



University of the
Highlands and Islands
Perth College

Report and Financial Statements for the Year Ended 31 July 2019

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 2019

Key Management Personnel 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 2018/19:

Dr Margaret Cook, Principal and Chief Executive; Accounting Officer
Lorenz Cairns, Depute Principal (Interim from 2 April to 14 October 2018)
Jacqueline Mackenzie, Chief Operating Officer (Left 31 December 2018)
Veronica Lynch, Vice Principal, External Engagement
Catherine Etri, Associate Principal (From 24 June 2019 and Interim from 24 January 2019 to 23 June 2019)

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

Royal Bank of Scotland
12 Dunkeld Road
Perth
PH1 5RB

Solicitors:

Thorntons Solicitors
17-21 George Street
Perth
PH1 5JY

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Performance Report

Overview

The Performance Report provides an overview of the Perth College UHI (“the College”) performance in the academic year to 31 July 2019 covering:

- a statement from the Principal providing her perspective on the performance of the College over the period;
- a statement of the purposes and activities of the College;
- the key issues and risks that could affect the College in delivering its strategic plan 2016-2021; and
- a performance analysis, financial review for the year, key risks affecting the College and social matters.

Statement from Perth College UHI Principal and Chief Executive, Dr Margaret Cook

Academic year 2018/19 has been a successful one for Perth College as a result of the continued hard work and dedication of our staff and students.

The National Student Survey for 2018/19 provided an overall level of student satisfaction from final year HND and degree students studying at the Perth Campus of the University of the Highlands and Islands at 85% which is above the Scottish and UK Higher Education Institutions average. Similarly, within the Student Satisfaction and Engagement Survey (SSES) 2018/19, an overall satisfaction score of 94.8% has put the College 0.5% above the Scottish average. The overall Postgraduate student satisfaction rate was 89%, which was 9% above the national average.

This year has seen ongoing challenges in relation to funding levels, resulting in the College realigning its outreach activity from within college owned/ leased Learning Centres within Kinross, Blairgowrie and Crieff. Activity during 2019/20 onwards will be delivered from within partner facilities in those and wider Perthshire venues. The impact of this change will be monitored during the coming year.

The College has focussed on increasing the diversity of its activities including growing its international partnerships and increasing student recruitment, particularly from China and Japan, as well as targeting other new international markets. Our language school achieved success as the top rated British Council Accredited language school within Scotland.

The Flexible Workforce Development Fund has enabled the College to widen its customer base across the Perth and Kinross Region. Our continued engagement with regional businesses delivering Foundation and Modern Apprenticeships along with a responsive and flexible curriculum to support in-work progression enables us to play a vital role to support regional workforce development needs and increased productivity. This is further cemented through the provision of 49 scholarships for our students supported by regional businesses.

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Introductions of new courses included the BA Hons Food, Nutrition and Textiles Education to address the demand for Home Economics teachers and the BSc Hons Sports Therapy and Rehabilitation to support industry skills needs.

Sport is a key strength of the College with the Academy of Sport and Wellbeing (ASW) integrating the curriculum across a range of health and wellbeing areas. The commercial strand of ASW has seen good growth, particularly the gym at 83% growth with 59% overall income growth in financial year 2018/19 to £477,000.

With over 40 commercial partners, 1,300 gym members and around 3,500 registered climbers, the ASW is in good shape. What is most pleasing is the impact ASW has on the health and wellbeing of our students, staff and the community of Perth with 10,000 visits per month using ASW commercial facilities.

This, together with supporting over 40 students through work placements and employment opportunities, and with 20 students/graduates employed across the gym, sports hall, reception and climbing departments, means the balance of curriculum and commercial is strong.

Most recently we have employed four current students as part time bank staff to our new ASW Sports Therapy Clinic. This gives commercial enterprise experience to our degree students studying soft tissue therapy.

In addition, and whilst it is a planned future investment, 2018/19 has seen the announcement of funding for a Perth College led project, the 'Aviation Academy for Scotland' as part of the Tay Cities Deal fund. This will provide a potential £6.03m capital funding for the development of a new facility to deliver Aircraft Engineering skills and qualifications through the College and from our subsidiary company, Air Service Training (Engineering) Limited ("AST").

AST has seen a challenging, but successful, year with the introduction of a new General Manager along with a diversification of its customer base into new markets. The development work for a new degree in Aircraft Maintenance Engineering and Management enables students to achieve the Part 66 qualification offered by AST within the BSc Degree in collaboration with the College's Aircraft Engineering team. The new degree has been available for recruitment from September 2019.

In conjunction with our UHI partners, November 2019 saw the opening of the UHI Micro Campus in China at Hunan Institute of Engineering. This was the culmination of several years of successful delivery of degrees in Electrical and Mechanical Engineering. This partnership will flourish with recruitment projected to double from 2021 onwards and will be a key part of our future growth in international recruitment.

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In my second full year as Perth College UHI Principal, I am proud of the College achievements as we implement our vision as “an inspirational partner in economic and social transformation”.

The members present their report and the audited financial statements for the year ended 31 July 2019.

A handwritten signature in black ink, appearing to read 'Margaret Cook', with a large, stylized flourish extending from the end.

Dr Margaret Cook
Principal & Chief
Executive

Perth College – for the year ended 31 July 2019

Purposes and Activities

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.

The Office for National Statistics reclassified colleges as part of Central Government for National Accounts purposes since 1st April 2014.

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

The College is one of the 13 Academic Partners within the University of the Highlands and Islands (“UHI”) and forms part of the UHI FE Regional Strategic Body for reporting purposes to Scottish Funding Council.

Vision, Mission and Activities

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.

Perth College – for the year ended 31 July 2019

Implementation of Strategic Plan

The College Strategic Plan 2016-21 aligns to the University of the Highlands & Islands (UHI) 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 tertiary institution and recognises the contribution of all areas of the College to the five 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 to the success of students, the life of the College, the University and our communities.

Each underlying aim is supported with specific aspirational targets to be achieved by July 2021 in line with the College's Vision 2021, Strategic Plan 2016-21.

Performance Summary

The targets set for 2019 in the College Strategic Plan were set in the context of national, regional and local priorities and form part of the overall UHI Regional Outcome Agreement. 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 the College Board, the FE Regional Board and the University of the Highlands and Islands as well as a range of external bodies and agencies, including the Scottish Funding Council and Skills Development Scotland.

The Board monitors the performance of the College 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.

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These perspectives are reviewed by the Board of Management who have also delegated the responsibility for individual targets to relevant sub-committees. The balanced scorecard records and reports past trends and thus includes performance, actual and forecast, over the period until 2018/19.

Operating Context

The College is a successful and thriving tertiary education institution providing a wide range of learning opportunities to local, regional, national and international learners: from access courses to opportunities for study at postgraduate level, encompassing vocational and professional training and skills development opportunities. The College delivers courses at the main campus in Perth, at learning centres and in secondary schools across Perth and Kinross. We support work-based learning across a wide area, as well as contributing to the University's innovative and progressive use of video conferencing, providing access to expertise and curriculum across the Highlands and Islands and beyond.

As both a College and a University, the College is uniquely placed to support the strategic opportunities and challenges within the Perth and Kinross region, while impacting the Scottish economy in key industry areas including Aviation, Engineering, the Rural Environment, Health, Hospitality, Teaching, Business Management and the Creative Economy. This is due to a combination of teaching and research expertise as well as our location being within 50 miles of 90% of Scotland's population.

The College delivered 24,627 credits in 2018/19, achieving our 23,655 core target and a further 972 credits against a target of 1,200 credits of European funding.

The College exceeded its HE numbers of 1,986.4 FTEs against a target of 1958 FTE and 38.7 Postgraduate FTEs against a target of 32 FTE's. In a highly challenging recruitment environment, the College has largely maintained its footprint and reach of total tertiary student numbers against an increasing cost base resulting in financial challenges.

Key Risks & Uncertainties

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

a. Financial Uncertainty and Sustainability

The College has considerable reliance on continued Government funding through the SFC and UHI. In 2018/19, 58% of the College's recurrent revenue was ultimately publicly funded, however with Scottish Funding Council funding allocations being flat over the last few years with the exception of increased allocations to cover the sector cost increases of national bargaining and pensions, overall funding reductions of an estimated 4% per annum are planned. These financial risks have been highlighted on a

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sector wide basis by Audit Scotland – *Scotland's Colleges 2019* Report published in June 2019.

The College is planning to mitigate these future financial risks in a number of ways:

- Reviewing the College curriculum to ensure it continues to deliver an excellent student experience while continually adapting to regional and national labour market needs;
- Maximising recruitment and reviewing delivery approaches focussing on optimal class sizes;
- Undertaking consultation discussions with staff and trade unions to ensure the College can achieve a balanced budget for current and future years; and
- Increasing the proportion of non-government income to counter the increased cost base will be required. Widening and deepening relationships with regional businesses to generate commercial income streams will be crucial for the longer-term sustainability of the College.

b. Brexit

The College has approximately £3m (7%) of its funding from European Union ("EU") sources, including EU student nationals undertaking their learning at the College. Following the UK's official departure from the European Union there remain ongoing uncertainties, and therefore risks, associated with the UK's future relationship with the EU.

These risks are mitigated in a number of ways:

- The College seeks to maximise income from non-Exchequer sources through a number of direct and indirect commercial contractual arrangements;
- By realigning EU revenue sources through increasing international partnerships and on campus student recruitment;
- By delivering consistently dynamic and excellent learning and training throughout the College, including with our international partnerships;
- Maintaining and managing key relationships with the various funding bodies;
- Regular interaction and dialogue with funding bodies; and
- Identifying areas where the College can reduce recurrent costs in order to maintain financial sustainability.

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c. 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.

Unfunded pension liabilities means the extent to which the pension scheme does not have the assets to cover its liabilities to members. The risk to the College is that the College may not be able to generate sufficient funds in the future to cover such liabilities as they fall due.

The Board of Management consider that the likelihood of this liability arising in the short or medium term is remote.

d. Overseas Students

The experienced and dedicated team in our International Centre looks after our overseas student population. The strategic and operational risks associated with overseas students are actively monitored by the international team and our management and academic teams.

The risks associated with overseas students are that if restrictions (such as those currently in place around the Coronavirus) are put in place that restrict student travel to the UK, or the College's travel overseas, then that will materially impact the income that the College can earn in relation to those students.

Given the College's commitment to staff wellbeing, there is also the risk associated with College Staff travelling overseas to jurisdictions that do not necessarily have the same personal or health protections as at home.

This could have a significant impact on the College with, in excess of, 100 students per annum being taught by the College in China.

The College has built up a network of international partnerships with an increasing number of well-established educational establishments in China and Japan with newer partnerships being developed in India, North America and SE Asian markets which is being supplemented by a number of overseas agents.

We continue to successfully retain our Tier 4 licence through UK Visas and Immigration. It is expected that the reintroduction of the Post Study Work visa will generate interest from previously dormant markets for international student recruitment.

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Performance Analysis

The following key performance measures were reported in the Board of Management's final report on the College's performance for the academic year 2018/19 with a comparison against 2017/18:

Key Performance Measure	2018/19	2017/18	Movement
HE Recruitment FTEs	1,986.4	1,989	Down 2.6 FTEs
FE Recruitment Credits	24,627	26,161	Down 1,534 Credits
NSS Overall Satisfaction	85%	88%	Down 3%
SSES Overall Satisfaction	94.8%	96.7%	Down 1.9%
Positive Destinations - FE	84%	84.4%	Down 0.4%
National Student Survey Result: My time at college has helped me develop skills for the workplace	91.7%	93.9%	Down 2.2%
Staff turnover	15.4%	18.0%	Better by 2.6%
Staff absences days per head	5.19	14.58	Better by 9.39 days
Staff CPD days per employee	5.3	4.8	Better by 0.5 days
Percentage of permanent teaching staff with Teaching Qualification in Further Education	84%	83%	Better by 1%
Number of staff delivering papers to conferences	19	5	Better by 6 papers
No of staff publications	8	14	Down by 6 publications

Financial Performance

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 central government accounting rules. 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.

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The following table gives a summary of key financial and other operating ratios:

	2018/19	2017/18
Operating Surplus/Deficit as % of Total Income	(1.18%)	(6.04%)
Non SFC Income as % of Total Income	40.75%	38.95%
Current Assets : Current Liabilities	1.01	0.62
Staff Costs as a % of Total Income	70.08%	73.97%
Ratio of days cash to total expenditure	36.1	31.3
Staff Turnover	15%	18%

The methodology to calculate some of the ratios above has changed this year so the 2017/18 comparator figures have been amended to allow direct comparison.

Financial Results

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice 2015 ("SORP"): 'Accounting in Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2018/19 Government Financial Reporting Model (FReM) and in accordance with applicable Accounting Standards.

They conform to the 2018/19 Accounts Direction for Scotland's Colleges and Glasgow Colleges' Regional Board ("the 2018/19 Accounts Direction") and other guidance issued by the Scottish Funding Council ("SFC").

The College's Financial Performance during FY 2018/19 was ahead of both budget and prior year which is a positive trend in light of ever increasing financial pressures. The College recognises the risks posed by an increasing cost base, particularly staff costs, against changing demand and reduced central funding.

The current operating and funding model in place across the UHI partnership places an increased risk to financial sustainability. The complexities of delivery across the region and accounting for this, create a sizeable challenge in terms of efficient delivery and management.

Following their reclassification as central government bodies from 1 April 2014, colleges are also required to comply with Central Government budgeting rules. In addressing the impact of these budgeting rules, Scottish Government and SFC committed to providing the cash budget previously earmarked for depreciation for use on specified priorities.

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Colleges have now each been given a fixed cash budget for priorities which must be spent on agreed government priorities. The College's spend of its cash budget for priorities, and the impact on the operating position for the academic year, is set out in the tables below.

Table of cash budget for priorities spend	2018/19 £'000	2017/18 £'000
Revenue Priorities		
2015-16 pay award	117	19
Voluntary severance	-	-
Estates capital development	-	-
Total impact on operating position	117	19
Capital Priorities		
Loan repayments	300	400
Unfunded pension payments	112	
Total Capital	412	400
Total cash budget for priorities spend	529	419

The Statement of Comprehensive Income ("SOCl") presents the financial performance during the accounting period in accordance with the SORP.

The Adjusted Operating Position ("AOP") is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items outwith the control of the institution.

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The AOP is therefore designed to smooth any volatility in reported results arising from FRS 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the institution. All adjustments should be cross-referenced to the relevant note in the financial statements.

Adjusted Operating Position	2018/19 £000	2017/18 £000
Surplus/(deficit) before other gains and losses	(243)	(1,450)
Add Back:		
Depreciation - net of deferred capital grant release (Note 1)	855	884
Pension adjustment – Net Service Cost (Note 2)	1,010	737
Pension adjustment – Net Interest Cost (Note 3)	64	230
Pension adjustment - Early retirement provision	-	-
Donation to Arms-Length Foundation (ALF)	-	-
Deduct:		
Non Government capital grants		
Exceptional income (if disclosed as exceptional in the accounts)	-	-
CBP allocated to loan repayments and other capital items (Note 4)	(412)	(400)
Adjusted Operating Surplus/(Deficit)	1,274	1

Note 1: Depreciation does not have an immediate cash impact on the institution and, in any case, capital expenditure will largely be funded by government or ALF grants so the charge is taken out.

Note 2: The adjustments to the pensions charge represent the net service cost (i.e. the present value of projected benefits resulting from employee service in the current year less cash contributions paid).

Note 3: The net interest cost is the interest accumulated on the pension liability and this is offset against the current year's interest earned on pension assets.

Note 4: Cash Budget for Priorities is included in income but the loan repayment is not reflected in the costs therefore this amount is adjusted. Loan repayments should only be adjusted where CBP has been used to fund them.

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.

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Cash Flows and Liquidity

As set out in the table of key financial ratios above, the College maintained a positive cash flow during the year and also repaid its loan. At 31 July 2019 the liquidity and cash flow ratios are:

	2018/19	2017/18
Liquidity (Current assets ÷ Current liabilities)	1.01	0.62
Days cash to total expenditure	36.1 days	31.3 days

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 30 days (2017/18; 28 days). No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Estates Strategy

In line with the College Strategic Plan 2016-21, discussed above, and in relation to the aim to optimise the sustainable use of our systems, processes and resources, the College is undertaking a review of its estate. The purpose of the review is to underpin a forward strategy to ensure an estate that is fit for purpose in the 21st century. As part of this, future developments within the College estates programme include:

- The development of the Perth based element of the Aviation Academy for Scotland on the College's Crieff Road Campus;
- Expansion and enhancement of the Academy of Sport and Wellbeing facilities to capitalise upon the increasing membership of the gym, sports facilities and climbing wall. These developments will be funded through sponsorship and donations raised through the College's Development Trust and Committee;
- The development of a mezzanine floor within the Construction workshops to capitalise upon a growth in demand for skills in this discipline;
- 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, Examples include the delivery of a Sports Injury Clinic as well as a Beauty Therapy service, both run as student enterprises.

A key future industry development project is the Aviation Academy for Scotland, supported by the Tay Cities Deal. This is an industry partnership focussing on addressing the growth demand for skills required within the Aviation industry. The project is led by Perth College UHI in partnership with Tayside Aviation and Air

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Service Training. Should this project proceed from its current Outline Business Case stage towards being funded through the Tay Cities Deal, this capital investment of £6.03 million would be received, over a number of years, from 2020/21.

Non-Financial Issues

Human Rights

The College has published a Slavery and Human Trafficking Policy Statement as required by the Modern Slavery Act 2015. This statement is reviewed annually and the actions from it implemented in all purchasing activity by requiring all new suppliers to confirm that they have “effective procedures in place to comply with the Modern Slavery Act 2015” before any transaction can take place.

Details of our requirements have been incorporated into the College’s Standard Terms and Conditions upon which all purchase orders and local contracts are based. These requirements are also included in the many frameworks we utilise, awarded by centres of expertise such as Advance Procurement for Universities and Colleges (“APUC”), Scottish Procurement and Crown Commercial Service (“CCS”).

Where modern slavery, human rights or workforce matters are identified as a potential risk in contracting for goods and services, relevant and proportionate requirements are included within our specification of requirements and appropriately probing questions are asked of bidders to demonstrate compliance with applicable laws, regulations and policies such as International Labour Organisation standards.

As a Scottish Living Wage Foundation accredited employer we also endeavour that all on-site contractors are paid at least the Real Living Wage, as set annually by the Living Wage Foundation. This has also applied to our catering contract.

There have been no complaints of any breaches of human rights within our supply chain.

Anti-Corruption and Bribery Matters

For regulated procurement, all suppliers are required to confirm that they are “in full compliance with and support the Bribery Act 2010” before any transaction can take place. Details of our anti-corruption requirements are stated in the College’s Standard Terms and Conditions upon which all purchase orders and local contracts are based.

These requirements are also included in the many frameworks we utilise, awarded by centres of expertise such as Advance Procurement for Universities and Colleges (“APUC”), Scottish Procurement and Crown Commercial Service (“CCS”).

The College has a Fraud Prevention Policy and Response Plan which is included in our review plan and clearly details the requirements for staff members to adhere to as well as advising on how to report suspected breaches.

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Our procurement and financial transaction processes ensure a clear separation of duties between requestors, budget approvers and payees to mitigate against potential risk or fraudulent activity.

We acknowledge the weaknesses arising from our use of the purchase order system and have already implemented improvements to the process. In spite of these weaknesses the finance processes still require approval limits and segregation of duties which mitigate the risks as described above.

There have been no complaints of any breaches of corruption or bribery within our supply chain.

Climate Change (Scotland) Act 2009

One of the College's Strategic priorities within its Regional Outcome Agreement is to deliver against the SFC National Performance Measures reduction in our gross carbon footprint. The College has reduced its carbon emissions from 1,864 tonnes of carbon dioxide equivalent ("tCO₂e") in 2015/16 to 1433 tCO₂e in 2018/19.

Investment has been made in carbon and energy use monitoring, waste management monitoring, increasing environmental awareness with staff and students and engaging with stakeholders on sustainable development initiatives. During 2018/19, examples have included:

- Investment in electric vehicles on campus;
- Installation of more energy efficiency services including LED Lighting, energy efficient boilers and waste minimisation efforts;
- The College engaged a Cycling Officer via funding from Cycling Scotland in 2019 to promote active travel and cycling awareness across the sustainable travel agenda;
- The College was shortlisted for two sustainability EAUC Green Gown Awards in 2019 with activities relating to the Sports and Fitness department. The projects were "Increasing employability in outdoor activities", and "Intergenerational Physical Activity in Care Homes".
- The College's Highlands and Islands Students Association ("HISA") participated in Green Week in September 2019 and in Climate Week in October 2019 with various activities e.g. litter picking, and climate awareness raising
- The College provided two workshops on Sustainability and Carbon Footprint at the February 2019 Staff Conference
- The College influences emissions beyond its corporate boundaries through educating its students and staff in sustainability and climate change issues. Education on sustainability issues is included within the curriculum.

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The College also confirms compliance with the Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009 which sets out the required content for the report to Scottish Government.

The College has reported every year since the 2015 Schedule became active, including the initial voluntary year in 2015/16. Perth College UHI is also an active participant in the Environmental Association of Universities and Colleges (EAUC).

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.

The College has invested significantly in developing its reputation nationally with a particular focus on influencing policy and internationally by delivering quality programmes and by broadening the reach and strength of international partnerships.

Stakeholder Relationships

In line with other colleges and universities, the College has many stakeholders.

The College actively engages with Scottish Government ministers, senior civil servants and the Scottish Funding Council both independently and through Colleges Scotland to update progress on delivery against key national priorities as well as influencing future policy. This would include within policy areas of Skills Alignment Strategy, the Learner Journey Review and Developing the Young Workforce.

In order to ensure our curriculum continues to meet current and future regional and national industry needs, continued engagement with Skills Development Scotland and industry bodies across our curriculum teams and directly into businesses. The College's Foundation, Modern and Graduate apprenticeship delivery relies on these strong industry relationships to ensure skills demands are met and delivery compliance is achieved. The College had strong performance in these areas during 2018/19.

The College's relationship with Perth and Kinross Council and its other regional partners through the Perth Development Board, Community Planning Partnership and the Strategic Education Group has been crucial to ensuring the College continues to be well regarded for its influence in economic and social transformation.

This includes the role the College plays in ensuring there are suitable progression routes for all learners from the Senior Phase pathways through to vocational, degree and postgraduate provision.

The College's role as one of the largest partners within UHI ensures that influence impacts the full Highland's region with the range of Networked provision delivered by the College or hosted in Perth campus.

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In partnership with our staff, trade unions and HISA, a greater focus on the student experience continues to be extremely important to the College. The external student satisfaction survey results show positive feedback.

Continued investment in this area has been made during 2018/19 to improve student attainment and retention. This has included including greater engagement of class representatives to support all students, particularly with care experienced students and those experiencing anxiety and mental health issues. The investment of additional counsellors from 2019-20 will provide a welcome boost to address the growing demand for these services.

Alongside this, consultation discussions have taken place with Trade Unions to identify areas for savings within the Colleges 2019/20 budget.

Equality & Diversity

Equality and Diversity Vision

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

Equality Reporting

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

Due to resource limitations and a change in staffing we are now working to complete our statutory reporting requirements which were due to be published by the end of April 2019. These outstanding reports will be published by the end of March 2020 and will be available on our website at:

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

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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.

Senior Team Restructuring

There have been a number of changes in the College management team during 2018/19 which has caused disruption to some of our control processes. As a result, we have identified and disclosed a number of weaknesses within the Governance Statement. We have action plans underway to ensure that weaknesses are addressed at pace. We will continue to seek to improve and respond to areas requiring improvement that are identified by the College or its external and internal auditors.

**Approved by order of the members of the Board of Management
on 26 February 2020 and signed on its behalf by:**

A handwritten signature in black ink, appearing to read 'Margaret Cook', with a large, stylized flourish at the end.

Dr Margaret Cook
Principal & Chief
Executive

Perth College – for the year ended 31 July 2019

Accountability Report

The Accountability Report has three sections:

- The Remuneration and Staff report;
- The Corporate Governance report; and
- The Parliamentary 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 2018/19 Government Financial Reporting Model (FReM) issued by HM Treasury.

The report sets out the remuneration and accrued pension benefits of the Senior Management Team members of the College. Other than the Principal, no other member of the Board is remunerated.

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 is disclosed in salary bandings of £10,000 above £60,000. The following report has been prepared in accordance with the aforementioned Regulations.

All information disclosed in the tables in this report has been audited by the College's external auditor and all other sections of the Remuneration Report are reviewed to ensure they are consistent with the financial statements.

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.

Perth College – for the year ended 31 July 2019

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

Name	Role	12 months ended 31 July 2019			12 months ended 31 July 2018		
		Salary £000	Pension Benefit £000	Total £000	Salary £000	Pension Benefit £000	Total £000
M Cook	Principal	105-110	20-25	130-135	100-105	20-25	125-130
P Wilson	VP	-	-	-	20-25	(5)-(10)	10-15
L Cairns	Deputy	75-80	95-100	170-175	0	0	0
C Etri	Associate Principal	60-65	80-85	140-145	0	0	0
V Lynch	VP	75-80	85-90	165-170	15-20	0-5	15-20
J Mackenzie	Chief Op Officer	55-60	15-20	70-75	75-80	25-30	105-110

- L Cairns was interim Deputy Principal between 2 April 2018 and 14 October 2018. Full year equivalent salary would have been £76,000.
- J Mackenzie left on 31 December 2018. Full year equivalent salary would have been £80,000.
- C Etri was appointed Associate Principal on 24 June 2019 and was interim Associate Principal between 24 January 2019 and 23 July 2019. Full year equivalent salary would have been £66,000.

Higher Paid Employees

The following table shows the salary bandings of staff above £60k.

Salary Band	2018/19	2017/18
£000	Number of staff	Number of staff
60-70	5	2
70-80	2	3
80-90	0	0
100-110	1	1

Compensation for loss of office

Six employees left under compulsory redundancies during the year. In total they received a compensation payment of £27,118. No employees left under voluntary redundancy terms. Two other members of staff left the College as other agreed departures but no payments were made other than statutory entitlements. These two cases have been discussed with the Regional Strategic body and the College is awaiting advice on retrospective position.

Perth College – for the year ended 31 July 2019

The table below summarises the exit packages by cost band.

Exit package cost band	Number of voluntary redundancies	Number of other departures agreed (including any compulsory redundancies)	Total number of exit packages by cost band
<£10,000	-	4	4
£10,000 to £25,000	-	2	2
Total number of exit packages	-	6	6
Total cost (£'000)	-	27	27

Pay Multiples

The College is required by the FReM to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce. During 2018/19, the mid-point of the banded remuneration of the highest paid official was 4.2 times (2017/18; 4.1 times) the median remuneration of the workforce.

	2018/19	2017/18
	£	£
Median Remuneration	25,460	25,401
Mid-Point of Banded Remuneration of Highest Paid Official	108,000	105,000

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 1 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 1 April 2015 both pension schemes became Career Average Revalued Earnings (CARE) schemes.

A CARE scheme 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.

Perth College – for the year ended 31 July 2019

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

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.

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.

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.

Perth College – for the year ended 31 July 2019

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 2019	Accrued lump sum at pension age at 31 July 2019	Real increase in pension 1 August 2018 to 31 July 2019	Real increase in lump sum 1 August 2018 to 31 July 2019	CETV at 31 July 2019	CETV at 31 July 2018	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
M Cook	0-5	0	0-2.5	0	57	29	14
L Cairns	25-30	75-80	2.5-5	12.5-15	615	505	101
C Etri	20-25	70-75	2.5-5	10-12.5	578	486	92
V Lynch	20-25	25-30	5-7.5	2.5-5	389	290	99
J MacKenzie	5-7	0	0-2.5	0	103	91	12

Gender Split for Perth College Board of Management and Senior Management Team

Board of Management				Senior Management Team	
Non-Executive Board Members		Staff Board Members			
Male	Female	Male	Female	Male	Female
58%	42%	67%	33%	33%	67%

Staff Numbers and Costs

	2019	2019	2019	2018
	Permanent Staff	Other staff	Total	Total
Total staff costs (£000)	14,182	4,082	18,264	16,795
Average number of FTE	330	95	425	421

Perth College – for the year ended 31 July 2019

Based on headcount, the College employed 409 females and 269 males as at 31 July 2019.

Sickness Absence Rates

The following table provides the total sick days lost, average sick days per head and percentage of working time lost as at 2018/19 (and 2017/18)

	2018/19			2017/18		
	Total sick days	Average sick days per head	% working time lost	Total sick days	Average sick days per head	% working time lost
Total	2,934	5.19	3.1%	6,824	14.58	6.23%

Working days lost through sickness absence expressed as a percentage of lost time against the total available working days was 3.1%. This is a return to levels similar in 2016/17, and is an improvement of 3.13% from 2017/18.

The improvement is due to a greater focus on absence management and can be attributed to a more stable year with limited change processes during 2018/19.

Policies in relation to disabled persons

The College Equality and Diversity Policy sets the principles and values of equality and diversity for the College. These are implemented through the College's Equality Outcomes and associated action plan which are aligned to the College Regional Outcome Agreement as well as the policies and procedures that guide the way in which people behave. Progress against the Equality Outcomes will be reported on the College's website.

The policy is also implemented through a number of policies and procedures that concern the experience of staff and students. For staff, these cover the employment cycle:

Recruitment and Selection

The College does wish to be a good employer and one of choice so that it can attract the best staff.

Part of this includes being positive about disability and supporting people with disabilities through the recruitment and selection process including the provision of any additional support to enable all candidates to participate fairly in the process, which promotes an inclusive culture supported through the College's Vision and Values.

Perth College – for the year ended 31 July 2019

The College also commits to ensuring that posts are advertised in a wide variety of places that attract all people and that the way in which external advertisements are worded is inclusive of all the population. Applicants are also asked during the recruitment process if they require the College to make any reasonable adjustments to support them in the recruitment process giving due regard to their particular aptitudes and abilities.

Professional Development

All staff will have the opportunity to participate in development activity that enables them to develop their qualifications and skills. They are also expected to participate in the Colleges Professional Review Scheme and undertake any staff development and training necessary for the full performance of their duties. The College also provides financial support for a number of staff to undertake qualifications relevant to their roles.

Redeployment and Occupational Health

The College is committed to ensuring that when staff become disabled during their employment with the College that we look at redeployment and training opportunities to retain their services within the College. There is regular use of our Occupational Health service on a managed or self-referral process for mini health checks or full referrals to allow the College and staff to make informed decisions about any reasonable adjustments that we may be able to support. The College has also worked with Access to Work to ensure adaptive equipment is bought and training provided to support staff who have a disability under the Equality Act 2010.

Other employee matters

Equal Pay

The College reaffirms the principle that all members of staff receive equal pay for the same or broadly similar work, for work rated as equivalent and for work of equal value.

The College will ensure that all pay practice applies equally to all staff and is best practice. The College will communicate pay practice to help members of staff develop understanding of how pay is determined; undertake equal pay audits in accordance with any legal obligations; provide guidance and support to managers where they make decisions on pay and benefits for staff; and work within the National Bargaining Framework for colleges in Scotland including implementation of any agreed job evaluation scheme.

Work Life Balance

The College recognises that members of staff have priorities outside of their employment and that it is important for the wellbeing of all staff that there is balance between work and home life. The College also recognises that members of staff will have differing requirements at different points in their working life and the range of

Perth College – for the year ended 31 July 2019

Family Friendly/Flexible Working Policies and Procedures aims to ensure that an appropriate balance between work and home life can be achieved throughout a member of staff's employment at the College.

Conduct

The College promotes and lives up to the principals within its Equality and Diversity Policy of: Treating people with respect; Encouraging, maintaining and promoting good relations; Applying policies, procedures and processes fairly and with due regard to every individual; Welcoming the differences between each person and value the contribution that they make to the cultural and social wellbeing of the College's working and learning environment.

Exit

Members of staff will be treated fairly in circumstances where there is a reduction in the need for certain types of roles and in the application of disciplinary procedures where dismissal may be an outcome.

Health and Safety

The Board of Management of Perth College UHI attaches the greatest importance to safeguarding the health, safety and welfare of staff, students, visitors and others who use the premises, and regards the promotion of health and safety measures as a mutual obligation for management and employees at all levels.

It is the commitment of the College to act within the requirements of the Health and Safety at Work etc Act 1974 and subsequent legislation, and to ensure that the health, safety and welfare of all staff, students, visitors and others who may be affected by our undertakings is safeguarded, so far as it reasonably practicable.

To meet these criteria, the College will:

- Regard legal compliance as the lowest acceptable standard of management with regard to health and safety;
- Identify hazards, assess risks and manage those risks;
- Provide appropriate information, instruction, training and supervision;
- Provide and maintain equipment and a working environment that are, so far as is reasonably practicable, without risks to health and safety;
- Consult with employee representatives on health and safety matters; and
- Provide adequate funding and resources to meet Policy needs.

Perth College – for the year ended 31 July 2019

In order to effectively manage Health and Safety, the College Board of Management devolves policies and procedures through the Principal and Chief Executive to the Senior Management Team, to the Directors and Managers of Curriculum and Professional Services Managers, and their staff, all of whom are responsible for managing Health and Safety.

The College requires that all staff, students and visitors co-operated in regarding safe working as a prime objective, by working within established procedures.

Overall responsibility for the practical implementation of this Policy lies with the College Principal and Chief Executive.

The College holds the Gold Award standard for Healthy Working Lives, evidencing our commitment to our staff.

The College's duty to consult on Health and Safety matters with trade unions and staff is structured through a Health and Safety Committee. The Committee meetings are scheduled four times over the curriculum year. These meetings are chaired by a Head of HR & Organisational Development and made up of the College Management, representatives of each recognised union and staff representatives.

Typical Health and Safety performance topics being discussed would include accident trends, training compliance, inspection reports and issues raised over the period covered.

The Health, Safety and Welfare Advisor ensures there are regular departmental audits with associated actions plans and these are all brought for review to the Health and Safety Committee.

Trade Unions

The College recognises two Trade Unions, EIS-FELA and UNISON. The relationships with each are governed by the appropriate Recognition and Procedure Agreements augmented with regular informal discussions with senior staff including the Head of HR & Organisational Development.

The Trade Unions were, during 2018/19, invited to take part in the Audit and F&GP committee of the Board. We are an active member of the Employer's Association to support National Bargaining dialogue, discussion and agreement. All of this highlights our commitment to partnership working and a no surprises relationship based on openness and transparency from management and the recognised Trade Unions.

Trade union officials

Number of employees who were relevant union officials during the relevant period	Full time equivalent employee number
6	5.86

Perth College – for the year ended 31 July 2019

Percentage of time spent on facility time

Percentage	Number of employees
0%	
1-50%	6
51-99%	
100%	

Percentage of pay bill spent on facility time

Total cost of facility time:	£15,934
Total pay bill:	£17,874,641
Percentage of the total pay bill spent on facility time:	0.09%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	100%
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Employment Issues

The College commits itself to continue to offer opportunities for staff whether this is through training, career development opportunities including secondments and ensuring there is transparency in relation to equal pay and equality of opportunity.

A new Equality, Diversity and Inclusion Advisor was appointed to bridge the gap in the area of equality and diversity and her focus since appointment in the summer has been to ensure all statutory reporting requirements are delivered. These are all in progress and the College hopes to deliver them soon.

The College has a published commitment to equal pay within this report which reaffirms the principle that all members of staff receive equal pay for the same or broadly similar work, for work rated as equivalent and for work of equal value. To achieve this, the College commits to:

- Ensure that all pay practice applies equally to all staff and is best practice;
- Communicate pay practice to help members of staff develop understanding of how pay is determined;
- Undertake equal pay audits in accordance with any legal obligations;
- Provide guidance and support to managers where they make decisions on pay and benefits for staff; and
- Work within the National Bargaining Framework for colleges in Scotland including implementation of any agreed job evaluation scheme.

The College also has a commitment to equality and diversity demonstrated by the principles of adopted by the College in this regard which are:

Perth College – for the year ended 31 July 2019

- Treating people with respect;
- Encouraging, maintaining and promoting good relations;
- Applying policies, procedures and processes fairly and with due regard to every individual;
- Welcoming the differences between each person and value the contribution that they make to the cultural and social wellbeing of the College's working and learning environment; and

The College also has an Equality, Diversity and Inclusivity Team Committee which monitors progress on equality matters and is a forum for consultation about matters which affect staff and students.

The majority of the College's staff are female (59%) with men representing 41% of our staff.

The College has a Professional Review process which includes a CLPL element to support the development of both Academic and Professional services staff, and an allocated CPD budget to support other professional development activities. The College has a robust framework of policies and procedures which support the employment lifecycle. These include recruitment, induction, to be family friendly, encourage flexible working, discipline and grievance issues, promote health and wellbeing, absence, capability and exit.

Perth College – for the year ended 31 July 2019

Corporate Governance Report

The purpose of the Corporate Governance report is to explain the composition and organisation of the institution's governance structures and how they support the achievement of institutional objectives.

The Corporate Governance report includes:

- a Directors' Report
- a Statement of Responsibilities of the Members of the Board of Management
- a Governance Statement

Directors Report

The Board of Management

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

Name	Date of Appointment	Date of Resignation	Status of Appointment	Committees Served
Brian Crichton	15 June 2016 Appointed as Chair 20 August 2018		Independent Member	Chairs' (chair); Finance & General Purposes; Remuneration;
Grant Myles	18 December 2013 Appointed as Chair 1 December 2014	17 August 2018	Independent Member	
Andrew Comrie	24 September 2018		Independent Member	Academic Affairs; Audit
Jim Crooks	15 June 2016		Independent Member	Audit (chair);
Sheena Devlin	14 January 2019		Independent Member	Academic Affairs;
Dr Harold Gillespie	20 March 2013	30 June 2019	Independent member	Academic Affairs; Finance & General Purposes
Sharon Hammell	15 June 2016		Independent Member	Air Service Training (Engineering) Limited; Chairs' Engagement (chair);
Deborah Hutchison	1 November 2017		Independent Member	Engagement; Finance and General Purposes
Ann Irvine	15 June 2017		Independent Member	Audit; Engagement

Perth College – for the year ended 31 July 2019

Name	Date of Appointment	Date of Resignation	Status of Appointment	Committees Served
David Littlejohn	18 December 2013		Independent Member	Engagement; Chairs'; Finance & General Purposes (chair); Remuneration (chair)
Lynn Oswald	1 November 2017		Independent Member	Audit; Engagement
Craig Ritchie	24 September 2018		Independent Member	Air Service Training (Engineering) Limited Finance & General Purposes
Charlie Shentall	15 June 2017		Independent Member	Air Service Training (Engineering) Limited (chair); Chairs
Anna Zvarikova	1 November 2017		Independent Member	Audit
John Dare	14 June 2018		Staff Member	Engagement
Declan Gaughan	21 September 2018		Staff Member	Academic Affairs
Prince Honeysett	1 July 2017	30 June 2019	Student Member	Academic Affairs; Engagement
Dr Margaret Cook	1 August 2017		Principal and Chief Executive	Academic Affairs (chair); Air Service Training (Engineering) Limited; Chairs'; Engagement; Finance & General Purposes
Amy Studders	1 July 2019		Student Member	President
Debbie Das Chaudhury	1 July 2019		Student Member	VP Activity & Welfare

Board Member – Committee Attendance

Name	Board	Academic Affairs	AST	Audit	Chairs	Engagement	F&GP	Remuneration
Brian Crichton	4/4				3/3		4/4	3/3
Grant Myles								
Andrew Comrie	3 /4	3/3		3/3				
Jim Crooks	4/4			4/4	3/3			3/3
Sheena Devlin	2/2	1 /2						
Dr Harold Gillespie	3 /4	2 /3					1 /4	

Perth College – for the year ended 31 July 2019

Name	Board	Academic Affairs	AST	Audit	Chairs	Engagement	F&GP	Remuneration
Sharon Hammell	4/4		2/4		3/3	4/4		3/3
Deborah Hutchison	4/4					2 /3	3 /4	
Ann Irvine	4/4			3 /4		4/4		
David Littlejohn	2/4				2 /3	2/4	4/4	2 /3
Lynn Oswald	3 /4			3 /4		3 /4		
Craig Ritchie	3 /4		3/3				4/4	
Charlie Shentall	4/4		4/4		3/3	1/1		3/3
Anna Zvarikova	1 /4		1 /2	2/4				
John Dare	3 4					3 /4		
Declan Gaughan	3 /4	1 /3						
Prince Honeysett	4/4	3/3				4/4		
Dr Margaret Cook	4/4	2 /3	4/4		3/3	3 /4	4/4	

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 Board of Management is provided with regular 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 four times a year.

Perth College – for the year ended 31 July 2019

Full minutes of all Board and Board sub-Committee 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 UHI
Crieff Road
Perth PH1 2NX

Register of Members Interest

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

<https://www.perth.uhi.ac.uk/about-us/college-management-structure/meet-the-board/register-of-interests/>

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.

Information Management

There were no significant data breaches during the year.

Perth College – for the year ended 31 July 2019

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.

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

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.

Perth College – for the year ended 31 July 2019

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.

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. In line with future improvements these need to be reviewed; 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 members of the Board of Management
on 26 February 2020 and signed on its behalf by:**



Dr Brian Crichton
Chair

Perth College – for the year ended 31 July 2019

Governance Statement

Statement of Corporate Governance and Internal Control

From 1 August 2014, Perth College was assigned to the University of the Highlands and Islands (UHI) as its Regional Strategic Body (RSB) 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 RSB.

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 2016 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.

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; Chairs' Committee; and a 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.

Audit Committee

The Audit Committee comprises at least four 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 four 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.

Perth College – for the year ended 31 July 2019

Finance and General Purposes Committee (“the Finance Committee”)

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

The Finance Committee meets at least four 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.

The Finance Committee monitors the College's financial and business perspectives. It approves all key financial decisions, approves the annual budget, considers the financial statements 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.

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 SMT.

Details of the remuneration of senior post-holders for the year ended 31 July 2019 are set out in Note 8 to the financial statements.

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.

Perth College – for the year ended 31 July 2019

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 RSB. 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 of internal control has been in place in Perth College for the year ended 31 July 2019 and up to the date of approval of the annual report and financial statements.

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 that 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 2019

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 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Audit Committee and accords with the Turnbull guidance on internal control, as applicable to the further education sector.

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; and
- The adoption of formal project management disciplines, where appropriate.

The 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 Audit Committee 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.

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 2019

The college's Internal Auditors gave the following opinion in their Annual Report to the Board of Management and Principal on the Provision of Internal Audit Services for 2018/19 –

"In our opinion, with the exception of the issues highlighted in paragraphs 1.11, 1.12 and 1.13, the College has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2018/19 and in prior years since our first appointment in 1998/99."

We summarise the findings of the paragraphs referred to in the opinion of the Internal Auditor below, and note that an action plan is in place to address all areas of concern:

Paragraph 1.11 – The Internal Audit Report on HR and Payroll Systems was graded as 'Requires Improvement'. Audit testing identified a significant number of issues regarding payroll transactions, with some staff being underpaid and others being overpaid.

Paragraph 1.12 – The same report highlighted payroll errors relating to an under payment of National Insurance contributions over the three preceding financial years and focused on staff with more than one employee pay number. A voluntary disclosure to HMRC has been undertaken with a provision included within the financial statements.

Paragraph 1.13 – It was noted by internal audit that limited progress had been made in implementing recommendations still outstanding at the time of 2018/19 Follow Up reviews. An action plan is being drawn up to address outstanding internal audit recommendations.

Review of Effectiveness

As Accounting 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.
- 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.

Perth College – for the year ended 31 July 2019

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 2019 meeting, the Board of Management carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2019.

Perth College – for the year ended 31 July 2019

Significant Control Issues/Weaknesses

As part of the preparation of this statement, the College has identified a number of areas of control weakness that applied during 2018/19. The areas are identified in the table below and the action plan will be monitored by the Audit Committee to ensure that each issue is addressed as a matter of urgency.

Area	Issue	Action
Payroll	During the year, it has been established that there has been an underpayment of National Insurance contributions over a number of years. As a result a provision of £250,000 has been made in the 2018/19 financial statements. In addition the College has made a voluntary disclosure to HMRC.	The College is rectifying the anomalies and will work with impacted staff.
Payroll	As part of follow up work commissioned by the College, internal audit has identified that there may have been overpayments of pension contributions over a number of years.	The College has engaged with external advisors to establish the value and extent of these likely overpayments and any associated errors in tax payments. The intention is then to provide communication to affected staff and to provide support where recovery of any overpayment becomes necessary.
Settlement Agreements	Two severance arrangements were made during 2018/19 in respect of lieu of notice. While these settlement agreements incurred no cost to the College, we have identified that there was a requirement to report both to UHI as the RSB, and to the Scottish Funding Council.	The College reported these cases retrospectively to both UHI and SFC. Policies will be reviewed and updated to ensure that no omissions of this nature are made in the future.

Perth College – for the year ended 31 July 2019

Area	Issue	Action
Procurement	<p>During the financial year, the College has identified a number of procurement weaknesses, including:</p> <ul style="list-style-type: none"> - Contracts that were awarded on the basis of a non-competitive quote without approval of the RSB; - Failure to retender significant contracts on a timely basis; and - A lack of purchase orders. 	<p>SMT have implemented a control system which includes:</p> <ul style="list-style-type: none"> • APUC contract in place • Revision of Procurement Strategy and Procedures • Contracts register enabling forward planning of contract values, tenders and renewals • Greater use of APUC Frameworks • Implementing a consistent purchase order system • Retendering of non-compliant contracts • Discussions with RSB on rationales for exemptions to tender
Deferred Income	<p>The College has identified that record keeping and communication across departments has been ineffective. In some cases this has led to errors in accounting for the release of income.</p>	<p>An improved contract management process for recording and monitoring progress against performance milestones is underway.</p> <p>Increased engagement and communication between Finance and College teams to plan and monitor income and expenditure.</p>
Equalities Mainstreaming	<p>The College has identified a delay in publishing the Equality and Outcomes Mainstreaming Report.</p>	<p>These will be completed by March 2020.</p>

Perth College – for the year ended 31 July 2019

Area	Issue	Action
Code of Governance for Scotland's Colleges	As part of its self-assessment, the College has noted that it has not fully complied with all aspects of the 2016 Code of Good Governance for Scottish Colleges.	<p>In the opinion of the Board of Management, the College continues to comply with the provisions of the 2016 Code of Good Governance for Scotland's Colleges, with the exception of C22 – the requirement for the Board to comply with all aspects of the Financial Memorandum, specifically in relation to reporting non-compliance of matters of Procurement and settlement agreements and C27 - the requirement for the Board to comply with the nationally agreed college sector Staff Governance Standard.</p> <p>The College is taking action to address these and expects to be fully compliant by March 2020.</p>
Financial reporting	The Board has noted weaknesses in the timely provision of key financial information which prevented them from fully discharging their responsibilities	<p>The Finance Team capacity issues have been an ongoing focus by SMT with the support of the Board.</p> <p>Actions already taken have addressed the continuity issues within the finance team to enable fully compliant Board financial monitoring.</p> <p>Processes and timetables will be implemented to ensure robust and documented delivery of all financial reports to SMT for comment and scrutiny. This will be implemented in sufficient time to allow subsequent timely distribution for Committee and Board meetings.</p>

Perth College – for the year ended 31 July 2019

Area	Issue	Action
Compliance with the Accounts Direction	Under the Accounts Direction, the College is required to submit the annual report and accounts to the Auditor General for Scotland by 31 December 2019. Due to a combination of factors, including the control weaknesses identified above, along with staff turnover we were unable to produce the Financial Statements within this timeframe.	As part of an overall review of the Finance Team structure, we will develop a revised approach and timetable for the production of financial statements.

Going Concern

The Board of Management confirms that they consider the College to be a going concern as described in the Code of Good Governance for Scotland's Colleges 2016 (section C.1.3) and that the financial statements have been prepared on this basis.

Parliamentary Accountability Report

We have no matters to report.

Approved by order of the members of the Board of Management on 26 February 2020 and signed on its behalf by:



Dr Brian Crichton
Chair



Dr Margaret Cook
Principal and Chief Executive

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Perth College and its group for the year ended 31 July 2019 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 Statement of 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 2019 and of the deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is three years. 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

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)

have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

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

Risks of material misstatement

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

Responsibilities of the Board of Management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of

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)

assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Other information in the annual report and accounts

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

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

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)

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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)

Conclusions on wider scope responsibilities

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

Use of our report

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



Stephen Reid, for and on behalf of Ernst & Young LLP

Ernst & Young LLP

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

28 February 2020

Ernst & Young 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 2019

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Group	College	Group	College
		£000	£000	£000	£000
		Group	College	Group	College
Income					
Funding council grants	2	16,361	16,361	14,669	14,669
Tuition fees and education contracts	3	6,521	4,566	5,629	3,897
Other grants and contracts	4	652	652	125	125
Other income	5	4,066	4,346	3,602	3,832
Investment income	6	13	13	3	3
Total Income		27,613	25,938	24,028	22,525
Expenditure					
Staff costs	7	19,352	18,303	17,774	16,719
Other operating expenses	9	7,436	6,840	6,596	6,185
Depreciation	13	1,058	1,031	1,081	1,049
Interest and other finance costs	10	10	5	27	23
Total Expenditure		27,856	26,179	25,478	23,975
Surplus/(Deficit) before tax		(243)	(241)	(1,450)	(1,450)
Taxation	11		-	(1)	-
Surplus/(Deficit) for the year	12	(243)	(241)	(1,451)	(1,450)
Unrealised surplus on revaluation of land and buildings and Assets held or resale	33	55	55	4,003	4,003
Actuarial gain/(loss) in respect of pension schemes	24	(1,712)	(1,712)	7,075	7,075
Total Comprehensive Income / (Expenditure) for the year		(1,900)	(1,898)	9,627	9,628

The Statement of Comprehensive Income is in respect of continuing activities.

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

Perth College

Consolidated and College Statement of Changes in Reserves for the year ended 31 July 2019

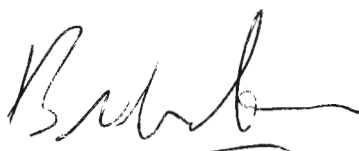
Group	Income and expenditure reserve £000	Revaluation reserve £000	Total £000
Balance at 1st August 2017	2,321	14,307	16,628
Surplus from the income and expenditure account	(1,450)	-	(1,450)
Impact of Revaluation		4,001	4,001
Other comprehensive (expenditure) / income	7,075	-	7,075
Transfers between revaluation and income and expenditure reserves	359	(359)	-
	<u>5,984</u>	<u>3,642</u>	<u>9,626</u>
Balance at 31st July 2018	8,305	17,949	26,254
Surplus from the income and expenditure account	(241)	-	(241)
Impact of Revaluation	-	55	55
Other comprehensive (expenditure) / income	(1 712)	-	(1 712)
Transfers between revaluation and income and expenditure reserves	359	(359)	-
	<u>(1 594)</u>	<u>(304)</u>	<u>(1 898)</u>
Balance at 31 July 2019	6,711	17,645	24,356

College	£000	£000	£000
Balance at 1st August 2017	2,321	14,307	16,628
Surplus from the income and expenditure account	(1 450)	-	(1 450)
Impact of Revaluation		4,003	4,003
Other comprehensive (expenditure) / income	7,075	-	7,075
Transfers between revaluation and income and expenditure reserves	359	(359)	-
	<u>5,983</u>	<u>3,644</u>	<u>9,627</u>
Balance at 31st July 2018	8,304	17,951	26,255
Deficit from the income and expenditure account	(241)	-	(241)
Impact of Revaluation	-	55	55
Other comprehensive (expenditure) / income	(1 712)	-	(1 712)
Transfers between revaluation and income and expenditure reserves	359	(359)	-
	<u>(1 594)</u>	<u>(304)</u>	<u>(1 898)</u>
Balance at 31 July 2019	6,710	17,647	24,357

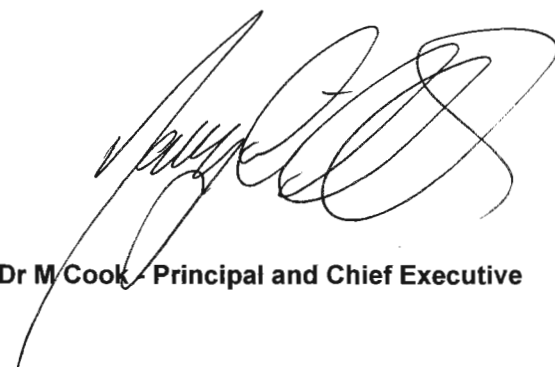
Perth College
Consolidated and College Balance Sheets as at 31 July 2019

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Group £000	College £000	Group £000	College £000
Non current assets					
Tangible fixed assets	13	35,617	35,485	36,533	36,375
Investments	14	-	20	-	20
		35,617	35,505	36,533	36,395
Current assets					
Stock		16	13	19	15
Trade and other receivables	15	2,127	2,101	1,194	971
Assets held for sale	16	230	230	-	-
Cash and cash equivalents	17	2,756	2,033	2,188	1,522
		5,129	4,377	3,401	2,507
Less: Creditors - amounts falling due within one year	18	(5,084)	(4,223)	(5,528)	(4,500)
Net current (liabilities)		45	154	(2,128)	(1,993)
Total assets less current liabilities		35,662	35,659	34,405	34,402
Creditors - amounts falling due after more than one year	19	(5,374)	(5,374)	(5,266)	(5,266)
Provisions					
Pension provision	21	(5,683)	(5,683)	(2,883)	(2,883)
Other Provisions	22	(250)	(250)	-	-
Total net assets		24,355	24,352	26,254	26,254
Unrestricted Reserves					
Revaluation reserve	34	17,645	17,645	17,949	17,949
Pension Reserve	21	(5,683)	(5,683)	(2,883)	(2,883)
Income and expenditure reserve	35	12,393	12,390	11,188	11,188
Total unrestricted reserves		24,355	24,352	26,254	26,254

The financial statements on pages 47 to 76 were approved by the Board of Management on 26 February 2020 and were signed on its behalf by:



B Crichton - Chair



Dr M Cook - Principal and Chief Executive

	Notes	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Cash flow from operating activities			
Surplus / (Deficit) for the year		(243)	(1 451)
Adjustment for non-cash items			
Depreciation	13	1,058	1,081
Deferred capital grants released to income	2	(203)	(197)
(Increase) / Decrease in stocks		3	(1)
Decrease / (Increase) in debtors	15	(932)	(22)
(Decrease) / Increase in creditors	18, 19	(150)	787
Add back deferred cap grant			
(Decrease)/ Increase in provisions		250	-
Pension costs less contribution payable		1 088	979
Taxation			1
Adjustment for investing or financing activities			
Interest receivable	6	(13)	(3)
Interest payable	10	10	27
Taxation paid		-	-
Net cash flow from operating activities		<u>868</u>	<u>1,201</u>
Cash flows from investing activities			
Deferred capital grant	23	(318)	
Payments made to acquire fixed assets	13	318	
		<u>0</u>	<u>-</u>
Cash flows from financing activities			
Interest received	6	13	3
Interest paid	10	(10)	(27)
Repayments of amounts borrowed	20	(300)	(400)
		<u>(297)</u>	<u>(424)</u>
Increase in cash and cash equivalents in the year	17	<u><u>568</u></u>	<u><u>777</u></u>
Cash and cash equivalents at beginning of the year		2,188	1,411
Cash and cash equivalents at end of the year		2,756	2,188

Notes to the Accounts for the year ended 31 July 2019

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 2019. Intra group sales and profits are eliminated fully on consolidation.

Non-current assets - Tangible fixed assets

Land and buildings

Land and buildings are measured using the revaluation model and assets are revalued to fair value. Where appropriate Depreciated Replacement Cost has been used as a measure of fair value for land and buildings otherwise Market Value will be used. The college has a policy of ensuring a full revaluation takes place at least every five years such that the fair value is not materially different to the current value. In line with the FReM an annual indexation exercise will be completed. Depreciation and impairment losses are subsequently charged on the revalued amount.

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 2019

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 2019. They are not depreciated until they are brought into use.

Assets held for sale

Assets held for sale are accounted for at fair value less costs of disposal and disclosed separately within current assets. They are not depreciated.

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

Notes to the Accounts for the year ended 31 July 2019

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. 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 to which it relates. 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.

Notes to the Accounts for the year ended 31 July 2019

Professional Services 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.

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.

Notes to the Accounts for the year ended 31 July 2019

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.

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.

Notes to the Accounts for the year ended 31 July 2019

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.

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's 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.

Notes to the Accounts for the year ended 31 July 2019

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.

- 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 24, 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 2017 has been used by the actuary in valuing the pensions liability at 31 July 2019. 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

There are no Post Balance Sheet Events.

Perth College
Notes to the Accounts for the year ended 31 July 2019

2 Funding Council grants

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£000	£000	£000	£000
SFC FE recurrent grant (including fee waiver)	8,072	8,072	7,073	7,073
Funding for increased STSS contributions				
University of the Highlands and Islands recurrent grant	6,301	6,301	6,129	6,129
Financial security funding				
FE Childcare funds (note 31)	433	433	489	489
Release of government capital grants	203	203	197	197
Other SFC grants	520	520	427	427
Other University of the Highlands and Islands grants	832	832	354	354
	16,361	16,361	14,669	14,669

3 Tuition fees and education contracts

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£000	£000	£000	£000
UK Higher Education students	3,205	3,205	3,185	3,185
UK Further Education students	452	452	487	487
	3,657	3,657	3,672	3,672
Management of Skills Development Scotland contract	910	910	225	225
Other contracts				
Tuition fees of subsidiary	1,954	-	1,732	-
	6,521	4,566	5,629	3,897

4 Other grants and contracts

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£000	£000	£000	£000
Research grants	652	652	125	125
European Commission	-	-	-	-
	652	652	125	125

Perth College
Notes to the Accounts for the year ended 31 July 2019

5 Other income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£000	£000	£000	£000
Residences and catering	1,104	1,104	1,081	1,081
Other income generating activities	1,463	1,463	1,596	1,596
Other income	1,499	1,779	925	1,155
	4,066	4,346	3,602	3,832

6 Investment income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£000	£000	£000	£000
Interest receivable	13	13	3	3
	13	13	3	3

7 Staff costs

The average monthly number of persons (including senior post-holders) employed by the College during the year, expressed as full-time equivalents, was:

	Year ended 31 July 2019 Number of staff	Year ended 31 July 2018 Number of staff
Teaching departments - teaching staff	159	134
Teaching departments - other staff	48	100
Teaching support services	32	16
Administration and central services	101	96
Premises	29	26
Subsidiary (AST) staff	27	23
Other	29	26
	425	421
Analysed as:		
Staff on indefinite contracts	330	353
Staff on temporary contracts	95	68
	425	421

Perth College
Notes to the Accounts for the year ended 31 July 2019

7 Staff costs (continued)

Staff costs for these persons:

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£000	£000	£000	£000
Wages and salaries	14,531	13,614	13,548	12,744
Social security costs	1,606	1,511	1,243	1,169
Other pension costs	3,215	3,178	2,983	2,806
	19,352	18,303	17,774	16,719
Teaching departments - teaching staff	9,529	9,529	8,957	8,957
Teaching departments - other staff	1,421	1,421	1,452	1,452
Teaching departments - AST staff	601		611	
Teaching support services	1,916	1,468	1,387	1,387
Administration and central services	2,655	2,655	2,392	1,948
Premises	853	853	1,137	1,137
Other income generating activities	829	829	859	859
Other income	460	460	-	-
Charge in relation to defined benefit pension	1,088	1,088	979	979
	19,352	18,303	17,774	16,719
Analysed as:				
Staff on indefinite contracts	14,182		14,602	
Staff on temporary contracts	4,082		2,193	
Charge in relation to defined benefit pension	1,088		979	
	19,352		17,774	

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

	Year ended 31 July 2019		Year ended 31 July 2018	
	Number of	Number of	Number of	Number of
	Senior post-holders	Other staff	Senior post-holders	Other staff
£'000				
60-70	1	4	-	-
70-80	2	-	-	4
80-90	-	-	-	-
100-110	1	-	1	-
	4	4	1	4

8 Senior post-holders' emoluments

Senior post-holders are defined as the principal (or chief executive) and holders of the other senior posts whom the board have selected for the purposes of the articles of government of the institution relating to the appointment and promotion of staff who are appointed by the board of governors

	Year ended 31 July 2019 Number	Year ended 31 July 2018 Number
The number of senior post-holders including the Principal was:	5	4
	College £000	College £000
Senior post-holders' emoluments are made up as follows:		
Salaries	380	224
Pension contributions	60	38
	440	262

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

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Salary	108	105
	108	105
Pension contributions	18	18

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 2018/19.

Perth College
Notes to the Accounts for the year ended 31 July 2019

9 Other operating expenses

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group £000	College £000	Group £000	College £000
Teaching departments	1,157	934	898	689
Teaching support services	674	674	467	467
Administration and central services	1,620	1,620	1,456	1,450
Premises costs	1,527	1,300	1,808	1,611
Other income generating activities	539	394	413	413
Catering and residence operations	1,156	1,156	1,065	1,065
Other income	330	330		
Other expenses - Childcare Grant	433	433	489	489
	7,436	6,840	6,596	6,185

Other operating expenses include:

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group £000	College £000	Group £000	College £000
Auditors' remuneration:				
external audit	25	20	17	17
internal audit	17	12	13	13
other services from external audit	5		2	2
other services from internal audit	-	-	-	-
Hire of plant and machinery - operating leases	281	281	95	95
Hire of other assets - operating leases	160	54	164	55

10 Interest payable

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group £000	College £000	Group £000	College £000
On bank loans, overdrafts and other loans:				
Repayable within 5 years, not by instalments	10	5	27	23

11 Taxation

The College is not liable for any corporation tax arising out of its activities during the year (2018 - £nil).

12 (Deficit)/Surplus on continuing operations for the year

The (Deficit)/Surplus on continuing operations for the year is made up as follows:

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
College's (Deficit)/Surplus for the year	(566)	(1,657)
(Deficit)/Surplus generated by subsidiary undertaking	241	206
	(325)	(1,451)

Perth College
Notes to the Accounts for the year ended 31 July 2019

13 Tangible Fixed Assets (Group only)

	Freehold Land and Buildings	Equipment	Total
	£000	£000	£000
Cost or Valuation			
At 1 August 2018	37,207	5,030	42,237
Additions	-	318	318
Disposals	(207)	-	(207)
At 31 July 2019	37,000	5,348	42,348
Depreciation			
At 1 August 2018	1,002	4,702	5,704
Charge for year	987	72	1,058
Revaluation	(32)	-	(32)
At 31 July 2019	1,957	4,774	6,730
Net book value			
At 31 July 2019	35,043	574	35,618

Land and buildings were revalued during the year ended 31 July 2018 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 2019

13 Tangible Fixed Assets (College only)

	Freehold Land and Buildings £000	Equipment £000	Total £000
Cost or Valuation			
At 1 August 2018	37,207	4,408	41,615
Additions	-	318	318
Disposals	(207)	-	(207)
At 31 July 2019	37,000	4,726	41,726
Depreciation			
At 1 August 2018	1,002	4,238	5,240
Charge for year	987	46	1,031
Revaluation	(32)	-	(32)
At 31 July 2019	1,957	4,284	6,239
Net book value			
At 31 July 2019	35,043	442	35,487

Land and buildings were revalued during the year ended 31 July 2018 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 2019

14 Investments

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Investments in subsidiary company	20	20

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 2019, the Company made an operating profit before tax of £240,994 which was paid as a donation to Perth College which resulted in a net asset position of £22,855 at 31 July 2019.

15 Debtors

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group £000	College £000	Group £000	College £000
Amounts falling due within one year				
Trade Debtors	548	383	738	340
Amounts owed by group undertakings:				
Subsidiary undertaking	-	254	-	234
Prepayments and accrued income	1 579	1 464	455	397
	2,127	2,101	1,194	971

16 Current Assets - Held for Sale

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group £000	College £000	Group £000	College £000
28 Morris Court	110	110	-	-
Kinross Learning Centre	120	120	-	-
	230	230	-	-

Morris Court was sold in September 2019 for £110,000. A sale has been agreed for Kinross Learning Centre for £120,000 but that sale has not yet been completed.

17 Cash and cash equivalents

	At 1 August 2018 £000	Cash flows £000	At 31 July 2019 £000
Cash and cash equivalents	2,188	568	2,756
Total	2,188	568	2,756

Perth College

Notes to the Accounts for the year ended 31 July 2019

18 Creditors - amounts falling due within one year

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£000	£000	£000	£000
Bank loans and overdrafts	-	-	300	300
Trade creditors	567	524	511	459
Amounts owed to group undertakings:	-	-	-	-
Other creditors	371	364	208	179
Other taxation and social security	481	451	326	299
Accruals and deferred income	3,161	2,380	3,694	2,772
Deferred income - capital grants	203	203	197	197
Unspent student support funds	301	301	293	293
	<u>5,084</u>	<u>4,223</u>	<u>5,528</u>	<u>4,500</u>

19 Creditors - amounts falling due after more than one year

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£000	£000	£000	£000
Deferred income - capital grants	5,374	5,374	5,266	5,266
	<u>5,374</u>	<u>5,374</u>	<u>5,266</u>	<u>5,266</u>

20 Borrowings

The college had a term loan with the Bank of Scotland which was secured over the property known within the Standard Security as the Student Accommodation, Perth College, Brahan Campus, Crieff Road, Perth. The loan was repayable over five years and carried an interest rate of 4.37% per annum. The balance as at 31 July 2018 was £300,000 and the loan was fully repaid during the year ended 31 July 2019.

21 Pension Provision

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£000	£000	£000	£000
At 1 August	2,883	2,883	8,979	8,979
Movement	2,800	2,800	(6,096)	(6,096)
At 31 July	<u>5,683</u>	<u>5,683</u>	<u>2,883</u>	<u>2,883</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 24.

22 Other Provisions

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£000	£000	£000	£000
National insurance provision	250	250	-	-
	<u>250</u>	<u>250</u>	<u>-</u>	<u>-</u>

Perth College
Notes to the Accounts for the year ended 31 July 2019

23 Deferred capital grants included within creditors

	Government £000	Non Government £000	Total £000
Balance at 1 August 2018			
Land and buildings	504	4,852	5,356
Equipment	22	85	107
Cash received			
Land and buildings	-	-	-
Equipment	318	-	318
Transfer from Non-Government to Government			
Land and buildings	4,852	(4 852)	-
Equipment	85	(85)	-
Released to income and expenditure account			
Land and buildings	(178)	-	(178)
Equipment	(25)	-	(25)
At 31 July 2019			
Land and buildings	5,178	-	5,178
Equipment	400	-	400
	5,578	-	5,578
Amounts falling due within one year	5,375	-	5,375
Amounts falling due after more than one year	203	-	203
	5,578	-	5,578

24 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	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Scottish Teachers' Superannuation Scheme: contributions paid	1,219	1,118
Local Government Pension Scheme:		
Contributions paid	1,039	920
FRS102 charge	1,088	979
Charge to the Statement of Comprehensive Income	2,127	1,899
Total pension cost for year within staff costs	3,346	3,017

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal valuation of the STSS was 31 March 2016 and of the LGPS 31 March 2017.

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 2019 were £1,345k, of which employer's contributions totalled £1,039k and employee's contributions totalled £306k. The agreed contribution rates for future years are 17% for employers and range from 5.5% to 11.2% for employees, depending on salary.

Perth College
Notes to the Accounts for the year ended 31 July 2019

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2017 updated to 31 July 2019 by a qualified independent actuary.

	As at 31 July 2019	As at 31 July 2018
Discount rate	2.10%	2.65%
Pension increases	2.35%	2.35%
Salary increases	3.35%	3.35%
Inflation assumption (CPI)	2.35%	2.35%
Commutation of pensions to lump sums	50.00%	50.00%

The assumed life expectations from age 65 are:

	As at 31 July 2019	As at 31 July 2018
	years	years
<i>Retiring today</i>		
Males	19.7	20.3
Females	21.6	22.3
<i>Retiring in 20 years</i>		
Males	21.3	22.1
Females	23.5	24.1

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

Fair value as at

	As at 31 July 2019	As at 31 July 2018
	£000	£000
Equities	22,351	20,653
Gilts	1,517	1,576
Other bonds	3,897	3,200
Property	3,610	3,494
Cash	573	475
Alternatives	16	7
Total fair value of scheme assets	31,964	29,405

The return on the Fund for the year to 31 July 2019 is estimated to be 7%

Actual return on scheme assets	2,007	2,897
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Perth College

Notes to the Accounts for the year ended 31 July 2019

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

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Fair value of scheme assets	31,964	29,405
Present value of scheme liabilities	(36,480)	(31,046)
Present value of unfunded liabilities	(1,167)	(1,242)
Net pensions (liability) (Note 20)	(5,683)	(2,883)

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

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Amounts included in staff costs		
Current service cost	2,049	1,657
Finance charges	64	230
Admin expenses	14	12
Total	2,127	1,899

Amount recognised in Other Comprehensive Income

Return on scheme assets in excess of interest	1,220	2,209
Change in financial assumptions	(4,032)	2,070
Experience (loss)/gain on defined benefit obligation	-	333
Other Actuarial Gains/Losses	-	749
Change in Demographic Assumptions	1,100	1,714
Amount recognised in Other Comprehensive Income	(1,712)	7,075

Movement in net defined benefit (liability) during the year

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Net defined benefit (liability) in scheme at 1 August	(2,883)	(8,979)
Movement in year:		
Current service cost	(1,617)	(1,657)
Past service cost	(432)	-
Employer contributions	1,039	920
Net interest on the defined (liability)	(64)	(230)
Administration expenses	(14)	(12)
Actuarial gain or loss	(1,712)	7,075
Net defined benefit (liability) at 31 July	(5,683)	(2,883)

Perth College
Notes to the Accounts for the year ended 31 July 2019

Asset and liability reconciliation

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	32,288	34,156
Current service cost	1,617	1,657
Interest cost	851	918
Change in financial assumptions	4,032	(2,070)
Change in demographic assumptions		(1,714)
Experience loss on defined benefit obligations	-	(333)
Estimated benefits paid net of transfers in	(667)	(513)
Past Service Costs, including curtailments	432	
Contributions by Scheme participants and other employers	306	297
Unfunded pension payments	(112)	(110)
Defined benefit obligations at end of period	38,747	32,288

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Changes in fair value of Fund assets		
Fair value of Fund assets at start of period	29,405	25,177
Interest on assets	787	688
Return on assets less interest	1,220	2,209
Other Actuarial Gains/Losses	-	749
Administration expenses	(14)	(12)
Contributions by employer including unfunded	1,039	920
Contributions by Scheme participants and other employers	306	297
Estimated benefits paid plus unfunded net of transfers in	(779)	(623)
Fair value of Fund assets at end of period	31,964	29,405

Perth College
Notes to the Accounts for the year ended 31 July 2019

25 Post balance sheet events

There are no post balance sheet events to report.

26 Capital commitments

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£000	£000	£000	£000
Commitments contracted for at 31 July	118	118	-	-

27 Lease obligations

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

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£000	£000	£000	£000
Future minimum lease payments due				
Land and Buildings				
Expiring within one year	110	-	138	30
Expiring within two and five years inclusive	440	-	-	-
Other				
Expiring within one year	95	95	76	76
Expiring within two and five years inclusive	98	98	-	-
Total	743	193	214	106

28 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 2019

29 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 organisations in which a member of the board of governors or the Senior Management Team 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 organisations in which a member of the Board of Management may have a material interest are noted below:

Company	Member(s)	Position in organisation	Sales	Purchases
			£	£
Colleges Scotland	Dr Margaret Cook	Director	532	-
APUC Limited	Dr Margaret Cook	Director	261	5,013
Mark Taylor Aerospace Limited	Mark Taylor (AST Director)	Owner	-	56,105

The Perth College Development Trust 2004 (The Development Trust) 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.

Dr Margaret Cook and Brian Crichton are Trustees of Development Trust. On this basis, The Development Trust accounts should be consolidated with the accounts of Perth College. For the year ended 31 July 2019, The Development Trust had net income of £3,543 and Net Assets of £54,486. Perth College have therefore decided not to consolidate the accounts.

30 Bursaries and other student support funds

					Year ended 31 July 2019	Year ended 31 July 2018
	Bursary £000	FE Hardship £000	EMA £000	Other £000	Total £000	Total £000
Balance brought forward	206	12	25	6	249	204
Allocation received in year	2,457	100	114	121	2,792	2,475
Expenditure	(2,118)	(75)	(114)	(121)	(2,428)	(2,430)
Repaid to SFC/UHI (Clawback)	(386)	-	-	-	(386)	-
Virements	-	-	-	-	-	-
Balance carried forward	159	37	25	6	227	249
Represented by:						
Repayable to SFC/UHI as clawback	206	20	25	6		
Retained by College for students	-	17	-	-		

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.

31 Childcare funds

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
Balance brought forward	58	63
Allocation received in year	448	484
Expenditure	(433)	(489)
Repaid to SFC (Clawback)	-	-
Virements	-	-
Balance carried forward	73	58
Represented by:		
Repayable to SFC as clawback	32	28
Retained by College for students	41	35

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

32 Government Non-cash allocation for depreciation

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group £000	College £000	Group £000	College £000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	(243)	(241)	(1,450)	(1,450)
Add back: Non-cash allocation for depreciation	1,058	1,031	1,081	1,049
Deferred capital grant	(203)	(203)	(197)	(197)
Operating surplus/(deficit) on Central Government accounting basis	612	587	(566)	(598)

33 Summary Pension Note

The analysis of amounts charged to the Statement of Comprehensive Income (SOCl) is as follows:

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Charged to staff costs:		
Current service costs	(1,617)	(1,657)
Past service costs	(432)	-
Total charged to staff costs	(2,049)	(1,657)
Credit/charge for net return on pension scheme :		
Interest income	787	688
Interest cost	(851)	(918)
Net interest charges	(64)	(230)
Credit/charge to other comprehensive income:		
Return on assets	1,220	2,209
Other experience	1,100	2,796
Gains and losses arising on charges in financial assumptions	(4,032)	2,070
Actuarial Gain/(Loss)	(1,712)	7,075
Total charge to the SOCI	(3,825)	5,188
Analysis of the movement in deficit during the year:		
Deficit in scheme at the start of the year	(2,883)	(8,979)
Service costs	(2,049)	(1,657)
Employer contributions	1,039	920
Net interest costs	(64)	(230)
Administration expenses	(14)	(12)
Actuarial gain/(loss)	(1,712)	7,075
Deficit in scheme at the end of the year	(5,683)	(2,883)

Perth College

Notes to the Accounts for the year ended 31 July 2019

34 Revaluation Reserve

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£000	£000	£000	£000
At 1 August 2018	17,949	17,949	14,305	14,305
Disposal	55	55	-	-
Revaluation	-	-	4,003	4,003
Write back of depreciation on revaluation	-	-	-	-
Transfer to income and expenditure account	(359)	(359)	(359)	(359)
At 31 July 2019	17,645	17,645	17,949	17,949

35 Income & Expenditure Reserve

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£000	£000	£000	£000
At 1 August 2018	11,188	11,186	11,300	11,298
Surplus/Deficit for the year	(241)	(241)	(1,450)	(1,450)
Transfer from revaluation reserve	359	359	359	359
Transfer from pension reserve	1,088	1,088	979	979
At 31 July 2019	12,393	12,390	11,188	11,186

Perth College

Appendix 1

2018-19 Accounts direction for Scotland's colleges and Glasgow Colleges' Regional Board

1. It is the Scottish Funding Council's direction that institutions¹ comply with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts².
2. A new SORP ("the 2019 SORP") was issued in October 2018 and this must be adopted for accounting periods beginning on or after 1 January 2019 and thereafter. Early adoption is permitted as described in Section 27 ('Transition to the 2019 SORP') of the 2019 SORP.
3. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
4. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2018-19 (FReM) where applicable.
5. Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2019.
6. The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
7. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
5 July 2019