised in respect of the College.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

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- ▶ The College has a number of the key requirements in place for good governance and transparency. The College has committed to transparency in its operations, including sharing information on the College website.
- ▶ [The College has identified no areas of non-compliance with the Scottish Code of Good Governance in its Governance Statement.]

Elements of governance and transparency, and our assessment of the College's arrangements

We consider whether:

- ▶ Is the governance framework sound and arrangements operating effectively?
- ▶ Is there effective scrutiny, challenge and transparency on decision making?
- ▶ Is the Governance Statement complete and does it reflect key findings from audit, scrutiny and inspection?

Governance and transparency

While we have not identified any significant risks in relation to the College's governance arrangements through our audit planning, we consider the adequacy and effectiveness of the College's governance arrangements as part of our audit work, and the appropriateness of the related disclosures made in the financial statements around governance and transparency.

The Board is responsible for establishing robust governance arrangements. This includes ensuring effective systems of internal control, including arrangements to safeguard public money, and compliance with applicable laws and regulations.

The College has in place a number of the key requirements for good governance and transparency. We have reviewed Board minutes and papers and found these to set out clearly the matters considered and discussed. Standing Orders regulate how the business of the College is conducted. The Board has approved detailed terms of reference for its standing committees. The College publicises Board and standing committee agendas, minutes and papers on their website on a timely basis and information, including financial performance is generally clear and concise.

Internal audit

The College's internal audit service provides an important source of assurance to inform management and the Board's assessment of the College's governance arrangements. [We have reviewed the draft internal audit annual report for 2017/18. Internal audit's opinion for the year was based on its agreed audit plan for 2017/18, as approved by the Audit and Risk Committee. For 2017/18 the Internal Auditor's annual statement of assurance notes [TBC].]

Elements of governance and transparency, and our assessment of the College's arrangements (cont.)

Governance Statement

We reviewed the College's Governance Statement against the requirements outlined in the SFC's 2017/18 Accounts Direction. This includes the requirement to conclude on the College's compliance with the Scottish Code of Good Governance, or to explain any areas of non-compliance. We also considered management's arrangements for its own self-assessment over compliance with the Code. Management's assessment of compliance with the Code of Good Governance noted full compliance. We made a number of recommendations to enhance the presentation and disclosures in the Governance Statement to ensure it complied with the core disclosure requirements. [\[These have been addressed by management in the most up to date financial statements, pending completion of the UHI governance checklist by management.\]](#)

Risk management

The College's approach to risk management is set out within the risk management policy, which is available on the College website. This was formally approved by the College Board in 2016 and most recently reviewed in 2018. There is routine reporting of the College's risk register to the senior management team. The Audit and Risk Committee reviews the risk register on a routine basis and the Board considers the risk register as part of its agenda.

Enquiries of those charged with governance

During 2017/18 we formally wrote to the chair of the Audit and Risk Committee to make inquiries around the College's governance arrangements, including consideration by those charged with governance in respect of compliance with laws and regulations; identification of fraud, error and breaches of internal control; and material litigation and claims. We considered the response received from the chair of the Audit and Risk Committee against our wider understanding of the College and other inquiries made through the year. No significant matters were noted. This was in line with our understanding from corroborating procedures through the audit.

Severance payments

During 2017/18 the College made payments of £[xx] to two employees who left the College under severance agreements, as approved by the Regional Strategic Body and the SFC. These payments were also approved by the College's Remuneration Committee. We confirmed a sample of payments to evidence of approval from the committee, and agreed that they were consistent with SFC guidance around severance payments.

Audit Scotland national reports

It is important that the College has embedded arrangements to ensure that consideration is appropriately given to national reports published by Audit Scotland. This should include ensuring that management has evaluated the implications for the College and that the reports and assessment are shared with the board.

Discussions with management highlighted that national reports are reviewed by management and the impact on the College is considered. These are taken to the Board as and when deemed necessary.

Appendices

A - Code of Audit Practice: responsibilities

B - Independence and audit quality

C - Required communications

D - Action plan

E - Summary of audit differences

In our Annual Audit Plan, we provided a summary of the responsibilities on audited bodies falling within the public sector audit framework, as set out in the Code of Audit Practice (the Code).

Responsibilities of audited bodies	
Corporate governance	<p>Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.</p>
Financial statements and related reports	<p>Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:</p> <ul style="list-style-type: none"> ▶ preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation. ▶ maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures. ▶ ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority. ▶ maintaining proper accounting records. ▶ preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body. <p>Management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework.</p> <p>Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate Internal Audit and risk-management functions.</p>
Standards of conduct / prevention and detection of fraud and error	<p>Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
Financial position	<p>Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> ▶ such financial monitoring and reporting arrangements as may be specified ▶ compliance with any statutory financial requirements and achievement of financial targets ▶ balances and reserves, including strategies about levels and their future use ▶ how they plan to deal with uncertainty in the medium and longer term ▶ the impact of planned future policies and foreseeable developments on their financial position.
Best Value	<p>The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure best value.</p>

B. Independence and audit quality



Professional ethical standards, and the Terms of our Appointment, require us to communicate all significant facts and matters that have a bearing on EY's objectivity and independence as auditor of the College.

What we are required to communicate

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY), its directors and senior management and affiliates, and you, including all services provided by us and our network to you, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 August 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Confirmations

We confirm that there are no changes in our assessment of independence since our confirmation in our Annual Audit Plan, dated May 2018.

We complied with the Financial Reporting Council's Ethical Standards and the requirements of Audit Scotland's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that management and members of the Board consider the facts known collectively to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 28 November 2018.

Audit fees - payable in the respect of the year ended 31 July 2018

Component of fee:	2017/18	2016/17
<i>Auditor remuneration</i>	£14,930	£14,780
Pooled costs	£960	£920
Contribution to Audit Scotland costs	£830	£840
Other assurance fees	-	£1,500
Total fee	£16,720	£18,040

Note - excludes audit fee of £4,000 (ex VAT) for audit of the College's subsidiary financial statements.

Audit Quality

International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

The EY 2018 UK Transparency Report can be accessed on our website at www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018. This material is published to provide a timely and relevant source of information about EY in general, and our audit business in particular.

The disclosures are extensive. For example, they explain our outlook and how we are structured and governed, including the role of our Independent Non-Executives and how we apply the requirements of the UK's Audit Firm Governance Code. We refer to the quality of our audits and our commitment to recruiting, developing and diversifying our people and talent pool. We also explain how we manage our risks and remain innovative and technologically advanced in what we do and how we do it.

Maintaining high audit quality across all of our engagements is of paramount importance to us. Our transformational Audit Quality Programme continues and is a part of the global EY Sustainable Audit Quality Programme (SAQ).

Our Audit Quality Board (AQB) continues to oversee all matters relating to audit quality and sets the agenda for the Audit Quality programme. The AQB meets monthly and also holds an annual strategy session. The AQB reports to the EY UK Board. The AQB receives regular updates on regulatory matters, results of internal and external reviews, results of root cause analysis, resourcing, the SAQ programme and pursuit approvals, as well as a comprehensive dashboard on quality measures.

Our Audit Quality Support Team (AQST), which started within the SAQ programme, reviews 40 to 50 audits each audit cycle providing challenge and guidance to the engagement teams. These are in-depth reviews carried out by experienced auditors independent of the audit team. AQST reviews enhance the quality of both the audit under review and other audits on which team members apply the lessons learned. The AQST has now become a business-as-usual function.

Audit Scotland – Audit Quality Framework / Annual Audit Quality Report

Audit Scotland's Appointments and Assurance Team are responsible for applying the new Audit Quality Framework across all financial audits and performance and Best Value audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.

We support Audit Scotland in their commitment to reporting on audit quality through responding to requests for information and providing the results of internal quality reviews undertaken in respect of relevant public sector audits in Scotland.

The most recent audit quality report which covers our work at the College since appointment can be found at: www.audit-scotland.gov.uk/uploads/docs/report/2018/as_audit_quality_1718.pdf.

Required communication	Our reporting to you
<p>Terms of engagement / Our responsibilities</p> <p>Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</p> <p>Our responsibilities are as set out in our engagement letter.</p>	<p>Audit Scotland Terms of Appointment letter - audit to be undertaken in accordance with the Code of Audit Practice</p>
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p>	<p>Annual Audit Plan - May 2018</p>
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	<p>This Annual Audit Report</p> <p>We request written representation from you in respect of key matters arising during the course of our audit, and in accordance with auditing standards. A copy of this letter is provided for your consideration and signature at the time of approval of the financial statements.</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the College's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>No conditions or events were identified, either individually or together to raise any doubt about the College's ability to continue for the 12 months from the date of our report.</p>
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	<p>This Annual Audit Report</p>
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Audit & Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the College ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud, relevant to the Audit & Risk Committee 	<p>This Annual Audit Report</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit & Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit & Risk Committee may be aware of 	<p>This Annual Audit Report</p> <p>We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.</p>

Required communication	Reference
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the College's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the College 	<p>No significant matters have been identified.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Annual Audit Plan</p> <p>This Annual Audit Report - Appendix B</p>
<p>Internal controls</p> <p>Significant deficiencies in internal controls identified during the audit</p>	<p>This Annual Audit Report - no significant deficiencies reported</p>
<p>Subsequent events</p> <ul style="list-style-type: none"> ▶ Where appropriate, asking the Audit & Risk Committee whether any subsequent events have occurred that might affect the financial statements. 	<p>We have asked management and those charged with governance. We have no matters to report.</p>
<p>Material inconsistencies</p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p>	<p>This Annual Audit Report</p>

This action plan summarises specific recommendations included elsewhere within this Annual Audit Report. We have graded these findings according to our consideration of their priority for the College or management to action.

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
1	<p>Financial planning arrangements</p> <p>Management is sighted as to the requirement for savings to be delivered over the next five years and has begun reviewing possible avenues for delivering this.</p>	<p>As the College develops these plans it is important that these are quantified in a detailed medium term financial plan which aligns to FFR's and strategic and operational plans for the next five years. The College's future financial forecast should be reviewed, not just annually with each submission, but as significant updates are required as saving programmes are identified or assumptions crystalize. Any significant changes should be communicated to UHI as the regional strategic body, and the SFC if appropriate. Should sufficient savings not be identified to address forecast deficits in the next financial period, management should consider alternate action with the regional strategic body.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Agreed.</p> <p>Details TBC.</p>

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