

BOARD OF MANAGEMENT
ACTION TRACKER



COMMITTEE: Board of Management Meeting 12 December 2018

(Paper 1a)

DATE RAISED	ACTION No	ACTION	DUE DATE	OWNER	STATUS*	COMMENTS
28.09.17	1	The Board monitor closely and await the outcome of the Scottish Government's considerations on the provision of funding to meet the capital and interest repayments of the Kilwinning Campus PFI contract. When that outcome is communicated, the Board review Risk BRIC3 with a view to setting it at the appropriate level.	By March 2019	Board Secretary	In Progress (Updated September 2019)	<p>Following discussions with SFC, the Board had approved the preparation and submission of a Financial Sustainability Plan (FSP) covering the two years 2019 to 2021 that was forwarded to SFC in November 2018. As a part of this process, an offer of £700K of strategic funding had been received from SFC for each of the two years of the FSP. This represented approximately 50% of the annual PFI costs to the College and the FSP had been calculated on that basis prior to its submission. The FSP had been set against the FFR approved by the Board and returned to SFC at the beginning of October 2019. As a part of this process, an Organisational Review, as approved by the Board, was also underway. The Board noted that SFC intended to introduce a new college funding model with effect from academic year 2022-23.</p> <p>A further FFR prepared in line with the above position was considered by the Board at its meeting on 26 September 2019.</p>

DATE RAISED	ACTION No	ACTION	DUE DATE	OWNER	STATUS*	COMMENTS
29.03.18	1 Update	The Board and the College continue to ensure that all relevant stakeholders remain fully briefed on the impact that the PFI payment continues to have on the fiscal health of the College.	Ongoing until a solution has been reached	Board Chair/Principal	Completed	
Audit 28.09.17	2	Consideration of cross representation between BRIC and Audit Committee ¹	December 2017	Board Chair, Chair of Audit Committee, Board Secretary	Completed	There is now cross representation between the BRIC and Audit Committees.
28.09.17	3	Circulation of Proposed Memorandum (MoA) of understanding with HALO	October 2017	Principal/Board Secretary	Completed	The MoA was circulated, approved and signed in October 2017
28.09.17	4	Consideration to be given as to how the College and the Hospitality Industry can co-operate in an effort to increase the number of people being attracted to learn and train for a future career in the industry.	June 2018	Board/EMT/Directors	In Progress (Updated September 2019)	Under the revised structure operational from August 2019, discussions are taking place between the College and the industry with a view to how best to address the industry's requirements within curricula development moving forward Update September 2019. Principal has met with Bill Costley and further discussions are planned.

¹ Traditionally there has been no cross representation between Finance Committee and Audit Committee to ensure that the independence of the Audit Committee was not compromised. With the revision of the Board Committee structure, the sustainability of this position is being revisited alongside the review of the first year of operation of the revised Committee structure.

DATE RAISED	ACTION No	ACTION	DUE DATE	OWNER	STATUS*	COMMENTS
14.12.17	5	The Ayrshire College Constitution and Standing Orders be updated to reflect the discussion at the Board	March 2018	Board Secretary	Completed	
14.12.17	6	The Financial Statements be approved as agreed by the Board, signed and submitted.	December 2017	Board Chair/Principal	Completed	
14.12.17	7	A high level summary of the draft budget for 2018-19 be prepared and circulated for the information when sufficient information has been provided by SFC	By Board Development Day on February 20 2018	Director of Finance & Student Services	Completed	
29.03.18	8	The Board and the College would continue to ensure that all relevant stakeholders remained fully briefed on the impact that the PFI payment was continuing to have on the fiscal health of the College.	Provision of regular updates at each meeting until resolution is reached	Board Chair and Principal	Completed	Meetings with elected representatives held in April 2018. Questions being raised at the Scottish Parliament by Elected Representatives.
21.06.18	9	Letter to the CabSec seeking approval for the appointment of new Board Members	1 August 2018	Board Chair and Secretary	Completed	
21.06.18	10	Issues in relation to declining student numbers, demographic decline and increased competition be reflected in	December 2018	Chair of LTC/VP Finance & Skills	Completed	

DATE RAISED	ACTION No	ACTION	DUE DATE	OWNER	STATUS*	COMMENTS
		the LTC Extract of the Corporate Risk Register				
21.06.18	11	Corporate Risk Register Risk BRIC1 be reviewed in 2018-19 to ascertain whether it remains appropriate in light of the funding that may be available from the ACF in the future	June 2019	Chair of BRIC/VP Finance & Skills	In Progress	
27.09.18	12	Approved five year Financial Forecast Return be submitted to SFC	October 2018	VP Finance & Skills	Complete	
28.03.19	13	Future ACSA News publications to be circulated to board members	2019-20	Student President and Vice President	Completed	To be implemented in 2019-20
28.03.19	14	A response from the Board of Management to the Unison letter be prepared and forwarded to Unison.	April 2019	Executive Management	Completed	
28.03.19	15	In the light of the discussion held under Item 10 of the minutes, a meeting to be held with the CEO of SFC to discuss the Board's concerns regarding the Outcome Agreement, as set out in Paper 6 above, and the challenges associated in meeting the outcomes in the current financial environment.	Not Specified	Board Chair and Principal	Completed	

DATE RAISED	ACTION No	ACTION	DUE DATE	OWNER	STATUS*	COMMENTS
20.06.19	16	Immediate approach to the Scottish Government re the appointment of a new board member	June 2019	Board Chair and Board Secretary	Completed	
20.06.19	17	The College to liaise with SFC on retaining the balance of VS budget expenditure	2019/20	Principal	In Progress	
20.06.19	18	The Board's Responsibilities and Standing Orders be updated to reflect approval of the revised Committee structure.	September 2019	Board Secretary	Completed	
26.09.19	19	The Student President and Mary McClung meet to discuss the use being made of the College gym facilities.	March 2020	J McCrindle/M McClung	Not Started	
29.09.19	20	The Risk Appetites contained within the Corporate Risk Register be reviewed during 2019-20 in the light of the changes in Board Membership and, thereafter, be reviewed every two years	June2020	G James/M Green	In Progress	Scheduled to take place at the January 2020 Board Development Day

* **Not Started** / **In Progress** / **Completed**

Board of Management Meeting

12 December 2019

Subject: Student Association Report

Purpose: To update Committee Members on Student Association activity since the last meeting

Recommendation: That Committee Members note the content of the report and feedback any recommendations they may have

1. Background

The Student Association has continued to provide ongoing guidance and support to students across the college with regards to enhancing their learning experience. ACSA have funded various student experiences such as paying for travel for a group of Hairdressing and Beauty Students to attend the Beauty Expo in Glasgow as well as funding buses for a Social Science trip to the Scottish Parliament in December. On a daily basis we are assisting students with fundraising for their chosen charities as well as dealing with student feedback and suggestions for improvement. Through this activity we continue to build our relationship and raise our profile with both students and staff.

2. Current Situation

The Student Association have recently undergone the process of recruiting their Student Ambassadors for the 2019/2020 session. There were over a hundred and twenty applicants for thirty six places. Following on from a selection process, sixty potential ambassadors were selected to attend information sessions and thirty four ambassadors attended one of two training days with sweep up sessions taking place during the week beginning the 4th November for Ambassadors who could not make the training. Your Voice Matters Focus groups, facilitated by the Ambassadors, will take place during the last two weeks in November.

3. Association Activity

Nominated Charity Consultation

In September the Student Association undertook a consultation with students and staff to determine who would be the College's 2019/2020 Nominated Charities. The Successful charities are:

- Alzheimer Scotland
- Ayrshire Hospice
- Ayrshire Sands
- Brittle Bone Society
- Keep Scotland Beautiful
- North Ayrshire Cancer Care

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With additional codes open by finance for students who want to fundraise for the following National campaigns:

Comic Relief
Young Minds (Hello Yellow)
BBC Children in Need
MacMillan Cancer Support
Movember Foundation
North Ayrshire Cancer Care
West FM Cash for Kids

Your Voice Matters

Following the successful recruitment and training of Student Ambassadors for the new 'Your Voice Matters' feedback model, focus groups are currently being organised for all classes to take place at the end of November. Talks are ongoing with regards to how the model can be adapted to suit our supported learning students. Please see Paper 7 for a full report regarding the Your Voice Matters model.

Wear It On Your Sleeve

The Student President is planning to relaunch the men's mental health campaign, Wear it On Your Sleeve, on the 1st November, along with encouraging students to sign up for the Movember Challenge. The Wear It On Your Sleeve campaign aims to encourage males to open up and talk about mental health with the message that 'talking saves lives'. To maximise visibility and impact, Male staff champions from across the College will be asked wear their Wear It On Your Sleeve hoodie on the 26th of each month.

Free Sanitary Product Promotion

The Student Vice President is working on organising an awareness raising event to make all students aware of the Scottish Government initiative to provide free sanitary products in all education establishments in Scotland to ensure that students are able to fully participate in education with dignity and without the worry of period poverty. We will be working in partnership with Hey Girls!, a community interest company who provides information, support and reduced cost, sustainable and bleach free sanitary products to public sector organisations. The event will take place on Wednesday 11th December and will bring together different local and national organisations who have wellbeing initiatives to encourage students to stay safe and take care of their wellbeing over the Christmas period when the College is closed. As part of the event the Student Association will be giving out goody bags with information, sanitary supplies, toiletries and treats.

Mental Health & Wellbeing Champions

The Student Association is supporting a pilot peer support project which is hoped will help students access the help they need if they are struggling. Student Mental Health and Wellbeing Champions will chat to and signpost students in the Kilmarnock campus to the various services both within and out with the College. The project is being led by the Head of Student Experience and approximately 12 student champions from the Health and Social care curriculum are going through the process of being trained. Training is taking place in partnership with NHS Ayrshire and Arran,

East Ayrshire Council and Vibrant Communities. The project will be officially launched on the 11th December.

Student Placements

The Student Association have two students joining them this year for student placements. Brett McKenzie, a former sports student, will be joining us from UWS where he is studying sports science. Brett's placement will include the development of clubs with the theme of using physically activity to improve mental health. Brett hopes to roll out some of the good work from the Passing Positivity Campaign to the Kilwinning and Ayr campuses, as well as assisting with the Healthy Body, Healthy Mind Awards. Working with Communities student, Rebecca Staff, will be joining the team on placement to assist the Student Vice President with the women's initiatives such as the sanitary product campaign and Reclaim the Night.

Future Activity

Student Information Scotland Portal

The Student Association is assisting the Scottish Government with piloting its new Student Information Scotland Portal, which provides students with all the information they need to know about student funding. The Student Association is organising a series of focus groups and 1-2-1 sessions on the Kilwinning Campus on the 13th November. Students are being recruited to take part in the trials which will provide important feedback with regards to the portals functions and content.

Reclaim the Night

As part of the Student Association's Women's Campaign, we will be organising a Reclaim the Night march in East Ayrshire, in partnership with the STAR Centre (formely Rape Crisis). The aim of the event is to invite students, staff and the wider community to get together to take part in a march around the town centre to demand safer streets for everyone. Reclaim the Night is a movement which started in Canada in response to the sexual harassment and assaults taking place against women and girls on campus grounds. The movement has spread worldwide and encompasses a desire for safe streets after dark for every member of the community. This event will take place as part of the College's 16 days of Activism activities which raise awareness of gender based violence and take place from the 25th November to the 10th December.

Winter Markets

The Student Association is organising Winter Markets on each Campus on the 4th and 5th of December. The Ayr Campus event is being led by students on the Ayr Campus whilst the Student Association will host the events on the 4th in Kilwinning and the 5th in Kilmarnock. The markets will provide students and staff with the opportunity to purchase Christmas gifts from student enterprises, local businesses and crafters. Each event will take place from 10am to 2pm.

4. Proposals

N/A

5. Risks

Due to the challenging issues dealt with within the SA there is a risk of reputational damage.

6. Equality Impact Assessment

Due to the nature of this paper an equality impact assessment has not been undertaken.

7. Conclusion

The ACSA will continue to work alongside staff in order to best support and encourage students, and make the 2019/20 session both enjoyable and successful for students.

Jack McCrindle
Student President
30 October 2019

Publication

This paper will be published on the College website.

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Board of Management

12 December 2019

Subject: Statutory Financial Statements 2018-19

Purpose: To advise the Board of Management on the 2018-19 Financial Statements, and reports from the College's external and internal auditors and a report from the Chair of the Audit Committee, in line with the College's statutory responsibilities.

Recommendation: The Board of Management approves the Board of Management Annual Report and Financial Statements for the year to 31 July 2019, the reports from the College's external and internal auditors, and the report from the Chair of the Audit Committee.

1 Introduction and Background

The 2018-19 Financial Statements are derived from the management accounts which were presented to the BRIC Committee at its meeting on 10 September 2019, adjusted for year-end accounting requirements. The draft Financial Statements were submitted to Mazars for External Audit on 21 October 2019.

The External Audit on-site fieldwork was completed by Mazars on the 29 October 2019 and a clearance meeting was held as part of this completion process.

The draft Financial Statements were presented to the Business, Resources and Infrastructure (BRIC) Committee on 19 November 2019. These were approved by BRIC. The Board of Management Annual Report and Financial Statements were presented to Audit Committee on 26 November 2019. These were approved by the Audit Committee and recommended for approval by the Board of Management.

2 Current Situation

The Board of Management Annual Report and Financial Statements for the year to 31 July 2019 and associated supporting information are now presented to the Board for consideration and approval.

The following sections provide additional information to aid members' understanding of the financial position and the reporting requirements placed on the College.

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2.1 Management Accounts to Financial Statements – before Audit Finalisation

The July 2019 management accounts were presented to the BRIC Committee on 10 September 2019 showed a full year final surplus of £1.293m.

In order to reflect the non-trading, pension and property figures the College is required to make a number of accounting adjustments to the figures presented in the management accounts. The main accounting adjustments, amounting to £(2.645)m, are shown in the table below (Table 1).

Table 1 – Summary of main accounting adjustments between July management accounts and 2018-19 financial statements

	Column A	Column B	Column C
	Before Exceptional	Exceptional	Total
	£m	£m	£m
Surplus per July 19 management accounts	2.248	(0.955)	1.293
Exceptional VS income	(0.957)	0.957	-
Adjusted total	1.291	2	1.293
Total other adjustments	(3.008)	0.363	(2.645)
Deficit per 2018-19 Financial Statements	£(1.717)	0.365	£(1.352)

The adjustments included pension adjustments, the disposal of the Holehouse Road campus, funding and costs associated with the NPD contract and adjustments for net VS claim. Detailed information on the accounting adjustments was presented to the BRIC Committee and the adjustments were approved.

The presentation of the Statement of Comprehensive Income is split between recurring and exceptional activity. The Statement of Comprehensive Income is included within the Financial Statements. It is shown below (Table 2) for Members' convenience.

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Table 2 – Statement of Comprehensive Income for the year to 31 July 2019

	Recurring	Exceptional	Total
	£m	£m	£m
INCOME			
SFC grants	43.594	2.824	46.418
Tuition fees and education contracts	4.269	-	4.269
Other grants and contracts	0.741	-	0.741
Other income	2.518	-	2.518
Investment income	0.006	-	0.006
Total Income	51.128	2.824	53.952
EXPENDITURE			
Staff costs	34.833	-	34.833
Restructuring costs	-	0.982	0.982
Impairment of Buildings/Asset write downs	-	(0.332)	(0.332)
Exceptional Costs re NPD Contract	-	1.809	1.809
Other operating expenses	10.808	-	10.808
Depreciation	3.955	-	3.955
Interest and other financial costs	3.249	-	3.249
Total Expenditure	52.845	2.459	55.304
Surplus/(deficit) before other gains/(losses)	(1.717)	0.365	(1.352)
Gain/(loss) on disposal of assets	-	-	-
Surplus/(deficit) before tax	(1.717)	0.365	(1.352)

Balance Sheet

The College was required to make balance sheet adjustments which are included within in the 2018-19 Financial Statements. These adjustments include routine adjustments for pension costs, property costs and funding received from the Ayrshire College Foundation. For 2018-19 the College was also required to adjust for the sale of Holehouse Road, exceptional NPD contract costs and costs associated with the Voluntary Severance scheme.

Detailed information on the accounting adjustments made to the Balance Sheet was presented to the BRIC Committee and the adjustments were approved.

2.2 Board of Management Report and Financial Statements

The College is required to prepare its Board of Management Report and Financial Statements in line with SFC's guidance and the Scottish Public Finance Manual. The Board of Management Report and Financial Statements are attached (**Paper 4.1**).

The Board of Management Report includes a performance report, an accountability report and corporate governance report. The SFC Accounting Guidance for 2018-19 details many aspects of the content of the Board of Management Report.

The main Financial Statements and the detailed notes to the Financial statements are set out in **Paper 4.1** from page 35 onwards. The main Financial Statements are the Statement of Comprehensive Income, Statement on Changes in Reserves, Balance and at a Cashflow Statement.

The draft Financial Statements were approved by the BRIC Committee at its meeting on 19 November 2019.

The Board of Management Report and Financial Statements were presented to the Audit Committee on 26 November 2019. The Audit Committee recommended these for approval to the Board of Management.

2.3 Associated Supporting Information

In addition to the Board of Management Report and Financial Statements (**Paper 4.1**) the College must also submit associated supporting information to SFC. This includes the following documents:

- Annual Audit Report from the College's External Auditors (**Paper 4.2**)
- Letter of Representation from Management (**Paper 4.3**)
- Internal Audit Annual Report from the College's Internal Auditors (**Paper 4.4**)
- Annual Audit Report from the College's Audit Committee (**Paper 4.5**).

The Audit Committee reviewed these associated supporting information papers at its meeting on 26 November 2019. The Committee recommended all these papers for approval by the Board of Management at its meeting on 12 December 2019.

2.4 Approval and Submission Process

The College must submit its Board of Management Report, Financial Statements and associated supporting information by 31 December 2019.

Following approval by the Board of Management the Board of Management Report and Financial Statements will be signed by the Chair and Principal of the College. The Board of Management Report and Financial Statements will also be signed by the College's External Auditors.

The suite of documents will then be submitted to SFC. Members are asked to note that the College will ensure that these are submitted before 20 December 2019.

3 Proposals

No further proposals are contained in this report.

4 Resource Implications

No resource implications require to be noted.

5 Consultations

The draft Financial Statements were subject to review by the Business, Resource and Infrastructure Committee and Audit Committee. Thereafter, the Financial Statements are now presented to the Board of Management at its meeting on 12 December 2019 for approval and signature.

6 Risks

No specific risks require to be noted in this paper.

7 Equality Impact Assessment

An impact assessment is not applicable given the subject of this paper.

8 Conclusion

The Board of Management approves the Board of Management Annual Report and Financial Statements for the year to 31 July 2019, the reports from the College's external and internal auditors, and the report from the Chair of the Audit Committee.

Michael Breen
Vice Principal, Finance
3 December 2019

(James Thomson, Director of Finance, Student Funding and Estates)

Publication

Due to the commercially sensitive information, this paper will not be published on the College website.

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Board of Management Report and Financial Statements

For the year ended
31 July 2019

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PERFORMANCE REPORT

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Principal's Statement on Ayrshire College's Performance 2018-19

The College plays a key role in economic development across Ayrshire and Scotland. Working with our employers, key stakeholders and third sector partners, we have successfully delivered on key government priorities in STEM, Health and Social Care and Early Years Education and exceeded targets set.

Over the last year, the collective talent and commitment of our students, staff and partners has enabled the College to continue to improve our performance and student outcomes. The College achieved the core credit target set by Scottish Funding Council (SFC) and demonstrated an improvement in performance across all of the SFC key priority groups KPI's. Over a five-year period full time student success increased by 4.4%.

The College supported the implementation of Developing the Young Workforce and provided seamless support for students to enable them to achieve their full potential at all points of transition. Data published by SFC notes that 95.9% of Ayrshire College students move into a positive destination.

The range of prevention and intervention strategies adopted by the College in partnership with other key stakeholders has continued to support the health and well-being of students. These early interventions have improved the retention and attainment of full-time students from areas of multiple deprivation. The number of care experienced students has grown significantly and the attainment rates for this cohort of students continues to improve.

Our focus on access, inclusion and diversity has created a strong ethos amongst staff and students and this has been a critical success factor in increasing student outcomes.

Development of new and innovative learning spaces and digital resources continued to improve the student experience in 2018-19. Continued investment in our infrastructure supported innovative practice across all curriculum and service teams.

The College positively engaged with individuals, communities and employers across Ayrshire in 2018-19 and we are proud of the impact we make on people's lives every day.

Overview of Performance Report

The Board of Management of Ayrshire College presents its Performance Report together with the Audited Financial Statements for the year ended 31 July 2019.

This Performance Report provides a detailed summary of the performance of the College during 2018-19 and how it measures and monitors its performance. The Report also includes the strategic issues and risks facing the College.

Legal Status

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

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

Strategic Plan 2017-20

The Board of Management published the College's Strategic Plan 2017-2020. The Plan sets out the next stage in the development of Ayrshire College. It presents the basis of the College's future ambitions as it continues to drive forward, pushing boundaries and embracing opportunities.

The Strategic Plan demonstrates how the College's values, visions and strategic goals are all centred round its core mission. The College's core mission is to:

“Provide excellent learning opportunities which enable students of all ages and backgrounds to fulfil their potential.”

The College's vision is to ***“raise aspirations, inspire achievement and increase opportunities”***.

The Strategic Plan 2017-2020 sets out the College's strategic goals for this period. These are as follows:

- To be an ambitious, innovative and inclusive learning and skills organisation in which students and staff thrive
- To develop people and communities, and support inclusive growth, through high quality learning and skills
- To be a high-performing, sustainable college recognised for excellence and integrity.

The Strategic Plan provides the context for ambitions set out in other College strategies such as learning and teaching. The Plan also provides the overarching framework for the College's Outcome Agreement for 2017-20 agreed with the Scottish Funding Council (SFC).

SFC Outcome Agreement

In 2017-18, the College agreed an Outcome Agreement with the Scottish Funding Council for the period 2017-20. This Outcome Agreement focuses on the following four outcomes:

- Learning is accessible and diverse, attracting and providing more equal opportunities for people of all ages, and from all communities and backgrounds
- An outstanding system of learning, where all students are progressing successfully and benefiting from a world-class learning experience, in the hands of expert lecturers delivered in modern facilities
- Well prepared and skilled students progressing into jobs with the ability, ideas, and ambition to make a difference to the economy
- High-performing, sustainable institutions with modern, transparent and accountable governance arrangements

The College produces a separate report on performance against the Outcome Agreement, this is in addition to the performance data collated within this performance report. The performance reported in the separate outcome agreement report includes KPI's in relation to student statistics such as numbers, retention and achievement.

Performance of Ayrshire College in 2018-19

The College reviews its portfolio of courses on an annual basis. Courses no longer in demand, not achieving success or not related to skills are removed from the Curriculum Delivery Plan (CDP) for the following academic year. This annual College process ensures that its portfolio of courses is aligned to national, regional and local policy objectives.

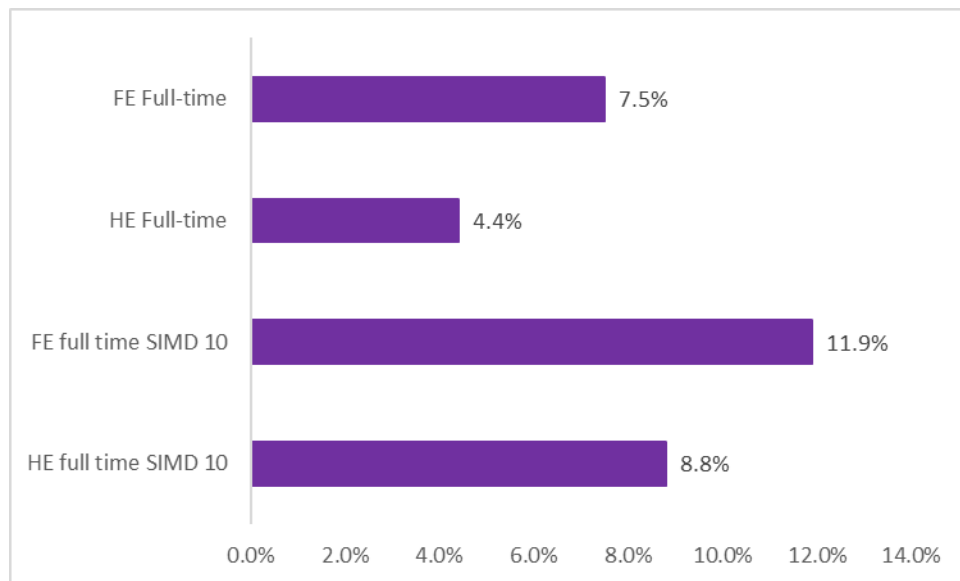
The College continues to make good progress on SFC priorities for improving outcomes for students. The College's continued strategic focus on reducing withdrawals and increasing success during 2018-19 has maintained the College's progress towards achieving the national ambitions for success, which are to be delivered by 2021.

In 2018-19, the College exceeded the core activity target set by the SFC and delivered 125,961 credits (target 124,958 credits). This is the fourth year in a row that the College has exceeded the SFC core activity target.

The College is recognised locally, regionally and nationally as an organisation which makes a positive difference to the lives of its students, to our communities, to Ayrshire’s economy and to Scotland. In 2018-19, 66.2% of FE full-time and 66.8% of HE full-time students completed their courses with a successful outcome.

Student attainment levels in 2018-19 for FE full-time students were 7.5% higher than the College achieved in 2014-15 and attainments levels for HE full-time students were 4.4% higher. Attainment levels for full-time students from areas of multiple deprivation have also risen significantly, with an 11.9% increase for relevant FE students and 8.8% for relevant HE students (Figure 1).

Figure 1: Student Attainment Increases from 2014-15 to 2018-19



Parts of Ayrshire have levels of children living in combined low income and material deprivation higher than Scotland’s national average of 20%. Ayrshire also has amongst the highest youth unemployment rates in Scotland and a higher proportion of people of working age with low or no qualifications than the rest of the country.

East and North Ayrshire local authorities are amongst the top six councils with the highest local share of Scottish Index of Multiple Deprivation (SIMD) 20 per cent most deprived data zones (SIMD20) in Scotland. Ayrshire has circa 26 areas which are among the most deprived 5% in Scotland.

To support the national aspirations for widening access the SFC has set targets for all colleges. SFC has been set the target that 19.5% of its activity should be delivered to students from a SIMD10 postcode area by 2019-20 and 20% by 2020-21. Ayrshire College is committed to targeting students from SIMD10 recognising that education provides students from these areas with significantly improved opportunities for enhanced personal wellbeing and a sustainable future. The College remains on track to meet the national targets set for 2019-20 and 2020-21. The volume of students from SIMD10 increased slightly to 19.3% in 2018-19 from 19.2% the previous year. This however means that the College is only 0.2% off the 2019-20 target one year ahead of the national schedule.

Ayrshire College is recognised as an inclusive college. Consistent and proactive focus on access, inclusion and diversity have created a strong ethos amongst staff and students. This has been a critical success factor in increasing student outcomes year on year and it will continue to be a driver for improvement in student outcomes over the next three years.

The most recent SFC College Leaver Destination Survey reported that 95.9% of Ayrshire College’s students achieved a positive destination six months after completing their course of study. This is an increase of 1.1% from the previous year.

SFC has set ambitious and stretching targets for all of Scotland's colleges to deliver successful outcomes for care experienced students, aiming for parity with their peers by 2021. In 2018-19 Ayrshire College had 513 care experienced students, with 60.4% achieving a successful course outcome.

A key priority area of focus is to improve outcomes for students with a declared disability. Over the four years from 2015-16 to 2018-19 there has been a 37% increase in the number of students declaring a disability. More importantly, over the same period there has been a 5.2% increase in the proportion of these students with a declared disability achieving a successful outcome. In 2018-19 66.2% of Ayrshire College students with a declared disability achieved a successful outcome.

A culture of partnership working is embedded across the College. Throughout 2018-19 the College invested significant time in enhancing existing private, public and third sector partnerships, as well as developing new ones. The College's partnership approach with universities also allows its students to gain access to degree programmes with advanced standing.

The College is a strategic business partner of the Ayrshire Chamber of Commerce and a member of the Developing the Young Workforce Ayrshire Steering Group. Significant economic sectors in the region are aerospace, engineering, health and social care, early education, and hospitality and tourism. The College collaborates with employers and industry bodies to plan the provision of courses to address growth in these and other economic sectors. With approximately 900 apprentices in training at any given time, the College is the main provider of STEM apprenticeships in Scotland.

Ayrshire College has put sustainability towards the forefront including reducing waste within the College. The College's successful drive towards sustainability has been recognised at a national level, with the College being short-listed for the 2019 College Development Network sustainability award.

The College has published a Sustainability Action Plan and its ambition is to be carbon neutral by 2050, in line with government targets. An annual climate report submitted to the Scottish Government every November by Ayrshire College shows that Ayrshire College's carbon footprint is reducing year on year. The College complied with the Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009.

The College continues to invest in its campuses and during 2018-19 major improvement works have been completed to improve the student experience. The improvement works were facilitated by substantial funding support from the Ayrshire College Foundation (ACF) as well as utilising SFC capital grant funding.

The College continues on its journey of improvement in 2018-19 and remains focused on increasing student attainment and achievement. In particular, the College will focus efforts on continuing to improve full-time HE success, which is currently below sector average.

Financial Objectives

The College's financial objectives are to be financially sustainable while continuing to invest in the development of student centred services, infrastructure and resources. The financial context and funding settlements over recent years continue to present challenges to these financial objectives.

The College continues to develop its financial planning structures, budgeting, monitoring and financial reporting systems to support a complex organisation of the scale of Ayrshire College. Robust financial planning remains a key priority going forward given the challenges for the college sector around the levels of funding made available while continuing to demonstrate financial sustainability.

The Executive Leadership Team (ELT) continues to work with the Board of Management and its committees to review financial information requirements and key performance data to ensure good Governance in relation to challenge and scrutiny.

Financial Review

College staff continually review and refine operations during the year. Robust financial management systems, innovative delivery models and prioritisation of expenditure commitments are in place to ensure that the College continues to operate efficiently and effectively within a time of significant financial challenge.

The College generated a deficit in the year of (£1,717,000) before non-recurring items. The deficit represents an adverse figure of (3%) of overall trading income. This compares to a deficit before non-recurring items in 2017-18 of (£1,068,000). After recording net non-recurring costs amounting to £365,000, the final deficit was (£1,352,000) for 2018-19. This is compared to a 2017-18 deficit of (£2,318,000).

The College, at July 2019, has £46,813,000 of net assets (excluding a pension liability of £12,613,000). At July 2018 the College had £45,347,000 of net assets (excluding a pension liability of £4,395,000). The pension liability is excluded as this is outwith the College's control.

The College has significant reliance on SFC for its funding which is largely from recurrent grants. In 2018-19, SFC provided 85.0% of the College's total operational revenue income (2017-18, 83.0%).

The cash balance of £2,705,000 shown in the Balance Sheet includes £1,202,000 made up of SFC monies held by the College for capital (in advance) and student funding (to be repaid), as well as the College's own restricted cash balances. Therefore, the College's trading cash balance as at 31 July 2019 was £1,503,000.

Statement of Comprehensive Income

The statement of comprehensive income shows a total deficit for the year to 31 July 2019 of £(1,352,000). This is compared to a deficit in 2017-18 of £(2,318,000).

There were three areas of non-recurring expenditure which impacted the deficit in 2018-19. These were exceptional restructuring costs, release of provision regarding the former campus at Townholm in Kilmarnock and exceptional costs relating to the NPD contract. The presentation of the Statement of Comprehensive Income in these financial statements therefore analyses trading in the period between recurring items £(1,717,000) and non-recurring items £365,000.

○ Recurring Items

The College recorded a deficit of £(1,352,000) which represents an adverse figure of approximately (3%) of overall trading income.

The recorded deficit of £(1,717,000) in 2018-19 comprises of the following elements:

• Operating position- surplus	£1,661,000
• FRS102- NPD/ PFI Capital income	£1,845,000
• Net Depreciation charge	£(2,713,000)
• FRS 102- Pension	£(2,510,000)

○ Non-recurring Items

Non-recurring items are one off events that occur over and above the core business of the College. The non-recurring items amounting to a surplus of £365,000 in 2018-19 comprised the following elements:

• Provision released re: Townholm campus	£332,000
• Exceptional Income re NPD Contract	£1,809,000
• Exceptional Costs re NPD Contract	£(1,809,000)
• SFC Income re VS Costs for restructuring	£1,015,000
• Exceptional restructuring costs	£(982,000)

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

Table 1 – Adjusted operating position 2017-18 and 2018-19 – Detailing Recurring and Non-recurring Items

	Recurring £000	Non- recurring £000	2018-19 £000	2017-18 £000
Surplus /(deficit) after other gains and losses	(1,717)	365	(1,352)	(2,318)
(Loss) / gain on sale	-	-	-	235
Surplus / (deficit) before other gains and losses	(1,717)	365	(1,352)	(2,553)
Add back:				
Provision released		(332)	(332)	-
Depreciation (net of deferred capital grant release)	2,713	-	2,713	2,256
Exceptional non-restructuring costs (e.g. impairment)		-	-	1,250
Non-cash pension adjustments	2,510	-	2,510	2,090
Donation to Arms-length Foundation				
Provision per 1 April 2014				
Deduct:				
Non-Government capital grants (e.g. ALF capital grant)	(618)	-	(618)	(1,881)
Exceptional income	-	-	-	-
Revenue funding allocated to loan repayments (NPD)	(1,227)	-	(1,227)	(1,176)
Sub-Total Revenue	1,661	33	1,694	(14)
Retention of sale proceeds to fund PFI Capital and Interest payments		1,050	1,050	-
CBP allocated to PFI loan repayments		-	(863)	(899)
Early retirees	-	-	(91)	(95)
Adjusted operating surplus / (deficit)			1,790	(1,008)

Underlying operating position 2017-18 and 2018-19

SFC as part of its accounts direction instructed Colleges to provide a statement in relation to the adjusted operating position using a standard table (Table 2). The SFC table (Table 2) includes both revenue and capital items.

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Table 2 – Adjusted operating position 2017-18 and 2018-19

	Note	2018-19 £000	2017-18 £000
Surplus (deficit) before other gains and losses		(1,352)	(2,553)
Add back:			
Depreciation (net of deferred capital grant release)		2,713	2,256
Exceptional non-restructuring costs (e.g. impairment)		-	1,250
Pension adjustments – Net Service cost	7	2,658	1,720
Pension adjustments – Net Interest cost	21	160	410
Pension adjustments – Early Retirement Provision	18	(308)	(40)
Retention of sale proceeds to fund PFI capital and interest payments		1,050	-
Provision released	18	(332)	-
Deduct:			
Non-Government capital grants (e.g. ALF capital grant)	4	(618)	(1,881)
CBP allocated to loan repayments and other capital items		(954)	(994)
NPD Income applied to reduce NPD Balance Sheet debt	16	(1,227)	(1,176)
Adjusted operating surplus / (deficit)		1,790	(1,008)

Cash budgets for priorities

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

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

Table 3 – Cash budget for priorities spend 2017-18 and 2018-19

	2018-19 £000	2017-18 £000
Revenue		
Student support	-	-
2015-16 pay award	370	370
Other (give detail)	-	-
Total impact on operating position	370	370
Capital		
Loan repayments (PFI capital payment)	863	859
Early Retirees	91	95
Total Capital	954	954
Total cash budget for priorities spend	1,324	1,324

Reserves

The deficit brought forward on the income and expenditure reserve at 1 August 2018 was £4,533,000. After the deficit for the year before non-recurring items of (£1,717,000), the non-recurring items noted above of £365,000, the transfers in respect of the pension reserve, and the transfers from the revaluation reserve are taken into account, the deficit on the College's income and expenditure reserve at 31 July 2019 is £(197,000).

Capital Additions

Tangible Fixed Asset additions in 2018-19 amounted to £1,753,000. This expenditure on the buildings of £1,378,000 relates mainly to re-roofing, windows replacement and the care suite at the Ayr campus and expenditure on the Kilwinning PFI campus of £17,000. In addition, there was expenditure of £375,000 on IT and curriculum equipment.

Core Performance Indicators

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

Table 4 – Ayrshire College Performance against SFC Core Performance Indicators

No	Performance Indicator	2018-19	2017-18
1	Recurring (Deficit)/Surplus as % of total trading income	(3.3%)	(2.2%)
2	Non SFC Income as % of Total Income	15%	16.9%
3	Credit activity target set by SFC for year to July 2019	124,958	125,370
4	Credit activity achieved in year to July 2019	125,961	126,326
5	Activity achieved against target	100.8%	100.8%
6	Current Assets: Current Liabilities	0.6:1	0.4:1
7	Gearing/debt	Nil	Nil
8	Days of recurring expenditure represented by period end cash	15	8

Treasury Management Policies and Objectives

Treasury Management is the management of the College's cash flows, its banking, money market and capital transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a policy of placing any surplus funds with the College's retail banker with a view to maintaining security of capital; maximising the yield from any short term deposits made whilst maintaining accessibility to funds.

Cash Flows

The College had a net increase in cash in 2018-19 of £982,000. This is detailed in the Cash Flow Statement.

Liquidity

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

Payment Performance

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

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

Resources

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

Property

Tangible resources include the three main campuses of Ayrshire College together with smaller satellite campuses. Ayrshire College has prominent main campuses in all three local authority areas. Our main campuses are located in Ayr, Kilwinning and Kilmarnock. Other campuses are used to support specialist curriculum provision, such as our Nethermaines Campus in Kilwinning which focuses on our STEM curriculum.

Estates Development

Estates developments are evidence based and allow the College to align its estate to the emerging needs of students and curriculum delivery requirements.

Staff Report

In the 2018-19 staffing return to the SFC, it was reported that the College employed 732 full-time equivalent employees of whom 352 were curriculum staff and 380 were service staff. This equates to a headcount of 906, comprising 591 female and 315 male members of staff.

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

National Bargaining

The College is a signatory to the National Recognition and Procedures Agreement (NRPA) and a member of the Employers Association. A number of National Bargaining agreements have been reached during 2018-19 for both curriculum and service staff.

Local Joint Negotiation Committees (LJNC) continued to be held during 2018-19 with both EIS-FELA and Unison.

Principal Risks and Uncertainties

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

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

The College Risk Register at the end of 2018-19 identified 17 strategic risks. These were as follows:

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

Stakeholder Relationships

Ayrshire College has many stakeholders. These include:

- Students
- Student Association
- Staff
- Scottish Funding Council
- Education Scotland
- Scottish Government
- Local employers / businesses
- Community planning partnerships
- Local authorities
- Colleges Scotland
- Skills Development Scotland
- Trade unions
- Universities
- The voluntary sector
- Scottish Futures Trust
- The National Union of Students

The College recognises the importance of these key relationships and engages in regular communication with our stakeholders through a variety of routes.

Staff Involvement and Participation

All staff are fully informed of College developments through a range of communication and consultation frameworks. In addition, there are also two elected staff members on the Board of Management.

Staff Development

The College has continued to invest in the development of all staff during 2018-19 and a broad range of staff learning and development activities took place during the year.

Equality and Diversity

The College is committed to ensuring that it is an inclusive regional college, accessible by all sections of the communities we serve. The College's Strategic Plan 2017-20 sets out a cross-cutting theme of **"advancing equality of opportunity and promoting diversity"**. The ELT and Board of Management lead the College's equality and diversity strategy and monitoring arrangements. In addition, the College has an approved equality outcomes policy. A range of activities were carried out during 2018-19 to deliver this aim.

Equality and Diversity Support for Staff and Students

Ayrshire College is fully committed to challenging discrimination, advancing equality of opportunity, promoting inclusion and celebrating the diversity of all of its students, staff, visitors and College partners. Through ongoing training and a strong focus on this area, Ayrshire College ensures that our students, staff and stakeholders are treated equally regardless of race, gender, sexual orientation, disability, religion, marital or civil partnership status and / or age.

The College delivers high quality learning and working experiences which are accessible to everyone in the communities the College serves. The College is working hard to achieve this aim because it believes everyone should have a fair chance and opportunity to be successful. The College continues to move forward positively in these respects. By all working together to foster an inclusive, supportive and

accessible College culture and environment, Ayrshire College is a first choice place of learning and working.

The ELT and Board of Management lead the College's equality and diversity strategy and monitoring arrangements. They are supported by our dedicated Equality and Inclusion team and our Values, Inclusion, Equality and Wellbeing (VIEW) Steering Group. The VIEW Steering Group provides leadership to mainstream and embed equality across the College. The aims and objectives of the VIEW Steering Group primarily focus on the College's Equality Outcomes acting as the lead to support progress in delivering the outcomes successfully. Led by the Director of HR & OD, the VIEW Steering Group continues to support its operational sub-groups including the Promoting Mental Wellbeing Group.

During 2018-19 the College continued to work as a lead partner in the Ayrshire LGBT+ Education Network. The Network is a forum for sharing best practice to better the educational experiences of LGBT+ children, young people and adults learning in local schools, the College and any other learning spaces in Ayrshire.

Health Safety and Wellbeing

It is the policy of the College to pursue progressive improvement in the Health, Safety and Wellbeing of staff, students and visitors and take all reasonable steps to provide safe and healthy conditions in which to study, learn and work.

A range of developments were undertaken during 2018-19 to promote our culture of health, safety and wellbeing. These developments built on the strong foundation of work undertaken by the College prior to 2018-19.

Student Involvement

The College places great importance on the student voice and the role of the Student Association. The Sabbatical President and Vice President are members of the Board of Management. In addition, each year students are invited to give feedback to the College through a range of formal and informal routes.

Disclosure of Information to Auditors

The members of the Board of Management confirm that, so far as they are aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

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

W Mackie

Chair

12 December 2019

C Turnbull

Principal

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ACCOUNTABILITY REPORT

Corporate Governance Report

Statement of Board of Management's Responsibilities

Remuneration and Staff Report

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CORPORATE GOVERNANCE REPORT

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

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

In the opinion of the Board of Management, the College has complied with the Scottish Public Finance Manual (SPFM) throughout the year ended 31 July 2019. The College complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges and it has complied throughout the year ended 31 July 2019.

Board of Management

The Board of Management is responsible for the overall functioning and strategic direction of the College, including responsibility for planning the future development of the College and ensuring its effective management. In so doing, the Board of Management maintains an overarching responsibility for the management and conduct of College affairs. This includes the provision of the best possible education and learning environment for its students, the equality and diversity of staff and students; corporate governance and risk management; finance, planning, monitoring and audit; maintaining quality and standards; and maintaining the College estate. The Board of Management must also ensure that there is an adequate system of accounting and internal control which meets accepted accounting, budgetary control and auditing standards.

The Board of Management, and through its committees, is provided with regular information on the overall financial performance of the College. The Board also receives information on performance against targets, quality matters and other related issues such as health, safety and well-being.

The Board of Management meets on a quarterly basis but may hold additional meetings as needs demand. Meeting papers and confirmed minutes of all Board of Management meetings, and the meetings of the Board's committees are available from the Secretary to the Board of Management and are published on the College Website. Those papers and sections of the minutes deemed confidential by the Board of Management for reasons of commercial confidentiality or data protection are normally "reserved" and are not available to the public.

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

Directors' Report

This section of the report sets out the members who served on the Board of Management during the year to 31 July 2019 (Table 5).

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Table 5 – Serving Board Members 2018-19

Board Member	Committees Served	Status of Appointment	Date of Appointment	Date of Resignation
Mr W Mackie	<ul style="list-style-type: none"> Business, Resources & Infrastructure Performance, Review & Remuneration Search & Nomination 	Chair of Ayrshire College BOM Chair of Ayrshire Regional College BOM	01.08.13 03.03.14 Reappointed 03.03.18	
Ms N A M Beveridge	<ul style="list-style-type: none"> Business, Resources & Infrastructure Performance, Review & Remuneration Search & Nomination 	Non-Executive Board Member	01.08.14 Reappointed 01.08.18	31.07.19
Ms M Bryan	<ul style="list-style-type: none"> Audit Learning & Teaching 	Non-Executive Board Member	01.08.16	
Mrs H Dunk	<ul style="list-style-type: none"> Business, Resources & Infrastructure Learning and Teaching 	Principal	01.08.14	8.04.19
Ms F Fawdry	<ul style="list-style-type: none"> Audit Learning & Teaching 	Non-Executive Board Member	01.08.14 Reappointed 01.08.18	31.07.19
Mr C Hall	<ul style="list-style-type: none"> Business, Resources & Infrastructure Learning & Teaching 	Elected Curriculum / Support Staff	01.08.18	
Mr G James	<ul style="list-style-type: none"> Audit Learning & Teaching Performance Review & Remuneration Search & Nomination 	Non-Executive Board Member	01.08.14 Reappointed 01.08.16	
Mr S Keir	<ul style="list-style-type: none"> Audit Learning & Teaching 	Non-Executive Board Member	01.08.18	15.11.18
Mr J McCrindle	<ul style="list-style-type: none"> Learning & Teaching 	Elected Student Member	01.08.18	
Juliana Pyper-McFarland	<ul style="list-style-type: none"> Learning & Teaching 	Elected Service / Support Staff	01.08.15	31.07.19
Prof. F McQueen	<ul style="list-style-type: none"> Business, Resources & Infrastructure Learning and Teaching 	Non-Executive Board Member	01.08.18	
Ms H Murphy	<ul style="list-style-type: none"> Audit Business, Resources & Infrastructure 	Non-Executive Board Member	01.08.18	

Board Member	Committees Served	Status of Appointment	Date of Appointment	Date of Resignation
Mr K Simpson	<ul style="list-style-type: none"> Business, Resources & Infrastructure Learning and Teaching 	Elected Student Member	01.08.18	31.07.19
Ms C Turnbull	<ul style="list-style-type: none"> Business, Resources & Infrastructure Learning and Teaching 	Principal	01.03.19	
Mr A Walker	<ul style="list-style-type: none"> Learning and Teaching Performance, Review & Remuneration Search & Nomination 	Non-Executive Board Member	01.08.14 Reappointed from 01.08.17	
Mr S Wallace	<ul style="list-style-type: none"> Audit Business, Resources & Infrastructure 	Non-Executive Board Member	01.08.18	
Mr T Wallace	<ul style="list-style-type: none"> Business, Resources & Infrastructure Learning & Teaching Performance Review & Remuneration Search & Nomination 	Non-Executive Board Member	01.08.14 Reappointed from 01.08.16	Date of Death 15.07.19
Ms M Welsh	<ul style="list-style-type: none"> Audit 	Non-Executive Board Member	24.03.16	31.07.19

Table 6 details the number of Board of Management meetings that took place during the individual members' time as a board member during 2018-19 and how many of these meetings that they were able to attend.

Table 6 – Board Members Attendance 2018-19

Board Member	Board Meetings During Appointment	Board Meetings Attended
Mr W Mackie	4	4
Ms N A M Beveridge	4	4
Ms M Bryan	4	4
Mrs H Dunk	2	2
Ms F Fawdry	3	0
Mr C Hall	4	3
Mr G James	4	3
Mr S Keir	1	0
Mr J McCrindle	4	4
Juliana Pyper-McFarland	4	2
Prof. F McQueen	4	3

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Board Member	Board Meetings During Appointment	Board Meetings Attended
Ms H Murphy	4	3
Mr K Simpson	4	4
Ms C Turnbull	2	1
Mr A Walker	4	3
Mr S Wallace	4	3
Mr T Wallace	4	3
Ms M Welsh	4	3

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

The Board of Management conducts its business through a number of committees. The committees comprise members of the Board of Management. Committees and the Board also have the authority to co-opt members, but co-opted members may not chair or vote at meetings. In 2018-19 the only co-opted member was Mr Douglas Mundie, as the requisite external member of the Search and Nomination Committee. The Board of Management has a strong and independent non-executive element of up to twelve members and no individual or group dominates its decision making process. The Board of Management considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. In addition, the Board contains six members who are outwith the non-executive category. These are the Chair (appointed by Scottish Ministers), the Principal (ex-officio), two elected student members and two elected staff members. These members are also expected to exercise impartiality of judgement and be free from any external influence or relationship that could materially interfere with the exercise of their independent judgement as board members.

Register of Interests

The Secretary to the Board of Management maintains a register of financial and personal interests of the members of the Board of Management, in so far as these relate to the activities of Ayrshire College. The register is available for inspection at Ayrshire College, Ayr Campus, Dam Park, Ayr KA8 0EU and is published on the College website.

Appointments to the Board of Management

The Board of Management consists of not less than fifteen, but not more than eighteen persons, of which not less than half shall be drawn from persons engaged in industrial, commercial or employment matters or from the professions or persons with an interest in and the ability to contribute to the management of the College. This is in line with the provisions of The Post-16 Education (Scotland) Act 2013. The other Board members include the Board Chair, who is appointed by the Scottish Government, the Principal, a curriculum/teaching staff member, a support/service staff member and two student members.

Any new appointments to the Board of Management are a matter for the consideration of the Board of Management as a whole. As such, there is a Search and Nomination Committee that is responsible for the selection and nomination of any new member for the Board of Management's consideration. The Board of Management has an induction programme in place and Board development activities were held during 2018-19.

Audit Committee

The Audit Committee consists of non-executive members from the Board of Management. The Chair of the Board of Management and Principal are not members of the Audit Committee. This Committee's responsibilities are to oversee the external and internal audit of the College and provide assurance to the Board that the requirements of the Code of Audit Practice published by Audit Scotland are observed. The Audit Committee has been delegated responsibility for ensuring the system of risk management established by Ayrshire College remains fit for purpose and is being appropriately maintained.

Business, Resources and Infrastructure Committee

The Business, Resources and Infrastructure Committee consists of members from the Board of Management including the Principal and the Chair of the Board. This Committee's responsibilities are to oversee the strategic and operational financial planning of the College and provide assurance to the Board on the financial expenditure, financial management and performance of the College. The Committee is responsible for overseeing the strategic and operational planning of Organisational Development within the College and providing assurance to the Board on Organisational/HR issues as well as the organisational performance of the College. In addition, the Committee oversees the strategic and operational planning of the estates function within the College and provides assurance with regard to College estates matters to the Board.

Learning and Teaching Committee

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

Performance Review and Remuneration Committee

Membership of this Committee comprises the Chair of the Board of Management, the Vice Chair, the Senior Independent Member and the Chairs of each of the Board's committees. This Committee's responsibilities are to agree remuneration for the Principal and Vice Principals, taking account of any advice given by the SFC in the remuneration of the Principal and senior managers, taking account of any guidelines issued by the Scottish Government and/or UK Treasury and reporting to the Board of Management on remuneration for senior staff.

Search and Nomination Committee

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

Personal data-related incidents

SFC requires colleges to outline any significant lapses of data security that take place during the year. During 2018-19 Ayrshire College reported no data-related incidents Commissioner's Office.

GOVERNANCE STATEMENT

Principal Risks and Uncertainties

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

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

The previous principal, Heather Dunk, left the College on 8 April 2019 and the new Principal, Carol Turnbull, took up post on 1 March 2019. Handover meetings were held between the outgoing and incoming principals and the Chair. The new Principal has received full assurances over the Governance arrangements in place at the College from the ELT for the year ended 31 July 2019.

The Internal Audit service for 2018-19 was performed by BDO and concentrated on areas of key activities determined by risk analysis and in accordance with the annual internal audit plan approved by the Audit Committee. The Internal Auditors had direct access to the Chair of the Audit Committee and issued an annual report with an opinion on the adequacy, reliability and effectiveness of the College's internal control system.

The Audit Committee considers the management of risk at each committee meeting. The College Risk Register is updated quarterly and presented to every Audit Committee and Board of Management meeting. Each substantive sub-committee of the Board receives and considers the Committee's extract from the current version of the Corporate Risk Register. The committees advise the Audit Committee accordingly on any changes to the risk or to new risks that have arisen.

The individual risks identified in the College Risk Register are clustered together based on the remit of the Board and each College committee, with the risk groupings relating to:

- Board of Management
- Business, Resources and Infrastructure
- Learning and Teaching

There is no 'Risk Cluster' specifically identified for the Audit Committee as the overall management of risks is within this Committee's Terms of Reference. The Board of Management also reviews the College Risk Register at each of its meetings.

Infrastructure Strategy

The College's Infrastructure Strategy sets out our vision for the Estates, Facilities and Infrastructure of Ayrshire College. Its purpose is to help facilitate the College's strategic goals outlined in the Strategic Plan 2017-2020. Its success will be crucial to the delivery of excellence in learning and teaching. The College's Infrastructure Strategy was approved by the BRIC Committee in March 2018.

STATEMENT OF INTERNAL CONTROL

Scope of Responsibility

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

Purpose of the System of Internal Control

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

Capacity to Handle Risk

The Board of Management has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. These key risks are identified and addressed within the risk register maintained by the College during the twelve months to 31 July 2019.

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 approved by the Board of Management.
- Regular reviews by the Board of Management of periodic and annual financial reports which indicate financial performance against targets.
- Setting targets to measure financial and other performance.
- The operation of and reporting to the Board of Management from an Internal Audit service.

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

Management is responsible for the implementation of agreed audit recommendations and the College's Internal Auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from SFC and other key agencies as they affect the College's business and monitors adherence to the regulatory requirements.

Review of Effectiveness

The review of effectiveness of the system of internal control is informed by:

- The work of Internal Auditors, including their Annual Report on the College's control environment
- The work of college managers, who have responsibility for the development and maintenance of internal control framework
- Comments made by the College's External Auditors
- Comments made by the auditors appointed to audit specific areas such as the delivery of the credits target and the disbursement of student support funds.

The ELT receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning systems which are embedded within the operational units and reinforced by risk awareness training. The ELT and the Audit Committee also receive regular reports from Internal Audit which include recommendations for improvement.

Going Concern

After making appropriate enquiries, the Board of Management considers that the College has adequate resources to continue operations for AY2019-20. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Conclusion

The College has again made significant progress over the last year, particularly in the areas of corporate governance, high quality learning and teaching, improving student outcomes, strategic planning and improving our College estate.

Approved by order of the members of the Board on 12 December 2019 and signed on its behalf by:

W Mackie
Chair

C Turnbull
Principal

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STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES

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

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

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and 2005, the Statement of Recommended Practice on Accounting for Further and Higher Education, the 2018-19 Government Financial Reporting Manual (FRoM) and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between SFC and the College's Board of Management, the Board of Management, through its designated office holder, is required to prepare financial statements for each financial period which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that period.

The financial statements are prepared in accordance with the accounts direction issued by SFC, which brings together the provisions of the financial memorandum with other formal disclosures that SFC requires the Board of Management to make in the financial statements and related notes. The College is a public benefit entity and has therefore also applied the public benefit requirements of FRS 102.

In preparing the financial statements, the Board of Management is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare financial statements on the going concern basis, unless it is inappropriate to presume that the College will continue in operation.

The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:

- Ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- Safeguard the assets of the College and prevent and detect fraud;
- Secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- Clear definitions of the responsibilities of, and the authority delegated to, managers across the College;
- A comprehensive planning process, supplemented by detailed annual budgets including income, expenditure, capital and cash flows;
- Regular reviews of key performance indicators and business risks and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management;
- Comprehensive financial regulations, detailing financial controls and procedures, approved by the Audit Committee, BRIC and the Board of Management;
- 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 and signed on its behalf by:

W Mackie

Chair

C Turnbull

Principal

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REMUNERATION AND STAFF REPORT

Remuneration Policy

The post of Principal and the additional posts which make up the College's SLT (the Vice Principals and Directors) are not covered by national negotiating arrangements, within the terms of the National Recognition and Procedures Agreement (NRPA). All other service staff posts are covered by the NRPA with regard to the negotiation of contractual issues in respect of terms and conditions of service and salaries.

The Principal's, Vice Principals' and Directors' salaries are on incremental salary scales, with annual contractual increments on the anniversary of appointment. There are no contractual arrangements for either performance related pay or for the payment of bonuses.

The remuneration of the Chair is set by Scottish Ministers as detailed in Note 8 to these financial statements.

Operation of the Remuneration Committee

Membership of the Remuneration Committee comprises the Chair of the Board of Management and the chairs of each of the Board's committees. The Principal is not a member of the Remuneration Committee. This Committee's responsibilities are to agree remuneration for the Principal and Vice Principals, taking account of any advice given by the SFC in the remuneration of the Principal and senior managers, taking account of any guidelines issued by the Scottish Government and/or UK Treasury and reporting to the Board of Management on remuneration for senior staff.

The Principal could be called to attend a Remuneration Committee meeting for the purpose of presenting any paper relevant to the salary scale of members of the Vice Principals. However, since the Principal is not a member of the Remuneration Committee, the Principal would not be present during any decision making in this regard.

The Vice Principal – People can be called to attend the meeting for the purposes of providing professional advice, as required by the Committee.

Senior Management Remuneration including salary and pension costs

Salary entitlements

In this section of the report the College has set out, in bands of £5,000, the remuneration of senior management during 2018-19 (Table 7).

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Table 7 – Remuneration of Senior Management 2018-19

Name	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
C Turnbull, Principal (started 1/3/19) *	55-60	17	70-75	-	-	-
H Dunk, Principal (left 8/4/19) *	100-105	19	115-120	135-140	5	140-145
M Breen, Vice Principal	90-95	40	130-135	90-95	36	125-130
J McKie, Vice Principal	90-95	36	125-130	90-95	34	120-125
A Campbell, Vice Principal (started 1/3/19) *	35-40	47	80-85	-	-	-
J Galbraith, Vice Principal (left 3/8/18) *	0-5	-	0-5	90-95	32	120-125
D Vallance, Vice Principal (left 28/9/18) *	10-15	5	15-20	85-90	31	115-120

* Please note the salary band reflects the actual salary paid during 2018-19 and not the salary band of the post held by the individual.

The details in the tables in this section of the report are subject to audit. The format of the tables have been set by the SFC as part of its accounts direction to colleges for 2018-19.

The pension benefit figure included within Table 7 is derived by using a calculation set out by SFC in the 2018-19 accounts direction. The accounts direction states that:

“the value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension right”.

Median Remuneration

Colleges are required by the FReM to disclose the relationship between the remuneration of the highest paid official and the median (middle of the range) remuneration of their workforce.

The midpoint band of the remuneration of the highest paid official in the organisation in financial year 2018-19 was £132,500 (2017-18, £137,500). This was 3.6 times (2017-18, 4 times) the median remuneration of the workforce which was £37,295 (2017-18, £34,515)

Accrued Pension Benefits

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

Both STSS and the SPF were final salary pension schemes up to 31 March 2015. This means that pension benefits for service prior to that date are based on the final year's pay and the number of years that the

person has been a member of the scheme. Since 1 April 2015 both schemes have moved to being Career Average Schemes in respect of service since that date.

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

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

Senior Officials' Pension

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

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

Table 8 – Employer's Contributions by Senior Official

Name	Senior Official's Pension Scheme	Accrued pension at pension age at 31 July 2019 £000	Accrued lump sum at pension age at 31 July 2019 £000	Real increase in pension 1 August 2018 to 31 July 2019 £000	Real increase in lump sum 1 August 2018 to 31 July 2019 £000	CETV at 31 July 2019 £000	CETV at 31 July 2018 £000	Real increase in CETV £000
C Turnbull *	SPF	1	-	1	-	18	-	18
M Breen	SPF	30	39	2	1	460	388	72
A Campbell	STSS	20	41	3	4	270	233	37
J McKie	SPF	18	2	2	-	333	280	53

* As at the date of signing, the transfer of funds from a previous pension provider has not been enacted and the CETV represents benefits accruing from current employment only.

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service or transferred service from previous employment and not just their current appointment.

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

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

Compensation for loss of office

No compensation payments were made for the loss of office during 2018-19.

37 members of staff left under an SFC approved voluntary scheme during 2018-19. Voluntary severance payments made to these members of staff totalled £1,014,677. Two members of staff earning in excess of £60,000 per annum received voluntary severance payments. In both instances the payments were in line with the voluntary severance scheme approved by SFC and both payments were approved by SFC before they were paid to the individual members of staff. These payments were on the same basis as all other staff.

The table below summarises the exit packages by cost band.

Table 9 – Voluntary Severance Payments 2018-19

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	10	-	10
£10,000 - £25,000	12	-	12
£25,000 - £50,000	9	-	9
£50,000 - £100,000	6	-	6
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
Total number of exit packages	37	-	37
Total cost (£)	£1,014,677	£0	£1,014,677

Salaries and related costs for 2018-19 totalled £31,388,000 (Table 10).

Table 10 – Salaries and Related Costs 2018-19

	2019			2018
	Directly employed staff £000	Seconded and agency staff £000	Total £000	Total £000
Wages and salaries	24,761	72	24,833	24,761
Social security costs	2,466	-	2,466	2,401
Other pension costs	4,089	-	4,089	4,023
TOTAL	31,296	72	31,388	31,185
Average number of FTEs			732	757

Sickness Absence

Total sickness absence during 2018-19 was 4.02%. This was due to short-term and long-term sickness absence levels. The figures for 2018-19 are as follows:

Short-term	1.73%
Long-term	2.29%
Total	4.02%

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

Trade Union Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, Ayrshire College provided support through paid facility time for union officials working at the College. The information for the year ended 31 March 2019 is set out in the Tables 11 to 13.

Table 11 – Relevant Union Officials

Number of employees who were union officials during 2018-19	Employee number by FTE:
9.0	1.02

Table 12 – Percentage of Time Spent on Facility Time

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

Table 13 – Percentage of Pay Bill Spent on Facility Time

Total cost of facility time	£115,370
Total pay bill	£31,282,668
Percentage of total pay bill spent on facility time	0.4%

Total time spent on trade union activities as a percentage of total paid facility time hours during 2018-19 was 100%. The College also releases union officials to support staff with other meetings as required.

Approval of the Remuneration Report

The Remuneration Report has been approved by the Board of Management and is signed on its behalf on 12 December 2019 by:

W Mackie

C Turnbull

Chair

Principal



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

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

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Ayrshire College 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 Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2019 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

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

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

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

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.

Auditor's responsibilities for the audit of the financial statements

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

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

Other information in the annual report and accounts

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

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on other 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 Charities Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Lucy Nutley,
For and on behalf of Mazars LLP
100 Queen Street
Glasgow
G1 3DN
December 2019

Lucy Nutley is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR TO 31 JULY 2019

	Note	Recurring	Non-recurring	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
INCOME					
SFC grants	2	43,594	2,824	46,418	41,230
Tuition fees and education contracts	3	4,269	-	4,269	4,157
Other grants and contracts	4	741	-	741	2,026
Other income	5	2,518	-	2,518	2,182
Investment income	6	6	-	6	3
Total Income		51,128	2,824	53,952	49,598
EXPENDITURE					
Staff costs	7	34,833	-	34,833	32,905
Restructuring costs	7	-	982	982	-
Release of Provision / Impairment of Buildings		-	(332)	(332)	1,250
Exceptional Costs re NPD Contract		-	1,809	1,809	-
Other operating expenses	9	10,808	-	10,808	10,643
Depreciation	12	3,955	-	3,955	3,735
Interest and other financial costs	10	3,249	-	3,249	3,618
Total Expenditure		52,845	2,459	55,304	52,151
Surplus/(deficit) before other gains/(losses)		(1,717)	365	(1,352)	(2,553)
Gain/(loss) on disposal of assets		-	-	-	235
Surplus/(deficit) before tax		(1,717)	365	(1,352)	(2,318)
Taxation	11	-	-	-	-
(Deficit) for the year		(1,717)	365	(1,352)	(2,318)
Unrealised surplus on revaluation of assets				-	96,347
Release of Restricted Funds in year				-	-
Disposal of Properties in Revaluation Reserve				-	-
Actuarial gain / (loss) in respect of pension schemes				(5,400)	12,056
Total Comprehensive Income for the year				(6,752)	20,085

All items of income and expenditure relate to continuing activities and are unrestricted.

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

STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure Account £000	Restricted Reserves £000	Revaluation Reserve £000	Total £000
Balance at 31 July 2018	4,533	466	35,953	40,952
Surplus/(deficit) from the income and expenditure statement	(1,352)	-	-	(1,352)
Transfers from pension reserve to income and expenditure reserve	(5,400)	-	-	(5,400)
Revaluation	-	-	-	-
Transfers between revaluation and income and expenditure reserve – HC Depreciation	972	-	(972)	-
Disposal of Properties – Holehouse Road	1,050	-	(1,050)	-
Impairment of Properties	-	-	-	-
Total comprehensive income for the year	(4,730)	-	(2,022)	(6,752)
Balance at 31 July 2019	(197)	466	33,931	34,200

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BALANCE SHEET AS AT 31 JULY 2019

	Note	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Fixed Assets			
Tangible fixed assets	12	110,144	113,396
Total fixed assets		110,144	113,396
Current Assets			
Stocks		21	23
Debtors	13	2,028	1,301
Debtors outwith one year	14	-	-
Cash and cash equivalents	20	2,705	1,723
Total current assets		4,754	3,047
Less: Creditors – amounts falling due within one year	15	7,152	7,295
Net current assets/(liabilities)		(2,398)	(4,248)
Total assets less current liabilities		107,746	109,148
Less: Creditors – amounts falling due after more than one year	16	48,687	50,971
Less: Deferred capital grants due to be released after one year	17	10,115	9,968
Provisions			
Early Retirement Provision	18	1,277	1,676
Other Provisions	18	854	1,186
Net Assets excluding pension liability		46,813	45,347
Net pension liability	21	(12,613)	(4,395)
NET ASSETS INCLUDING PENSION LIABILITY		34,200	40,952
Income and expenditure account excluding pension reserve			
	19	12,416	8,928
Pension reserve	19	(12,613)	(4,395)
		(197)	4,533
Restricted Reserves		466	466
Revaluation Reserve	19	33,931	35,958
TOTAL RESERVES		34,200	40,952

The financial statements on pages 35 to 61 were approved by the Board of Management on 12 December 2019 and were signed on its behalf on that date by:

W Mackie

Chair

C Turnbull

Principal

CASH FLOW STATEMENT FOR THE YEAR TO 31 JULY 2019

	Year ended 31 July 2019	Year ended 31 July 2018
Note	£000	£000
Cash inflow from operating activities		
Surplus/(deficit) for the year	(1,352)	(2,318)
Adjustment for non cash items		
Depreciation	12 3,955	3,735
Net (gain)/loss on disposal of fixed assets	-	(235)
Deferred capital grants released to income	17 (1,242)	(1,479)
(Increase)/decrease in stock	2	15
(Increase)/decrease in debtors	13 (727)	(202)
Increase/(decrease) in creditors	15 4	171
(Decrease)/increase in provisions	18 (731)	(64)
(Decrease)/increase in reserves	-	-
Impairments of Buildings	12 -	1,250
Net return on pension liability	21 2,818	2,130
Returns on investments and servicing of finance	(154)	(407)
Taxation	-	-
Cash flows from investing and financing activities		
Interest receivable – bank interest	6 (6)	(3)
Interest payable	10 160	410
PFI/NPD Capital Payments	16 (2,177)	(2,075)
Purchase of tangible fixed assets	12 (1,753)	(3,435)
Proceeds from sale of tangible fixed assets	1,050	277
Deferred Capital Grants Receipts	17 1,135	1,554
Increase/(decrease) in cash and cash equivalents in the year	982	(676)
Reconciliation of net cash flow to movement in net funds		
Increase/(decrease) in cash and cash equivalents in the year	982	(676)
Net funds at 1 August 2018	1,723	2,399
Net funds at 31 July 2019	2,705	1,723

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of Principal Accounting Policies

a) Basis of Preparation

The financial statements are prepared on a going concern basis and show a deficit for the year of (£1,717,000) before non-recurring items, with an accumulated deficit on the income and expenditure reserve of (£197,000). At 31 July 2019, current assets of £4,754,000 included cash and bank balances of £2,705,000. Creditors falling due within one year were £7,152,000, with net current liabilities of (£2,398,000).

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

b) Basis of Accounting

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

c) Recognition of income

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

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

d) Grant Funding

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

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

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

e) Maintenance of premises

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

f) Pension schemes

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

g) Tangible fixed assets

Private Finance Initiative ('PFI') Assets

PFI contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the service passes to a PFI contractor.

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

Assets recognised on Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the College.

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

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

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

NPD Assets

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

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

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

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

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

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g) Tangible fixed assets (continued)

Land and buildings

Land and buildings inherited from the former Strathclyde Regional Council in 1993 are stated in the Balance Sheet at a valuation on the basis of depreciated replacement cost for specialised properties and open market value for non-specialised properties, as at 31 July 2019, less amounts written off by way of depreciation.

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

Main buildings and infrastructure	(up to) 52 years
Temporary buildings	(up to) 10 years

Leased assets are depreciated over the life of the lease.

Equipment

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

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

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

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

h) Leased Assets

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

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

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

i) Stocks

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

j) Taxation

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

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

k) Provisions

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

l) Financial Instruments

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

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

m) Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- Tangible fixed assets

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

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability.

	Non- recurring	Note	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
2 SFC grants				
FE recurrent grant (including fee waiver)			33,127	32,996
HE & FE childcare funds			863	890
Release of deferred capital grants			1,171	1,414
Maintenance grant			1,332	1,108
NPD UC Grant (include Capital)			4,762	4,755
NPD Grant (final payment)	1,809		1,809	-
SFC ESOL Grant			104	67
SFC Grants re National Bargaining			1,158	-
SFC Grants re VS Costs	1,015		1,015	-
Other SFC Grants			1,077	-
Total			46,418	41,230
3 Tuition fees and education contracts				
FE fees – UK			505	446
FE fees - EU			-	-
FE fees – non EU			-	-
HE fees			2,668	2,760
Education contracts			929	855
Other contracts			167	96
Total			4,269	4,157
4 Other grant income				
European funds			-	-
Grants from Ayrshire College Foundation – Capital			618	1,881
Grants from Ayrshire College Foundation - Revenue			52	82
Release of deferred capital grants		17	71	63
Total			741	2,026
5 Other operating income				
Catering			1,158	1,186
Other income-generating activities			765	432
Other income			595	564
Total			2,518	2,182
6 Investment Income				
Other interest receivable			6	3
Net return on pension asset/liability			0	0
Total			6	3

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	Year ended 31 July 2019	Year ended 31 July 2018
Note	2019	2018
	£000	£000
7 Staff costs		
Wages and salaries	24,833	24,761
Social security costs	2,466	2,401
Other pension costs	4,089	4,023
	31,388	31,185
FRS 102 pension adjustments	2,658	1,720
Job Evaluation	787	-
Total	34,833	32,905
Curriculum departments	16,475	16,109
Curriculum services	5,592	5,658
Administration and central services	9,907	9,037
Premises	1,396	1,446
Catering	676	655
Sub-total	34,046	32,905
Job Evaluation	787	-
	34,833	32,905
Exceptional restructuring costs	982	-
Total	35,815	32,905

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

	2019 No.	2018 No.
Academic/teaching departments	316	316
Academic/teaching services	129	140
Administration and central services	205	214
Premises staff	54	54
Catering staff	28	33
Total	732	757

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

	2019 No.	2018 No.
£50,001 to £60,000 per annum	14	16
£60,001 to £70,000 per annum	2	10
£70,001 to £80,000 per annum	8	-
£80,001 to £90,000 per annum	-	-
£90,001 to £100,000 per annum	3	4
£100,001 to £110,000 per annum	-	-
£110,001 to £120,000 per annum	-	-
£120,001 to £130,000 per annum	-	-
£130,001 to £140,000 per annum	1	1

8 Senior post-holders' emoluments

Note	2019 No.	2018 No.
The number of senior post-holders, including the Principal was:	4	5
	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Senior post-holders' emoluments are made up as follows:		
Salaries	391	499
Benefits in kind	-	-
Employers Pension contributions	73	93
Total emoluments	464	592

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

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Salary – Principal resigned 31/3/19	100	137
Salary – Principal started 1/3/19	55	-
Bonus	-	-
Benefits in kind	-	-
	155	137
Employers Pension contributions	28	23

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8 Senior post-holders' emoluments (continued)

In 2018-19 the Principal was a member of the Strathclyde Pension Fund and two other senior post holders were members of the Scottish Teachers Superannuation Scheme. All pension contributions were paid at the same rate as for other members.

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

Chair's Remuneration

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

2018-19: £27,560

2017-18: £27,560

This remuneration is not pensionable.

	Note	Year Ended 31 July 2019 £000	Year Ended 31 July 2018 £000
9 Other operating expenses			
Teaching departments		1,672	1,650
Administration and central services		2,341	2,671
Kilwinning Campus PFI service charge		851	822
Hill Street NPD unitary charge		1,325	1,279
Other premises costs		3,105	2,659
Refurbishment works funded by Ayrshire College Foundation		-	-
Childcare costs		863	890
Student Support Bursary Costs		-	-
Catering costs		651	672
Total		10,808	10,643

	Year Ended 31 July 2019 £000	Year Ended 31 July 2018 £000
Other operating expenses include:		

Auditors' remuneration

- external audit of these financial statements	33	26
- internal audit services	30	9
- other services	-	-
Operating lease payments	255	239

	Note	Year Ended 31 July 2019	Year Ended 31 July 2018
		£000	£000
10 Interest payable			
Kilwinning Campus PFI interest charge	16	418	468
Hill Street NPD interest charge	16	2,671	2,740
Pension finance costs (Note 21)	21	160	410
Total		3,249	3,618

11 Taxation

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

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12 Tangible Fixed Assets

	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	PFI Building £000	NPD Building £000	Equipment £000	Total £000
Cost or Valuation						
At 1 August 2018	35,600	1,005	19,711	53,955	12,833	123,104
Additions	1,361	-	17	-	375	1,753
Revaluation	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Disposals	(1,050)	-	-	-	(861)	(1,911)
At 31 July 2019	35,911	1,005	19,728	53,955	12,347	122,946
Depreciation						
At 1 August 2018	-	324	-	-	9,384	9,708
Provided during year	1,110	79	548	1,053	1,165	3,955
Write back re: revaluation	-	-	-	-	-	-
On disposals	-	-	-	-	(861)	(861)
At 31 July 2019	1,110	403	548	1,053	9,688	12,802
Net Book Value at 31 July 2019	34,801	602	19,180	52,902	2,659	110,144
Net Book Value at 31 July 2018	35,600	681	19,711	53,955	3,449	113,396
Inherited	18,746	35	8,269	6,881	-	33,931
Financed by capital grant	9,148	553	-	-	1,660	11,361
Other	6,907	14	10,911	46,021	999	64,852
At 31 July 2019	34,801	602	19,180	52,902	2,659	110,144

The College's Ayr, Kilwinning and Kilmarnock Campus properties were valued at 31 July 2018 by Gerald Eve in the capacity of external valuer. The basis of valuation adopted was that set out in FRS102 being fair value: market value for existing use or depreciated replacement costs (as defined by the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors), depending on the type of asset being valued.

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	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
13 Debtors: Amounts falling due within one year		
Trade debtors – net of provision for doubtful debts	134	106
European funding	-	-
Other Debtors	150	399
Prepayments and accrued income	1,744	730
Amounts owed by the Scottish Funding Council	-	66
	2,028	1,301

14 Debtors: Amounts falling due outwith one year

-	-
-	-

15 Creditors: Amounts falling due within one year

Bank loans and overdrafts	-	-
Trade creditors	435	983
Other taxation and social security	885	596
Other Creditors	850	655
Accruals and deferred income	1,112	1,107
PFI Capital payment < 1 year	16 1,004	950
NDP Capital payment < 1 year	16 1,280	1,227
Deferred Capital Grants to be released in <1 year	17 1,246	1,500
Amounts owed to Scottish Funding Council	325	233
Bursaries and Student Support Funds for future disbursements	15	44
	7,152	7,295

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Year ended	Year ended
31 July	31 July
2019	2018
£000	£000

16 Creditors: Amounts falling due after one year

Capital Element of Kilwinning PFI expenditure:

At 1 August 2018

Capital payments in year

Less amount due within one year

At 31 July 2019

	7,431	8,330
	(950)	(899)
	6,481	7,431
15	(1,004)	(950)
	5,477	6,481

Capital Element of Kilmarnock NPD expenditure:

At 1 August 2018

Capital payments in year

Less amount due within one year

At 31 July 2019

	45,717	46,893
	(1,227)	(1,176)
	44,490	45,717
15	(1,280)	(1,227)
	43,210	44,490

Total

	48,687	50,971
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17 Deferred Capital Grants

SFC	Non SFC	Total
£000	£000	£000

At 1 August 2018

Land and Buildings

Equipment

7,023	2,008	9,031
2,437	-	2,437
9,460	2,008	11,468

Grants received in the period

Land and Buildings

Equipment

1,054	-	1,054
81	-	81
1,135	-	1,135

Released to Income and Expenditure Account

Land and Buildings

Equipment

(313)	(71)	(384)
(858)	-	(858)
(1,171)	(71)	(1,242)

At 31 July 2019

Land and Buildings

Equipment

7,764	1,937	9,701
1,660	-	1,660
9,424	1,937	11,361

Split as follows:

Due to be released in <1 year

Due to be released in >1 year

1,175	71	1,246
8,249	1,866	10,115
9,424	1,937	11,361

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
18 Provisions for liabilities and charges		
Early Retirement Provision		
At 1 August 2018	1,676	1,810
Expenditure in the period	(91)	(95)
Release of provision	(308)	(39)
At 31 July 2019	1,277	1,676

The above liability is in respect of future pension liabilities arising from early retirements prior to 2006 and now relating to 27 individuals receiving benefits (2017-18: 27). The pension liability has been revalued using SFC actuarial tables.

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Other Provisions		
At 1 August 2018	1,186	1,116
Expenditure in the period	(332)	-
Additional provision required in the period	-	70
At 31 July 2019	854	1,186

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

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
19 Reserves		
Income & Expenditure Account		
At 1 August 2018	8,928	7,040
Surplus/(deficit) for the period	(1,352)	(2,318)
Disposal of properties in RR	1,050	42
Transfer from revaluation reserve	972	784
Impairment of Properties	-	1,250
Transfer to/(from) pension scheme	2,818	2,130
At 31 July 2019	12,416	8,928

19 Reserves (continued)

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Pension Reserve		
At 1 August 2018	(4,395)	(14,321)
Current service cost	(3,576)	(3,604)
Impact of curtailments	(963)	-
Employer contributions	1,850	1,855
Contributions re unfunded benefits	31	29
Past service costs	-	-
Net return on pension scheme	(160)	(410)
Actuarial gain/(loss) in pension scheme	(5,400)	12,056
At 31 July 2019	(12,613)	(4,395)
Summary		
Income & expenditure account	12,416	8,929
Pensions reserve	(12,613)	(4,395)
At 31 July 2019	(197)	4,533

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Revaluation Reserve		
At 1 August 2018	35,953	27,682
Revaluation	-	10,347
Transfer to income & expenditure account in respect of Depreciation on revalued assets (include element re PFI capital reserve)	(972)	(784)
Disposal of properties	(1,050)	(42)
Impairment of properties	-	(1,250)
At 31 July 2019	33,931	35,953

20 Analysis of changes in cash and cash equivalents

	At 1 August 2018 £000	Cash Flows £000	Other Changes £000	At 31 July 2019 £000
Cash	1,723	982	-	2,705
Finance lease/hire purchase contracts	-	-	-	-
Total	1,723	982	-	2,705

21 Pensions and similar obligations

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

The total pension costs for the period were:

	Year to 31 July 2019 £000	Year to 31 July 2018 £000
STSS: contributions paid	2,208	2,139
SPF: Contributions paid	1,881	1,884
FRS 102 charge to the Income & Expenditure Account	2,658	1,720
Total pension cost (Note 7)	6,747	5,743

Scottish Teachers' Superannuation Scheme (STSS)

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

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

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

Financial assumptions at 31 March 2019

Rate of return (discount rate) 2.9%

Rate of return in excess of:

Earnings increases (1.15)%
Price increases 0.29%

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

Strathclyde Pension Fund (SPF)

The SPF is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution by the employer made for the year ended 31 July 2019 was £1,881,000.

Under the requirements of Financial Reporting Standard 102 (FRS102), the College is required to disclose information on its share of assets and liabilities of the Strathclyde Pension Fund on a market value basis at the end of the accounting period. The figures quoted form the basis of the balance sheet and funding status of Ayrshire College as at 31 July 2019, in respect of its pension obligations under this Local Government Pension Scheme (LGPS). This information is set out below:

Principal Actuarial Assumptions

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.6%	3.6%
Rate of increase for pensions in payment/inflation	2.4%	2.4%
Discount rate for liabilities	2.1%	2.8%
Expected return on assets	0.0%	0.0%

The current mortality assumptions include allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

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

The approximate allocation of scheme assets is as follows:

	At 31 July 2019	At 31 July 2018
Equities	65%	64%
Bonds	24%	22%
Property	10%	11%
Cash	1%	3%
	100%	100%

The assets and the liabilities of the scheme were:

	At 31 July 2019 £000	At 31 July 2018 £000
Total market value of assets	61,122	55,541
Present value of scheme liabilities:		
Funded	(73,145)	(59,363)
Unfunded	(590)	(573)
Surplus/(deficit) in the scheme	(12,613)	(4,395)

21 Pensions and similar obligations (continued)

	At 31 July 2019 £000	At 31 July 2018 £000
Employer service cost (net of employee contributions)	3,576	3,604
Past service cost	963	-
Total operating charge	4,539	3,604
	At 31 July 2019 £000	At 31 July 2018 £000
Analysis of pension finance income/(costs)		
Expected return on pension scheme assets	1,572	1,379
Interest on pension liabilities	(1,732)	(1,789)
Pension finance income/(costs)	(160)	(410)
	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Movements on Pension Scheme Deficit		
Deficit in scheme at 1 August 2018	(4,395)	(14,321)
Movement in year:		
Current service charge	(3,576)	(3,604)
Losses/(gains) on curtailments	(963)	0
Contributions by members	1,850	1,855
Contributions in respect of unfunded benefits	31	29
Past service costs	-	-
Net return on pension assets	(160)	(410)
Actuarial gains/(losses)	(5,400)	12,056
(Deficit) in scheme at 31 July 2019	(12,613)	(4,395)
	Note 19	
Asset and Liability Reconciliation		
Reconciliation of Liabilities		
Liabilities at 1 August 2018	59,936	64,809
Service cost	3,576	3,604
Interest cost	1,732	1,789
Contributions by members	577	580
Actuarial (gain)/loss	8,121	(9,668)
Past service cost/(gain)	963	-
Losses/(gains) on curtailments	-	-
Estimated Unfunded Benefits Paid	(31)	(29)
Estimated Benefits Paid	(1,139)	(1,149)
Liabilities at 31 July 2019	73,735	59,936

21 Pensions and similar obligations (continued)	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Reconciliation of Assets		
Assets at 1 August 2018	55,541	50,488
Expected return on assets	1,572	1,379
Contribution by members	577	580
Contribution by employer	1,850	1,855
Contribution in respect of unfunded benefits	31	29
Actuarial (gain)/loss	2,721	2,388
Estimated Unfunded Benefits Paid	(31)	(29)
Estimated Benefits paid	(1,139)	(1,149)
Assets at 31 July 2019	61,122	55,541

Amounts for the current and previous accounting periods

Fair value of employer assets	61,122	55,541
Present value of defined benefit obligation	(73,735)	(59,936)
Surplus/(Deficit)	(12,613)	(4,395)

22 Related Party Transactions

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

SFC is regarded as a related party. During the year to 31 July 2019 Ayrshire College had various material transactions with SFC and Scottish Government Departments, as well as with other entities for which the Scottish Government is regarded as the sponsor via the Student Awards Agency for Scotland and a number of other Colleges and higher education institutions. In addition, Ayrshire College has had transactions with Skills Development Scotland, Colleges Scotland and a small number of material transactions with other Scottish Government Departments and other central government bodies.

As at 31 July 2019 the College had two outstanding balances due to related parties. These were as follows:

- Due to NHS National Services Scotland - £18,916
- Due to North Ayrshire Council - £21,088

Due to the nature of the College's operations and the composition of its Board of Management (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the College's Board of Management may have an interest. All transactions involving organisations in which a member of the Board of Management may have a material interest are conducted at arm's length and in accordance with normal project and procurement procedures.

22 Related Party Transactions (continued)

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

Board Member	Position	Organisation	Sales/ Purchases by the College in the year
Mr W Mackie	Trustee	Ayrshire College Foundation	Sales: £5,400 Purchases: £270
Mrs H Dunk	Trustee	Princes Trust Foundation	Sales: £nil Purchases: £nil
Mr G James	Logistics Director	NHS National Services Scotland	Sales: £nil Purchases: £64,981
Mr S Keir	Teacher	North Ayrshire Council	Sales: £49,964 Purchases: £157,396

There were no transactions exceeding £5,000 with any other organisations associated with Board Members in 2018-19.

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

Mrs H Dunk	Principal and Chief Executive
Mrs C Turnbull	Principal and Chief Executive
Mr C Hall	Teaching Staff Member
Ms J Pyper-Macfarland	Service Staff Member

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

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23 FE Bursary and Other Student Support Funds

	FE Bursary	FE Hardship	EMA's	Other	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000	£000	£000	£000	£000
Balance brought forward	114	-	(66)	2	50	788
Allocation received in year	8,553	528	658	135	9,874	9,643
Interest	-	-	-	-	-	-
	8,667	528	592	137	9,924	10,431
Expenditure	(8,455)	(330)	(592)	(122)	(9,499)	(9,652)
Repaid to SFC/SAAS	(294)	-	-	(2)	(296)	(21)
Repayable to SFC as clawback	(114)	-	-	-	(114)	(832)
College contribution to funds	-	-	-	-	-	-
Virements	-	-	-	-	-	124
Balance carried forward	(196)	198	-	13	15	50
Represented by:						
Repayable to SFC as clawback	2	-	-	13	15	114
Retained by College for students	-	-	-	-	-	(64)
	2	-	-	13	15	50

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

24 FE & HE Childcare Funds

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Balance brought forward: August 2018	(72)	364
Allocation received in period	959	942
	887	1,306
Expenditure	(863)	(890)
Repayable to SFC as clawback	72	(364)
Repayable in year	(96)	-
Virements	-	(124)
Balance carried forward	-	(72)
Represented by:		
Net repayable to SFC as clawback	-	(72)
Retained by College for Students	-	-
	-	(72)

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

25 Commitments under Operating Leases

As at 31 July 2019 the College had annual commitments under non-cancellable operating leases as set out below:

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Expiry within 1 year	3	166
Expiry within 2 to 5 years	-	291
Total	3	457

26 Capital Commitments

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Contracted for at 31 July 2019	22	46

The amounts committed at 31 July 2019 and 31 July 2018 relate to contracts in connection with small capital projects.

27 Ayrshire College Foundation

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

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

In 2018-19 the Foundation agreed grant funding of £670,000 to the College in respect of Capital Works and educational projects.

In 2017-18 the Foundation agreed grant funding of £1,963,000 to the College in respect of Capital Works and educational projects.

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28 PFI Contract and Kilwinning Campus

Payments remaining to be made under the PFI contract at 31 July 2019 are as follows:

	Payment for services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2019-20	840	1,004	365	2,209
Payable within 2 to 5 years	3,359	4,613	862	8,834
Payable within 6 to 10 years	498	864	48	1,410
Total	4,697	6,481	1,275	12,453

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
Balance at start of year	7,431	8,330
Payments made in the year	(950)	(899)
Balance outstanding at end of the year	6,481	7,431

29 NPD Hill Street

Payments remaining to be made under the NPD contract at 31 July 2019 are as follows:

	Payment for services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2019-20	1,305	1,280	2,599	5,184
Payable within 2 to 5 years	5,422	5,711	9,607	20,740
Payable within 6 to 10 years	7,874	7,999	10,052	25,925
Payable > 10 years	20,529	29,500	12,192	62,221
Total	35,130	44,490	34,450	114,070

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
Balance at start of year	45,717	46,893
Payments made in the year	(1,227)	(1,176)
Balance outstanding at end of the year	44,490	45,717

30 Post Balance Sheet Events

There are no post balance sheet events to report.

31 Contingent Liabilities

There are no contingent liabilities at 31 July 2019 (31 July 2018: £ nil).

32 Non-Cash Allocation

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

	2018-19 £000	2017-18 £000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	(1,352)	(2,553)
Add back: Non-cash allocation for depreciation (net of deferred capital grant)	2,713	2,256
Operating surplus / (deficit) on Central Government accounting basis	1,361	(297)

Under the FE/HE SORP, the college recorded an operating deficit of (£1,352,000) for the year ended 31 July 2019. After taking account of the Government noncash budget, the college shows an “adjusted” surplus of £1,361,000 on a Central Government accounting basis.

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Appendix 1

Accounts Direction for Scotland's Colleges and Universities 2018-19

1. It is the Scottish Funding Council's direction that institutions comply with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.
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

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Annual Audit Report

to the Board of Management and the
Auditor General for Scotland

Ayrshire College

Year ended 31 July 2019

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This report has been prepared in accordance with our responsibilities as appointed auditors as set out in Audit Scotland's Code of Audit Practice. Reports and letters prepared by the auditor and addressed to the College are prepared for the sole use of Ayrshire College and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Mazars LLP
100 Queen Street
Glasgow
G1 3DN

The Audit Committee
Ayrshire College
Kilmarnock Campus
Hill Street
Kilmarnock
KA1 3HY

26 November 2019

Dear Members

Annual Audit Report – Year ended 31 July 2019

We are pleased to present our Annual Audit Report for the year ended 31 July 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 11 June 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of the finance team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0738 724 2052.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Lucy Nutley'.

Lucy Nutley
Mazars LLP

Mazars LLP – 100 Queen Street, Glasgow, G1 3DN
Tel: 0141 227 2400 – www.mazars.co.uk

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.
VAT number: 839 8356 73

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1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

This Annual Audit Report sets out the findings from our audit of Ayrshire College ('the College') for the year ended 31 July 2019, and forms the basis for discussion at the Audit Committee meeting on 26 November 2019.

Our responsibilities are defined by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice ('the Code') issued by Audit Scotland. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements.

Opinion on regularity

We anticipate issuing an unqualified regularity opinion, meaning that in our opinion, in all material respects the expenditure and income recognised in the financial statements have been applied for the purposes intended .

Opinion on other requirements

We anticipate issuing an unqualified opinion on the matters prescribed by the Auditor General for Scotland. Namely that the remuneration and staff report, performance report and governance statement have been properly prepared in accordance with the relevant legislation

Wider scope work

We anticipate concluding as follows against each of the four wider scope dimensions:

- The College has effective arrangements, including budgetary control, that help the Board Members scrutinise finances;
- The College has adequate financial planning arrangements in place. However, we consider that the College's ability to remain financially sustainable over their five year financial plan, without significant additional funding or cost cutting, remains a significant risk;
- The College has governance arrangements in place that provide appropriate scrutiny of decisions made by the Board; and
- The College has an effective performance management framework in place that supports progress towards the achievement of value for money.

Our proposed audit and regularity opinion is included in the draft audit report in Appendix B.

Misstatements and internal control recommendations

We have not made any internal control recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Committee in a follow-up letter.

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1. EXECUTIVE SUMMARY (CONTINUED)

Status of our audit work

We have substantially completed our work on the financial statements and wider scope work for the year ended 31 July 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Description of outstanding matters
Annual report and financial statements	Completed draft annual report and financial statements were received following completion of fieldwork, therefore our full review process is still underway. The annual report and financial statements are subject to review until point of signing. Supporting documentation has been requested for disclosures made within annual report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in June 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Adding value through the audit

We recognise that all of our clients want us to provide a positive contribution to meeting their ever-changing business needs. Our aim is to add value to Ayrshire College through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to help the College promote improved standards of governance, better management and decision making and more effective use of limited financial resources.

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1. EXECUTIVE SUMMARY (CONTINUED)

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We set materiality at the planning stage of the audit at £1,042,000 using a benchmark (2%) of Total Revenues. Our final assessment of materiality, based on the final financial statements and qualitative factors is £1,056,000, using the same benchmark.

Threshold	Initial threshold £'000	Final threshold £'000
Overall materiality	1,042	1,056
Performance materiality	834	845
Trivial threshold for errors to be reported to the Audit Committee	31	32

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Performance Materiality

Our audit testing is based on a level of performance materiality, which is a percentage of overall materiality, but also dependent on the level of inherent risk assessed on the area being tested. It is lower than overall materiality as it helps to reduce the risk that the total of the uncorrected or undetected misstatements does not exceed materiality for the financial statements as a whole. It is based on between 50 – 80% of overall materiality depending on the inherent risk level assessed. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. This level was set at 3% of materiality.

2. AUDIT OF THE FINANCIAL STATEMENTS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 12 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the College's financial statements that required special audit consideration. Although our report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Satisfactory assurance has been gained in respect of presumed risk of management override. We have no matters to report.

2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Revenue recognition

Description of the risk

There is a presumption under International Standards on Auditing that there is a significant risk of fraud and error in the timing of revenue recognition leading to the material misstatement of revenue overall. This is because revenue is an area of particular focus by users of financial statements and can be subject to judgements as to when grant income should be recognised.

The presumption is able to be rebutted, which we have done for the College's grant income, as it carries very low inherent risk of fraud or error in its recognition. However the risk does apply to non-grant income generated by the College.

How we addressed this risk

We addressed this risk through performing audit work over

- The design and implementation of controls management has in place to ensure income is recognised in the correct period;
- Cash receipts around year end to ensure they have been recognised in the appropriate year;
- The judgements made by management in determining when grant income is recognised; and
- Obtaining counterparty confirmation for major grant income.

Audit conclusion

Satisfactory assurance has been gained in respect of the presumed risk of revenue recognition. We have no matters to report.

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2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Expenditure recognition

Description of the risk

For public sector organisations, the same risk in relation to fraud and error in respect of the timing of recording of transactions can apply to the recognition of non-payroll related expenditure and contractual obligations.

The pressure to manage expenditure to ensure that budgeted outcomes are achieved increases the risk surrounding fraudulent reporting of expenditure.

How our audit addressed this risk

We have undertaken a range of substantive procedures including:

- The design and implementation of controls management has in place;
- Testing of non-payroll expenditure around the year end to ensure transactions are recognised in the appropriate year;
- Testing material year end payables, accruals and provisions; and
- Reviewing judgements about whether the criteria for recognising provisions are satisfied.

Audit conclusion

Satisfactory assurance has been gained in respect of the risk of expenditure recognition. We have no matters to report.

2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Area of focus

Enhanced risks can arise from significant events occurring in relation to the period under review. As part of our planning procedures we considered whether any significant events had occurred in relation to the period under review that would represent an enhanced risk that required additional focus during the audit.

Voluntary Severance Scheme

Description of the risk

The SFC has agreed to provide the College with strategic funding in 2018/19 for a voluntary severance scheme, as part of the College's Transition Plan.

How our audit addressed this risk

We have considered the procedures in place in relation to the operation of the voluntary severance scheme:

- the severance pay amounts and how these have been calculated
- the communication of the voluntary severance scheme to those affected
- whether the funding received to fund the voluntary severance scheme has been utilised in accordance with the grant conditions; and
- the accounting treatment of payments and disclosures made in the financial statements.

Audit conclusion

Our audit work provided satisfactory assurance in respect of the valuation, accounting treatment and disclosure of the voluntary severance scheme. We have no matters to report.

2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Areas of Management Judgement

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

Valuation of Pension Liabilities	Description of area of focus
	<p>The College makes contributions to two pension schemes – the Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). While both are defined benefit schemes, it is not possible to identify the College's share of the underlying assets and liabilities in the STSS and it is therefore accounted for as a defined contribution scheme. The College's share of the SPF's underlying assets and liabilities is identifiable and is recognised in the accounts.</p> <p>Given the scale of the liability recognised, a misstatement in the reported position could be material to the financial statements.</p>

How we have addressed this area of management judgement

We have addressed the risk by:

- Considering the arrangements put in place, including the controls, for making estimates in relation to pension entries in the financial statements; and
- Consider the reasonableness of the actuary's assumptions used in providing the College with information in the financial statements through the use of our internal experts

Audit conclusion

Nationally, in all Local Government Pension Scheme (LGPS) valuations for accounting purposes, during 2018/19 two matters have been identified:

- The impact of Guaranteed Minimum Pension (GMP) equalisation may not be fully included (GMP concerns the minimum pension which an occupational pension scheme has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997. The amount is said to be 'broadly equivalent' to the amount the member would have received had they not been contracted out.); and
- The impact of a legal case held during the year (known as the McCloud case), concerning potential age discrimination in relation to transition provisions introduced as part of pension reform measures may not be fully included.

Mazars actuaries have reviewed the assumptions used by SPF's actuaries in 2018/19. They have confirmed the inclusion of GMP equalisation and McCloud in the actuarial assumptions.

Our audit work has provided satisfactory assurance over pension valuations. We have no matters to report.

2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Valuation of Land and Buildings

Description of area of focus

The College holds land and buildings with a net book value of £113m as at 31 July 2018.

In line with the requirements of the Government Financial Reporting Manual, the College has adopted a formal revaluation policy of an external valuation every five years, with a desktop, interim valuation performed during the five year period. As the full valuation was performed as at 31 July 2018, no revaluation is planned in the current year.

The College policy meets the requirements of the FE SORP that assets are valued sufficiently regularly so that the carrying value of the asset is not materially different from its fair value. The College is required to assess on an annual basis whether there are indicators of impairment to asset at the reporting date.

How our audit addressed this area of management judgement

We have performed a range of substantive procedures including:

- Review of management's assessment as to whether the value still reflects the prior year valuation;
- Review of the reconciliation between the College's asset register and general ledger; and
- Consider the College's impairment review process for land and buildings

Audit conclusion

Our audit work provided satisfactory assurance in respect of the valuation of land and buildings at the reporting date. We have no matters to report.

2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Qualitative aspects of the entity's accounting practices

We have reviewed the College's accounting policies and disclosures and concluded they comply with the requirements of the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education and the Government Financial Reporting Manual 2017/18, appropriately tailored to the College's circumstances.

Draft financial statements were received from the College on 21 October 2019 at the start of audit fieldwork. The draft annual report was received during fieldwork on 29 October 2019. Both draft financial statements and draft annual report were of an adequate quality.

Producing quality supporting working papers is a crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit. Working papers provided for audit were of a good standard and staff were responsive to our requests during the audit.

Significant matters discussed with management

No significant matters arose during the course of the audit.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management and staff.

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3. SUMMARY OF MISSTATEMENTS

Unadjusted misstatements

There were no unadjusted misstatements identified during the course of the audit above the trivial threshold of £32k.

Disclosure amendments

A number of disclosure amendments were discussed and agreed with management, including:

- Performance report disclosures in line with SFC guidance
- Remuneration and Staff report data

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4. WIDER SCOPE

Our approach to wider scope work

The Code requires us to conclude and make a judgement on the four dimensions of wider scope work. These are:

- financial sustainability;
- financial management;
- governance and transparency; and
- value for money.

Dimension	Description	Our approach
Financial sustainability	Extending our work on the going concern assumption in the financial statements looking forward two to five years from the reporting date, reviewing and assessing the college's arrangements for financial planning and affordable and sustainable service delivery	We have considered: <ul style="list-style-type: none"> • the financial planning system in place for short, medium and long term periods • the adequacy and accuracy of financial reporting arrangements • the reasonableness of affordability assumptions made in financial planning
Governance Statement	The Governance Statement sets out the internal control arrangements and governance framework in place for the year under review	We have considered: <ul style="list-style-type: none"> • the effectiveness of internal control arrangements • the appropriateness of disclosures made in the Governance Statement • whether the disclosure requirements of the Accounts Direction and the Code of Good Governance for Scotland's Colleges have been met
Financial Management	Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.	We have considered: <ul style="list-style-type: none"> • the monitoring of the effectiveness of internal control arrangements • whether the College's budgetary control system is timely and accurate • whether and how the College has assessed their financial capacity and skills
Value for Money	Value for money concerns using resources effectively and continually improving services.	We have considered: <ul style="list-style-type: none"> • the College's evidence of providing value for money • the focus on improving value for money and the pace of change at the College.

In 2018/19 we have also considered the following risk areas as they relate to the College:

- EU withdrawal
- Changing landscape of public financial management
- Dependency on key suppliers
- Openness and transparency

We do not consider that any of the above additional risk areas constitute a significant risk for the College at this point, but will continue to monitor.

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4. WIDER SCOPE FINANCIAL MANAGEMENT

Dimension

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Our conclusion

Ayrshire College has effective arrangements, including budgetary control, that help Board Members scrutinise finances.

Financial performance

FE/HE SORP position

	2018/19 £'000	2017/18 £'000
Operating income	53,952	49,598
Staff costs	(34,833)	(32,905)
Operating expenditure	(20,471)	(19,011)
Operating Deficit for the year (FE/HE SORP basis)	(1,352)	(2,318)

Staff cost increases are primarily driven by the FRS 102 pension cost actuarial adjustment. The above table shows the financial performance of the College for 2018/19 and 2017/18 under the FE/HE SORP. Despite a deficit being shown over both years:

- The College achieved its financial targets and spending was in line with the plan; and
- The student credit target was exceeded confirming the level of funding in the financial statements.

Adjusted operating position

The table above sets out the financial position in accordance with the SORP requirements. The table overleaf reflects the 'adjusted operating position' as required by the Accounts Direction set by the SFC. The adjusted operating position removes more volatile accounting entries, such as the valuation of pensions. Full details of the adjustments included are shown in the Performance Report within the Annual Report and Financial Statements.

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4. WIDER SCOPE FINANCIAL MANAGEMENT (CONTINUED)

	2018/19 £'000	2017/18 £'000
(Deficit) before other gains and losses	(1,352)	(2,553)
Add back:		
- Depreciation (net of deferred capital grant release)	2,713	2,256
- Exceptional non-restructuring costs	-	1,250
- Non-cash pension adjustment – Net Service Cost	2,658	1,720
- Non-cash pension adjustment – Net Interest Cost	160	410
- Non-cash pension adjustment – Early retirement provision	(308)	(40)
- Retention of sales proceeds to fund PFI	1,050	-
- Release of provision	(332)	-
Deduct:		
- Non government capital grants from ACF	(618)	(1,881)
- Loan repayments (NPD)	(1,227)	(1,176)
- CBP allocated to loan repayments and other capital items	(954)	(994)
Adjusted operating surplus/(deficit)	1,790	(1,008)

The Accounts Direction issued by the SFC for 2018/19 required Colleges to submit the adjusted operating position calculation with draft accounts to the SFC for review before the accounts are signed off. This is in progress by the College at the time of writing.

The table above indicates that once the non cash and other applicable adjustments are made, the College has achieved a surplus in the year. In the prior year large impairments to the value of Holehouse Road had been recorded reflecting the value likely to be obtained (and retained) by the College following the land sale. This impacted the deficit result in prior year and the proceeds were received in 2018/19 impacting the surplus above.

Impact of Depreciation Budget

The Statement of Comprehensive Income and Expenditure is prepared under the FE/HE SORP, which does not permit the inclusion of the non-cash budget for depreciation. Colleges may show a deficit equivalent to net depreciation as a result of having to meet Government accounting rules.

	2018/19 £'000	2017/18 £'000
Operating Deficit for the year (FE/HE SORP basis)	(1,352)	(2,553)
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	2,713	2,256
Operating Surplus/(Deficit) on Central Government accounting basis	1,361	(297)

The table above shows a surplus, when the impact of the depreciation budget is taken as the only adjusting factor to the financial position. The operating position table at the top of the page reflects further adjustments that show an operating surplus. The College is currently considered to be operating sustainably within its funding allocation. The overall position has been improved following retention of £1m in receipts in 2018/19 from the sale of Holehouse Road.

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4. WIDER SCOPE

FINANCIAL MANAGEMENT (CONTINUED)

Budgetary process

We have reviewed and considered the budgetary processes and controls and budget monitoring arrangements in place at the College. Our work consisted of a review of budget monitoring reports and committee papers and attendance at committees. Overall, we consider that the Board of Management obtains regular and timely financial information that reflects the actual financial position.

We noted that budget reports accurately predicted the financial position and were produced on a timely basis and considered by the appropriate committee. The Business, Resources and Infrastructure Committee considers the management accounting pack regularly, reporting to the Board of Management. Minutes of the meetings document the level of challenge to the financial performance.

Internal controls

As part of our audit we have considered the internal controls in place that are relevant to the preparation of the financial statements. We do this to design audit procedures that allow us to express an opinion on the financial statements; this does not extend to expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have also considered the work of internal audit, from individual reviews of financial systems and their annual audit opinion on the control framework in place at the College.

We conclude that the processes and controls in place at the College are operating effectively. The College has all the expected control, risk, performance and financial arrangements in place. There are a series of regularity documents including standing orders, articles of governance, code of conduct, and financial regulations intended to ensure regularity of transactions.

Prevention and detection of fraud and irregularity

Management and the Audit Committee, as those charged with governance, also have responsibilities in respect of fraud. They are responsible for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with laws and regulations.

We have a responsibility to review the College's arrangements for the prevention and detection of fraud. Our audit work was planned to provide a reasonable expectation of detecting material misstatements in the financial statements resulting from fraud and irregularity. We found the arrangements in place to be satisfactory and identified no material misstatements resulting from fraud or irregularity.

National Fraud Initiative

The College participated in the 2018/19 National Fraud Initiative (NFI) exercise. A number of matches were identified and fully investigated by the College. No significant findings or issues arose from NFI during the 2018/19 audit process.

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4. WIDER SCOPE FINANCIAL SUSTAINABILITY

Dimension

Financial sustainability extends the going concern assumption from the financial statements, looking forward two to five years, reviewing and assessing arrangements for financial planning and affordable and sustainable service delivery in this timescale.

Our conclusion

Ayrshire College has adequate financial planning arrangements in place, including budgetary control, that help the Board members scrutinise finances. However, we consider that the College's ability to remain financially sustainable over their five year financial plan, without significant additional funding or cost cutting, remains a significant risk.

Identified significant risks to our wider scope work

As part of our planning procedures we considered whether there were significant risks that would impact on any of the four areas of our wider scope work that would require special audit consideration. We set out the identified risk to this area of wider scope work and how we addressed the risk.

Financial Sustainability

Description of the risk

The College had previously identified a specific risk over the funding of the Kilwinning campus PFI contractual payments. The Kilwinning campus PFI has a revenue cost of approximately £1.4m per annum, which unlike the NPD model, is unsupported by specific funding. The College engaged in discussions with the SFC and submitted a detailed Financial Sustainability Plan to obtain additional funding in 2019/20 and 2020/21. The rationale of the plan is to reduce operational costs to enable the affordability of the contractual PFI payments from core funding.

As the Financial Sustainability Plan is still in its infancy we consider there still remains a risk to the College achieving financial sustainability. This is reflected in the College's 2019 FFR.

How we addressed the risk

We have addressed the risk by reviewing:

- The forecast financial position in the 5 year financial plans submitted to SFC
- The financial and resource implications of any voluntary severance scheme proposed to be run by the College;
- The College's achievement of requirements set by the SFC on receipt of funding;
- The alternative plans considered by the College to ensure a balanced budget is achieved;
- The financial reporting arrangements in place at the College.

Wider scope conclusion

Subsequent to the College obtaining funding from the SFC following submission of their Financial Sustainability Plan, a Financial Sustainability Plan was initiated in 2018/19 which mainly consisted of a voluntary severance scheme as the College restructured its organisational structure. Additional strategic funding of £700,000 has been committed by the SFC for 2019/20 and 2020/21 to support the College. The College will require to continue to make further efficiencies over the forthcoming years in line with its budget, however the College and its Board show an awareness of the financial challenges and associated risks that it faces.

Whilst the Financial Sustainability Plan is still in its infancy, the financial forecasting performed by the College indicates that the funding gap previously identified has been significantly reduced. The five year forecast prepared by the College, however, continues to highlight a future funding gap with projections that the College will exhaust its cash resources during 2022/23. No immediate action is being taken by the College in addition to the efficiencies included in the Financial Sustainability Plan. The College await further funding announcements from the SFC for the later years in the plan. We consider that without additional action by the College and / or additional funding from the SFC, there is a risk that the College will not remain financially sustainable in the five year forecasting period.

4. WIDER SCOPE FINANCIAL SUSTAINABILITY (CONTINUED)

Financial Planning

The College prepares a 5 year budget and forecast which is scrutinised by the Business, Resources & Infrastructure Committee (BRIC) and approved by the Board. The plan includes assumptions about inflation in the short and medium term and highlights other financial stability risks. The College is very clear on the risks to financial sustainability it faces and the uncertainty of funding over the medium and long term associated with the funding support impacts of national bargaining and funding PFI payments at the Kilwinning Campus.

A summary of the College's five-year forecast is included in the table below. This is based on the FFR submitted to the SFC as the College does not use different assumptions for its reporting to Board.

	Forecast 2019/20 £'000	Forecast 2020/21 £'000	Forecast 2021/22 £'000	Forecast 2022/23 £'000	Forecast 2023/24 £'000
Total Income	50,451	50,787	50,194	49,286	49,395
Staff costs	33,879	34,688	34,267	34,960	35,567
Total other expenditure	13,605	13,636	13,847	14,060	14,278
Operating surplus/(deficit) before other gains and losses	2,783	2,463	2,080	266	(450)
Operating position adjustment (e.g non cash and exceptional items)	(2,695)	(2,790)	(2,705)	(2,657)	(2,494)
Adjusted operating surplus /(deficit)	88	(327)	(624)	(2,391)	(2,944)

The forecast model indicates the additional funding provided by SFC and the efficiencies the College can achieve through its Business Transformation Plan should result in an operating surplus being achieved until 2023/24, however the adjusted operating position reflects a deficit from 2020/21 onwards.

A cashflow projection was prepared by the College in conjunction with the forecast

	Forecast 2019/20 £'000	Forecast 2020/21 £'000	Forecast 2021/22 £'000	Forecast 2022/23 £'000	Forecast 2023/24 £'000
Opening cash balance	1,430	1,839	1,871	1,462	(826)
Net Cash Movement	409	32	(410)	(2,288)	(3,069)
Closing cash balance	1,839	1,871	1,462	(826)	(3,895)

The cashflow forecast indicates that the College will exhaust its cash funds during 2022/23. This is considered to be impacted by a proposed change in the funding model by SFC for years 2022/23 onwards which would lead to a reduction in credits and associated funding for the College of 3,884 credits and £(1,016,279) in funding. This is the largest contributory factor to the reductions in forecast from 2021/22 to 2022/23. The College anticipates it will address this through dialogue with the SFC during Outcome Agreement process.

4. WIDER SCOPE

FINANCIAL SUSTAINABILITY (CONTINUED)

The forecast prepared includes budgeted efficiency savings until 2021/22 within the impact of the Financial Sustainability Plan and as such the funding gap identified in the prior year of £11.89m is significantly reduced. No further immediate action is being considered by the College for 2020/21 in addition to the current planned efficiencies being sought and included in the current forecast.

Whilst we consider this to be appropriate given the full known impact of current efficiency savings and voluntary severance are yet to be realised and the uncertainties surrounding the impact of the future funding model on the College, until such time as either additional funding is made known to be available than is currently able to be forecast or the College is able to identify and implement additional efficiencies than those being budgeted we would consider there to be sufficient concerns over the financial sustainability of the College.

Asset Management and Estates Strategy

The College has developed an Infrastructure Strategy for 2017 – 2020. The key aims of this strategy are to provide efficient flexible fit for purpose estate across all campuses with industry standard equipment and an innovative, secure ICT infrastructure.

National estates survey

Gardiner & Theobald were appointed by the Scottish Funding Council in January 2017 to provide a summary of the conditions of the estates within the Scottish Further Education sector, being the first independent review of the college estate in Scotland for 10 years. Across Scotland the estimated net total backlog of maintenance and renewals cost is £163 million excluding contingencies, any related operational and management costs of the colleges, professional fees, VAT, optimism bias and inflation allowance. When taking these items into account, the resulting total gross estimated backlog is £363 million. 10% of these costs were defined as urgent, requiring action within the next year, with the majority of the costs requiring action within 3-5 years.

The Scottish Funding Council is working with the Scottish Government and Scottish Futures Trust to produce a framework for college sector estate development to manage competing demands for estate development.

The survey showed an estimate of £4.7 million of costs over the 5 year period from 2017-18 to 2022-23 for the Ayrshire College estate, with £1.8m being identified as urgent. The most significant urgent costs identified relate to Dam Park Campus in Ayr. This is in line with the Infrastructure Strategy for the College with the work being completed in this area in 2017/18 and 2018/19.

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4. WIDER SCOPE

GOVERNANCE AND TRANSPARENCY

Dimension

Governance and transparency covers the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

Our conclusion

Ayrshire College has governance arrangements in place that provide appropriate scrutiny of decisions made by the Board.

Governance arrangements

Our work in this area has considered the overall governance arrangements in place at the College, reviewed the financial and performance reporting to the Board, and reviewed the minutes of committees to inform our assessment of the appropriateness of the governance structure. We have also attended Audit Committees during the year.

Financial papers submitted to committees are relevant and timely. Each paper has a summary setting out the purpose of the paper and the action required by the members. Minutes are understandable and contain detail of discussions and rationale for decision making.

At 31 July 2019, the Board consisted of 15 members, 8 female (including the Principal) and 7 male. The Board continues to maintain a gender balance that meets with the objective of the Gender Representation on Public Boards (Scotland) Bill which was introduced by the Scottish Parliament in June 2017 with an implementation date of 2022.

The committees comprise of, and are chaired by Board members. The Principal is a member of the key committees with the exception of the Audit Committee. In addition, the Chair of the Board is also not permitted to be a member of the Audit Committee. Appropriate College officers attend committees and present reports as required.

Governance Statement

As part of our audit we have read the governance statement included in the annual report. The governance statement sets out the corporate governance framework in place throughout the reporting year, the internal controls in operation, the work of internal audit and the overall efficiency and effectiveness of the governance framework.

The governance statement confirms the college's compliance with the 2016 Code of Good Governance for Scotland's Colleges.

We are required to read and provide an opinion on the governance statement. In our opinion, the information contained within is consistent with the financial statements. We also consider that the governance statement has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and further directions made by the Scottish Funding Council.

Internal audit

An effective internal audit service is an important element of any organisation's governance arrangements. Internal audit provide the College with independent assurance on internal control and corporate governance processes. The internal audit function at the College is provided by BDO. Internal audit have attended Audit Committees throughout the year and have produced 4 reports to support the overall Head of Internal Audit Opinion.

Transparency

Transparency means that service users and the public have access to understandable information about how the College is making decisions and using its resources. There is a commitment to transparency, with the minutes and papers of the Board of Management and key committees being available on the website.

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4. WIDER SCOPE VALUE FOR MONEY

Dimension

Value for money concerns using resources effectively and continually improving services.

Our conclusion

Ayrshire College has an effective performance management framework in place that supports progress towards the achievement of value for money.

Performance management

The College delivered its Regional Outcome Agreement (ROA) target credits, with improvements in student attainment and attendance. There is close monitoring of the delivery of the ROA, financial performance reports provide sufficient information to allow members to understand performance. Budget monitoring information provides a detailed analysis of variances allowing budget objectives to be achieved. Through delivery of the 2018/19 budget there is clear evidence that the College understands cost drivers and is in control of costs.

Regularity

As part of our audit of the College's financial statements, we are required by the Public Finance and Accountability (Scotland) Act 2000 to give an opinion on the regularity of expenditure and receipts shown in the financial statements. Regular expenditure and income is that which has been incurred / obtained in line with guidance issued by the Scottish Ministers and the terms and conditions of funding of the Scottish Funding Council.

The College has arrangements to monitor the requirements of the Scottish Funding Council, Audit Scotland and other regulatory or advisory bodies to ensure it complies with the terms and conditions of funding including regular reporting of financial and operational performance to the Board and its committees.

Our review found an effective control environment exists over regularity of expenditure and receipts. No instances of non-compliance with Scottish Funding Council terms and conditions were noted.

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5. OUR FEES

Fees for work as the College's appointed auditor

We reported our proposed fees for the delivery of our work in our Audit Strategy Memorandum, presented to the Audit Committee in May 2019. Having completed our work for the 2018/19 financial year, we can confirm that our final fees are as follows:

Area of work	Proposed fee	Final fee
	2018/19	2018/19
Auditor remuneration	£29,780	£29,780
Pooled costs	£1,570	£1,570
Contribution to Audit Scotland costs	£1,650	£1,650
Total Fee	£33,000	£33,000

We confirm that these fees are in line with the scale fee set by Audit Scotland. We also confirm that we have not undertaken any non-audit services for the College in the year.

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APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Dear Sirs

LETTER OF REPRESENTATION

We confirm to the best of our knowledge and belief the following representations given to you in connection with your audit of the college's accounts for the period ended 31 July 2019.

We acknowledge as members of the Board of Management our responsibility for ensuring:

- a) the financial statements are free of material misstatements including omissions;
- b) that the financial statements give a true and fair view of the state of affairs of the College as at 31st July 2019;
- c) all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the College have been properly reflected and recorded in the accounting records;
- d) all other records and related information, including minutes of all management meetings, have been made available to you;
- e) the accounting policies used are detailed in the financial statements and are consistent with those adopted in the previous financial statements and are in accordance with the Accounts Direction issued by the Scottish Funding Council (SFC) under the terms of the Further and Higher Education (Scotland) Act 1992; and
- f) compliance with the terms and conditions of the Financial Memorandum issued to the Board of Management by the SFC.

BDO LLP act as Internal Auditors to the College. All reports issued to the College and our responses to them have been made available to you.

We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect fraud. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud. There have been no irregularities (or allegations of irregularities) involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.

The College has no liabilities or contingent liabilities other than those disclosed in the accounts.

All claims in connection with litigation that have been, or are expected to be, received have been properly accrued for in the financial statements.

There have been no events since the balance sheet date that require disclosure or which would materially affect the amounts in the accounts, other than those already disclosed or included in the accounts. Should further material events occur, which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

The College has had at no time during the year any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans or credit transactions) for the Board of Management nor to guarantee or provide security for such matters.

We confirm that we have disclosed to you all related party transactions relevant to the College and that we are not aware of any further related party matters that require disclosure in order to comply with the requirements of charities legislation, the Statement of Recommended Practice for Further and Higher Education accounts or accounting standards.

The College has not contracted for any capital expenditure other than as disclosed in the accounts.

The College has satisfactory title to all assets and there are no liens or encumbrances on the College's assets, except for those that are disclosed in the financial statements.

We have disclosed to you, all known irregularities, including fraud, involving existing management or employees of the College, of any breaches or possible breaches of statute, regulations, contracts, agreements or College's Constitution and Articles of Government which might result in the College suffering significant penalties or other loss.

We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the College conducts its business.

We confirm that, in our opinion, the College is a going concern on the grounds that current and future sources of funding or support will be more than adequate for the College's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the College's ability to continue as a going concern need to be made in the financial statements.

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DRAFT MANAGEMENT REPRESENTATION LETTER

We confirm that no unadjusted misstatements have been brought to our attention.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

..... Chair of Board

..... Principal

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APPENDIX B

DRAFT AUDITOR'S REPORT

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

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Ayrshire College 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 Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2019 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

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

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

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.

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DRAFT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the financial statements

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

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

Other information in the annual report and accounts

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

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on other 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.

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DRAFT AUDITOR'S REPORT

Matters on which we are required to report by exception

We are required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Lucy Nutley,
For and on behalf of Mazars LLP

100 Queen Street
Glasgow
G1 3DN

December 2019

Lucy Nutley is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000

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APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

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WM/CT/YM

12 December 2019

Mazars LLP
100 Queen Street
Glasgow
G1 3DN

(Paper 4.3)

Dear Sirs

LETTER OF REPRESENTATION

We confirm to the best of our knowledge and belief the following representations given to you in connection with your audit of the college's accounts for the period ended 31 July 2019.

We acknowledge as members of the Board of Management our responsibility for ensuring:

- a) the financial statements are free of material misstatements including omissions;
- b) that the financial statements give a true and fair view of the state of affairs of the College as at 31st July 2019;
- c) all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the College have been properly reflected and recorded in the accounting records;
- d) all other records and related information, including minutes of all management meetings, have been made available to you;
- e) the accounting policies used are detailed in the financial statements and are consistent with those adopted in the previous financial statements and are in accordance with the Accounts Direction issued by the Scottish Funding Council (SFC) under the terms of the Further and Higher Education (Scotland) Act 1992; and
- f) compliance with the terms and conditions of the Financial Memorandum issued to the Board of Management by the SFC.

BDO act as Internal Auditors to the College. All reports issued to the College and our responses to them have been made available to you.

We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect fraud. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.

/There

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12/05/2019 16:33:22

(2)

12 December 2019

There have been no irregularities (or allegations of irregularities) involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.

The College has no liabilities or contingent liabilities other than those disclosed in the accounts.

All claims in connection with litigation that have been, or are expected to be, received have been properly accrued for in the financial statements.

There have been no events since the balance sheet date that require disclosure or which would materially affect the amounts in the accounts, other than those already disclosed or included in the accounts. Should further material events occur, which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

The College has had at no time during the year any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans or credit transactions) for the Board of Management nor to guarantee or provide security for such matters.

We confirm that we have disclosed to you all related party transactions relevant to the College and that we are not aware of any further related party matters that require disclosure in order to comply with the requirements of charities legislation, the Statement of Recommended Practice for Further and Higher Education accounts or accounting standards.

The College has not contracted for any capital expenditure other than as disclosed in the accounts.

The College has satisfactory title to all assets and there are no liens or encumbrances on the College's assets, except for those that are disclosed in the financial statements.

We have disclosed to you, all known irregularities, including fraud, involving existing management or employees of the College, of any breaches or possible breaches of statute, regulations, contracts, agreements or College's Constitution and Articles of Government which might result in the College suffering significant penalties or other loss.

We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the College conducts its business.

We confirm that, in our opinion, the College is a going concern on the grounds that current and future sources of funding or support will be more than adequate for the College's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the College's ability to continue as a going concern need to be made in the financial statements.

/We

(3)

12 December 2019

We confirm that no unadjusted misstatements have been brought to our attention.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Willie Mackie
Chair

Carol Turnbull
Principal

Ayrshire College # 484082
12/05/2019 16:33:22

AYRSHIRE COLLEGE

INTERNAL AUDIT ANNUAL REPORT 2018-19

November 2019



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Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

EXECUTIVE SUMMARY

Background

Our role as internal auditors is to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. Our approach, as set out in BDO's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities

BDO LLP has been appointed as internal auditors to Ayrshire College to provide the Board of Management (via the Audit Committee), the Principal and other Executive and senior management with assurance on the adequacy of the following arrangements:

- Risk Management;
- Corporate Governance;
- Value for money; and
- Internal Control.

Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Our role at Ayrshire College is also aimed at helping management to improve risk management, governance and internal control, so reducing the effects of any significant risks facing the organisation.

Our risk evaluations and tests are designed to ensure that controls are sound both in design and effective in operation. Our conclusions are based on evidence obtained during the course of our audit work, verification tests and samples selected from the year's transactions to date. However, our conclusions should not be taken to mean that all transactions have been properly authorised and processed or that all elements of systems have been tested.

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12/05/2019 16:22

EXECUTIVE SUMMARY

Audit Approach

We have reviewed the control policies and procedures employed by Ayrshire College to manage risks in business areas identified by management set out in the 2018-19 Annual Internal Audit Plan approved by the Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation.

Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards and the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with Ayrshire College's management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review
- Reviewing the written policies and procedures and holding discussions with management to identify process controls
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- Performing compliance tests (where appropriate) to determine whether the risk management activities and controls are operating as expected.

The assurance statement provided on page 8 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

Coverage

During 2018-19 BDO LLP has reviewed and evaluated **Ayrshire College's** processes in the following areas:

- | | |
|--|---|
| <ul style="list-style-type: none">• Risk Management• Financial Controls• IT Security | <ul style="list-style-type: none">• Estates and Infrastructure• VFC Return• Application, recruitment, enrolment and induction of students• Follow Up |
|--|---|

EXECUTIVE SUMMARY

Recommendations

To assist management in addressing our findings, we categorise our recommendations according to their level or priority. The recommendations made in the seven completed reviews totalled 19.

Summary of Recommendations (SEE APPENDIX I)

High	▲	1
Medium	■	7
Low	●	11

Total number of recommendations: 19

Reporting mechanisms and practices

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports. Our method of operating with the Audit Committee is to agree reports with management and then present and discuss the matters arising at the Audit Committee meetings.

Management action on our recommendations

Management have been conscientious in review and commenting on our reports. For the reports which have been finalised, management have responded positively. The responses indicate that appropriate steps to implement our recommendations are being put in place.

EXECUTIVE SUMMARY

Relationship with external audit

All our final reports are available to the external auditors through the Audit Committee papers and are available on request. Our files are also available to External Audit should they wish to review working papers in order to place reliance on the work of Internal Audit.

Follow up

During the year we undertook independent exercises to assess the progress made by Ayrshire College in implementing internal audit recommendations made in previous years.

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented on a timely basis then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment. Within Ayrshire College we found a good level of commitment and effort in clearing as many outstanding recommendations as possible from previous audit reports.

We followed up 12 recommendations from 2018-19. We note that two of these recommendations had been fully implemented and 10 were not due for implementation.




On that basis we can take assurance that management's resolve to implement previously agreed recommendations is sound.

Summary of work performed

Details of the six internal audit reviews and the follow up review have been reported to the Audit Committee throughout the year and have been discussed at length with consideration and scrutiny of management responses and timescales proposed. The only report that produced a 'Limited' Assurance rating was the Estates and Infrastructure Review as we found further work was required to address high and medium risk findings in relation to Project Management. We have since confirmed that the agreed actions for all of the findings had been addressed and implemented by September 2019.

For the purpose of this annual report, we set out in the following pages our summary of recommendations and assessment of the design and effectiveness of the risk assurance for each of the audit areas reviewed.

REVIEW OF 2018-19 WORK

Reports Issued	Overall Report Conclusions - see Appendix 1				
				Design	Operational Effectiveness
Risk Management	0	0	1	Substantial	Substantial
Financial Controls	0	0	0	Substantial	Substantial
IT Security	0	1	5	Moderate	Moderate
SFC Return	0	0	0	Substantial	Substantial
Estates & Infrastructure	1	4	1	Limited	Limited
Application, recruitment, induction & enrolment of students	0	2	4	Moderate	Moderate
TOTAL	1	7	11		

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ANNUAL STATEMENT OF ASSURANCE

Report by BDO LLP to Ayrshire College

As the internal auditors of Ayrshire College we are required to provide the Board of Management, via the Audit Committee, and other management with a view on the adequacy and effectiveness of Ayrshire College's risk management, governance and internal control processes.

In giving our view it should be noted that assurance can never be absolute. The internal audit service provides Ayrshire College with reasonable assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2018-19. Therefore, the statement of assurance is not a guarantee that all other aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no other signs of material weakness in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- All internal audits undertaken by BDO LLP during 2018-19;
- Any follow-up action taken in respect of audits from previous periods for these audit areas;
- Whether any significant recommendations have not been accepted by management and the consequent risks;
- The effects of any significant changes in the organisation's objectives or systems;
- The requirements of the Public Sector Internal Audit Standards; and
- Any limitations which may have been placed on the scope of internal audit (no restrictions were placed on our work).

Conclusion

In our opinion, based on the other reviews undertaken during the period, and in the context of materiality, we can conclude that:

- The risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements.
- Based on our verification reviews and sample testing, the risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control, value for money and governance objectives were achieved for the period under review. Management have agreed the related recommendations and have made progress towards implementing these recommendations.

PERFORMANCE AGAINST OPERATIONAL PLAN

Visit	Date of visit	Proposed Audit	Planned Days	Actual Days	Status
1	October 2018	Risk Management	5	5	Completed
2	January 2019	Financial Controls - financial planning and longer term forecasting	5	5	Completed
3	February 2019	Estates & Infrastructure	5	5	Completed
4	April 2019	SFC Returns	5	5	Completed
5	July 2019	Application, recruitment, induction & enrolment of students	5	5	Completed
6	November 2018	IT Security	7	7	Completed
7	June 2019	Follow Up	3	3	Completed
8	N/A	Commercial Income Generating Programmes	5	-	This has been re-scheduled for 2019 /20 audit plan

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AUDIT PERFORMANCE





AUDIT	COMPLETION OF FIELDWORK	DRAFT REPORT	FINAL MANAGEMENT RESPONSES	FINAL REPORT
Risk Management	26 October 2018	12 November 2018	27 November 2018	30 November 2018
Financial Controls	1 February 2019	8 February 2019	13 February 2019	13 February 2019
IT Security	11 December 2018	21 December 2018	22 January 2019	23 January 2019
Estates & Infrastructure	1 March 2019	18 March 2019	9 April 2019	9 April 2019
SFC Return	19 April 2019	3 May 2019	3 June 2019	3 June 2019
Application, recruitment, induction & enrolment of students	26 June 2019	13 August 2019	27 August 2019	27 August 2019
Follow Up	10 June 2019	14 June 2019	20 June 2019	20 June 2019




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On average:

- All reports were issued in draft within 10 working days of completion of our fieldwork and a debrief meeting with management.
- Initial responses were received within 10 working days of the draft report being issued.
- Final reports were issued within 1 working day of final management responses being received.

APPENDIX 1 - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

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**Ayrshire College
Audit Committee
2018-19 Annual Report**

26 November 2019

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AYRSHIRE COLLEGE

2018-19 AUDIT COMMITTEE INTERNAL ANNUAL REPORT

1. INTRODUCTION

The Audit Committee of the Board of Management of Ayrshire College presents their annual report in respect of the period 1 August 2018 to 31 July 2019.

2. COMMITTEE MEMBERSHIP

2.1 Board Members who served on the Audit Committee during 2018-19 were as follows:-

- Gordon James (Chair)
- Hazel Murphy (Vice Chair)
- Margarett Bryan
- Fiona Fawdry
- Scott Keir
- Steven Wallace

2.2 The Audit Committee met on four occasions during the 2018-19 period as follows:

- 18 September 2018
- 27 November 2018
- 19 March 2019
- 11 June 2019

The meetings were attended as required by members of the Executive / Senior Leadership Team, the External Auditors and the Internal Auditors.

3. INTERNAL AUDIT

3.1 Internal Audit Services were provided throughout 2018-19 by:

BDO
4 Atlantic Quay
70 York Street
Glasgow
G2 8JX

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3.2 2018-19 Internal Audit Assignments

The Audit Committee received six Internal Audit reports in respect of 2018-19 (12 months) covering the following operations of the College:

	Audit Areas Covered
Report (1)	Risk Management
Report (2)	Financial Planning
Report (3)	IT Security
Report (4)	Infrastructure Projects
Report (5)	SFC Returns
Report (6)	Student Recruitment

As was the position in previous years, the Scottish Funding Council (SFC) Returns audit above was carried out at the request of the Audit Committee to ensure that good governance was being undertaken in an identified area of risk.

- 3.3 The SFC Financial Memorandum and the Audit Committee's Terms of Reference state that the Internal Audit Service must produce an annual report addressed to the College's Board of Management and the Chief Executive which should also be considered by the Audit Committee.

The Internal Audit Annual Report for 2018-19 prepared by BDO was presented to the Audit Committee at its November 2019 meeting. The report detailed a number of areas including a statement of the internal audit cover achieved and a summary audit opinion on the College's control environment and systems of internal control.

The following opinion as noted by BDO is extracted from its 2018-19 Annual Report

In our opinion, based on the other reviews undertaken during the period, and in the context of materiality, we can conclude that:

- The risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements.*
- Based on our verification reviews and sample testing, the risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control, value for money and governance objectives were achieved for the period under review. Management have agreed the related recommendations*

and have made progress towards implementing these recommendations.

- 3.4 In respect of Internal Audit, the Audit Committee is pleased to confirm to the Board of Management that it is satisfied that the areas audited and the standard of work carried out have been appropriate.
- 3.5 Based on the audit assignments completed during 2018-19 and the engagement with the Internal Auditors, the members of the Audit Committee believe that their responsibilities in respect of Internal Audit to the Board of Management have been satisfactorily discharged.

4. EXTERNAL AUDIT

4.1 2018-19 Financial Statements

Mazars presented its draft Annual Audit Report to the Board of Management of Ayrshire College and the Auditor General for Scotland for the year ended 31 July 2019 to the Audit Committee at its meeting on 26 November 2019.

The Mazars annual report, in line with governance arrangements, will be presented to the Board of Management at its meeting on 12 December 2019.

Mazars proposes to issue an unqualified opinion in relation to the 2018-19 Annual Financial Statements for Ayrshire College. Mazars' audit opinions are as follows:

Opinion on financial statements

In our opinion the...financial statements:

- *give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2019 and of its deficit for the year then ended;*
- *have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and*
- *have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).*

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.

Opinion on other prescribed matters

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

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

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

Matters on which we are required to report by exception

We are required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

4.2 2018-19 Academic Year Audits by BDO

BDO, as Internal Auditors, have undertaken the following annual audits for Academic Year 2018-19, reporting to SFC or Students Awards Agency for Scotland ('SAAS')

- *2018-19 Credits Audit*
- *2018-19 Student Support Funds Audits.*

These audits were satisfactory and the various BDO reports or copies of signed certification were presented to the Audit Committee at its meeting on 26 November 2019.

5. RISK MANAGEMENT

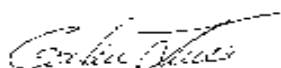
- 5.1 Risk Management has a high profile within Ayrshire College and the Risk Register is updated by the Executive Leadership Team on a quarterly basis and presented as a standing item to each Audit Committee meeting for review, discussion, amendment and approval. The most recent Risk Register for AY 2018-19 was the June 2019 (V4) Risk Register presented to the Audit Committee on 11 June 2019 for its approval and then was approved by the Board of Management on 20 June 2019. The Risk Register is also a standing Agenda items for the Board of Management meetings.

6. Other Matters

There are no other matters to report.

7. CONCLUSION

Based on the engagement with both Internal and External Auditors at each Audit Committee meeting, the Members of the Audit Committee believe their responsibilities to the Board of Management have been satisfactorily discharged for 2018-19 in relation to the matters contained within this report.



.....
Mr Gordon James, Chair of Audit Committee
26 November 2019

Publication

Due to the commercially sensitive information, this paper will not be published on the College website.

(Paper 5)

Annual Health, Safety & Wellbeing Report

This paper was presented to the BRIC Committee on 19 November 2019

August 2018 – July 2019

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RAISING ASPIRATIONS/
INSPIRING ACHIEVEMENT/
INCREASING OPPORTUNITIES/

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Appendix 1 Individual Campus Accident and Incident Data

Appendix 2 – Definition of Accident, Incident and Near Misses

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1 Introduction

The Annual Health, Safety and Wellbeing Report provides a summary of the College's health and safety performance for the 2018/19 academic year.

This report provides an overview of the work carried out by and on behalf of Ayrshire College. It highlights key projects undertaken and issues considered over the past year.

The report also provides a summary of incident statistics for the period August 2018 - July 2019, based on the incident reports submitted to the Health, Safety and Wellbeing Team.

The College has continued to raise awareness of a range of Health, Safety and Wellbeing issues during the year through regular communication, training and update sessions. Wherever possible, the College has collaborated with other agencies working in the area of Health and Safety, and engaged in joint projects that would benefit the College.

The report also summarises the work that is currently planned for the future period. To meet these aims, the College will continue to align its Health and Safety activities to changes taking place within the sector and nationally.

The College will also continue to promote wellbeing themes in partnership with NHS Ayrshire & Arran and other agencies.

2 Executive Summary

The Annual Report covers the period 1 August 2018 to 31 July 2019.

This report provides an overview for Board Members, the College leadership teams, managers and all staff of the actions taken to protect our staff, students, contractors, clients and members of the public over the past 12 months.

The approach to health, safety and wellbeing management within Ayrshire College is documented in the College Health, Safety and Wellbeing Policy.

This annual report also provides an opportunity to review the progress of the College with regard to Health, Safety and Wellbeing. The data contained within the report provides a benchmark for trend analysis for future years.

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3 Health and Safety Reporting and Monitoring

3.1 Regulation Action and Visits

During the reporting period, the College has consulted with representatives from Local Authorities, the Health and Safety Executive and Scottish Fire and Rescue on a range of statutory and reporting matters.

In accordance with the requirements of The Fire (Scotland) Act 2005 and the associated Fire Safety (Scotland) Regulations 2006, the following evacuations were recorded as fire drills.

Campus:	Date:	Cause
Ayr – Dam Park	07 Aug 2018	Contractor working on fire alarm panel activated fire alarm accidentally.
Ayr – Dam Park	23 Aug 2018	Build-up of heat in reprographics room
Kilmarnock	03 Sep 2018	Build-up of aerosol spray in accessible toilet.
Kilmarnock	27 Sep 2019	Fire drill
Kilmarnock	11 Oct 2018	Malicious activation
Kilmarnock	24 Oct 2018	Fault with extraction system in Salt & Barrel kitchen allowed build-up of smoke. Cooking was prohibited until extraction system was repaired.
Kilmarnock	25 Oct 2018	Build-up of aerosol spray – possibly malicious
Skills Centre of Excellence	26 Oct 2018	Aerosol use in changing room (school pupils)
Ayr – Riverside	29 Oct 2018	Build-up of aerosol spray in salons. Faulty window catches replaced to allow natural ventilation.
Skills Centre of Excellence	13 Nov 2018	Alarm activation in school.
Skills Centre of Excellence	10 Dec 2018	Alarm activation in school kitchen.
Skills Centre of Excellence	29 Jan 2019	Malicious activation by school pupil
Skills Centre of Excellence	30 Jan 2019	Ball hit break glass call point # school activity
Skills Centre of Excellence	31 Jan 2019	False alarm activation in school side.
Skills Centre of Excellence	01 Feb 2019	Malicious activation by school pupil. Depute Head contacted due to the number of false alarms.
Ayr – Dam Park	06 Feb 2019	Malicious activation in bricklaying area.
Kilmarnock	08 Feb 2019	Dust generated from biomass fuel delivery, activated the detector within the boiler room. Contractor

		asked to load pellets at reduced pressure to minimise dust.
Skills Centre of Excellence	07 Mar 2019	Malicious activation by school pupil
Kilmarnock	18 Mar 2019	Build-up of aerosol spray in accessible toilet (possibly malicious). Email issued to all staff and students to avoid using deodorant in areas with little or no ventilation.
Ayr – Dam Park	25 Mar 2019	Dust blown into detector by inlet fan. Detector was repositioned.
Kilmarnock	17 Apr 2019	Detector in room 1.29 activated.
Skills Centre of Excellence	01 May 2019	Aerosol in changing room – school pupils
Skills Centre of Excellence	14 May 2019	Aerosol in changing room – school pupils
Skills Centre of Excellence	17 May 2019	Fire alarm activated in school.
Kilwinning	12 June 2019	Fire drill.
Kilmarnock	05 July 2019	Contractors work dispersed dust and activated the detector.
Ayr – Dam Park	31 July 2019	Smoke from refectory panini grill activated detector.

No fire safety enforcement visits were undertaken during the reporting period however a number of operational crews did undertake familiarisation visits of our campuses.

Motor vehicle ramps in Kilmarnock campus failed a LOLER inspection due to the locking arms not securing in place. As a result of this, the Health and Safety Executive (HSE) attended the Kilmarnock Campus on the 15 May 2019 to inspect the ramps. The facilities management contractor (SPIE) provided the HSE with evidence of the remedial actions that had been undertaken to ensure that the locking arms were compliant and a copy of the inspection pass certificate was presented for verification. The HSE were content that the remedial works were carried out and that all vehicle lifts had the appropriate certification.

4 Advice and Support

The primary health and safety advice resource for the College is provided through the Health, Safety and Wellbeing Manager and Advisors who provide specialist advice on all aspects of health, safety and wellbeing for both staff and students.

The Team's core activities involve:

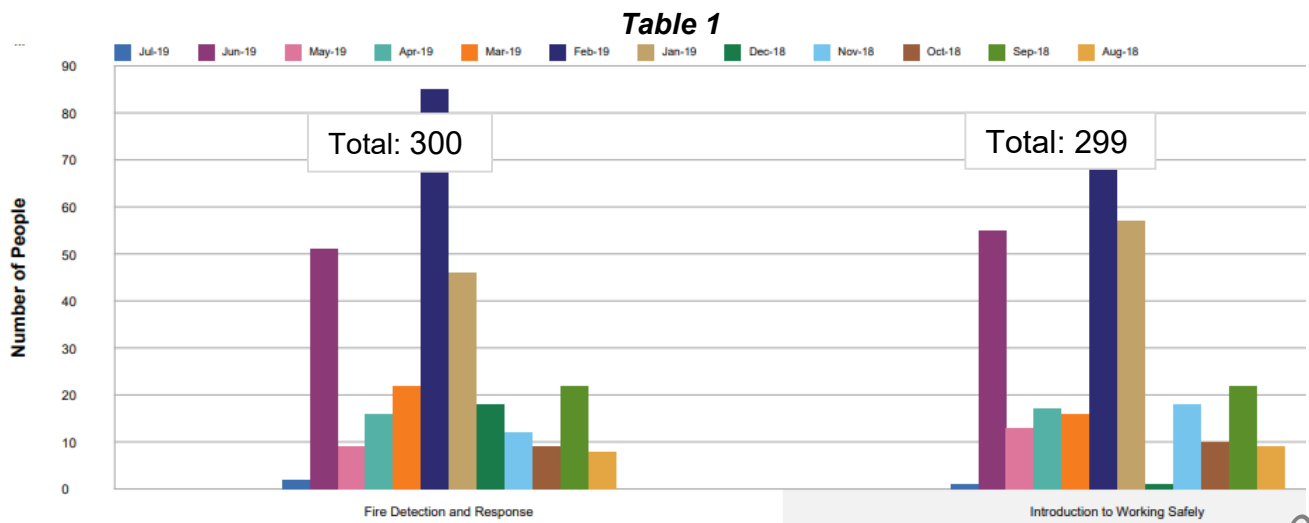
- Health and safety management audits
- Safety inspections
- Accident investigations
- Assessing new and proposed health and safety legislation and its impact on the College
- Consulting on health and safety policies and procedures

- Attending relevant meetings and committees
- Developing and circulating guidance on a variety of health and safety related subjects.
- Analysis of statistics and appropriate reports for committees, local safety and working groups
- Supporting risk assessment processes including person specific
- Liaising on first aid matters including first aider training
- Administration of the display screen equipment assessment process
- Administration of eye care vouchers
- Health and Safety training – Fire, Stress, Risk Assessment and Wellbeing topics
- Liaising with occupational health providers
- Liaising with enforcement organisations

5 Health and Safety Training

5.1 Online Training

Satisfactory completion of a range of Health and Safety courses is a mandatory requirement of all staff and these are now delivered as part of the eLearning suite of programmes. Details of the mandatory course completions during the reporting period are shown below in Table 1.



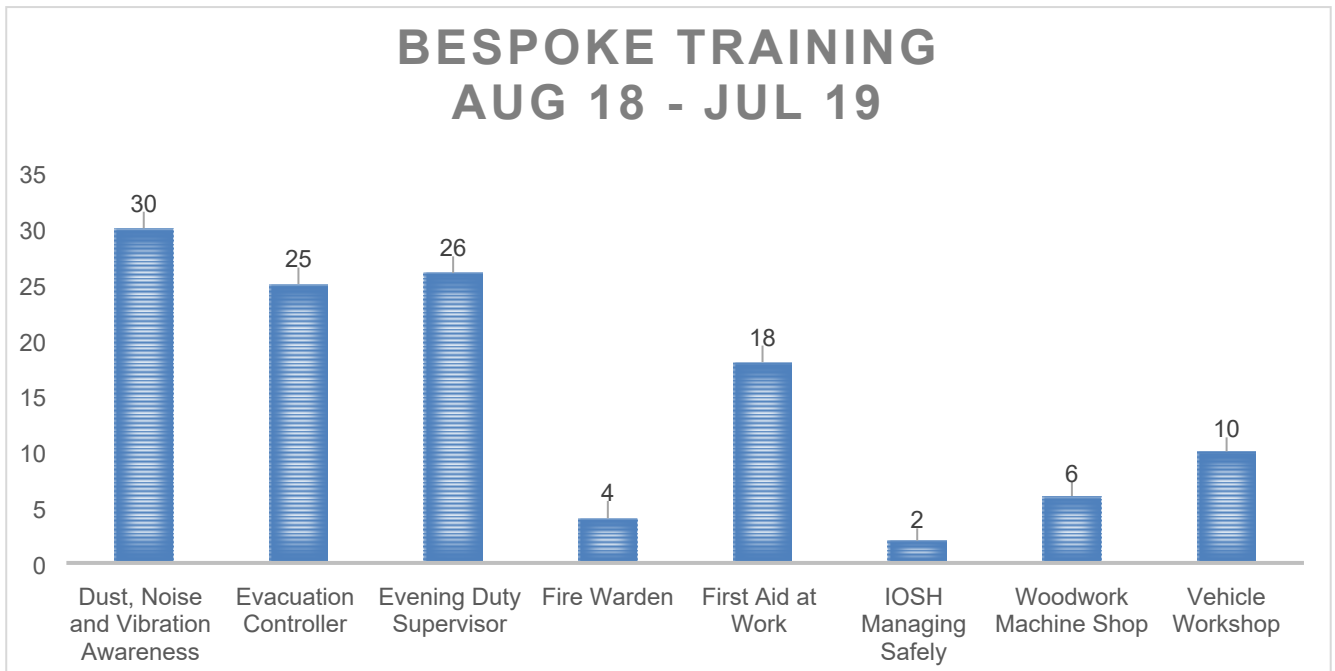
In addition to the mandatory courses, a comprehensive suite of health and safety eLearning courses are also available to staff.

5.2 Bespoke Training

During the review period, a programme of training which focused on skills development and refresher skills training was delivered for a number of staff groups including ACES, Schools, Essential Skills, Widening Access and Evening Class Supervisors.

Table 2 provides further information on all tutor led courses delivered to staff during the reporting period.

Table 2



6 Audits

Twenty-six health, safety and wellbeing audits and eleven health and safety tours were undertaken across the College during 2018 – 19.

Total No. of Actions	Completed Actions	Actions in Progress
195	173 (88.7%)	22 (11.3%)

The main themes from across the Areas audited included:

- The Hospitality curriculum area and Catering service team were required to review and update their Cooksafe manuals.
- Across a number of departments, various statutory maintenance checks were identified as outstanding e.g. Local Exhaust Ventilation (LEV) in nail bars, autoclaves pressure testing, 6-monthly LOLER checks on lifting equipment.
- Fire action notices required to be updated to ensure that the information was current.
- First aid supplies required to be replenished to ensure that adequate supplies are in place and also stored appropriately.
- A number of actions related to the completion and review of COSHH assessments and department risk assessments, which accounted for the majority of the actions in progress.

Work will continue with the departments to ensure that the actions in progress are completed by their due date and follow-up health, safety and wellbeing audits are scheduled for session 2019 – 20.

7 Health, Safety and Wellbeing Committee

The Health, Safety and Wellbeing Committee is formed under statute and is the principal consultation forum on health and safety within the College. The Committee meets on a regular basis and is chaired by the Vice Principal – People or nominated deputy. Membership represents all work groups, including trade unions and student representation.

During the year 2018-19, regular reports on Health, Safety and Wellbeing were received by the Executive Management Team as part of the Human Resources and Organisational Wellbeing updates.

In addition, regular Health, Safety and Wellbeing reports were received by the Business, Resources and Infrastructure Committee, across the Board Committee cycle as follows:

- 11 September 2018
- 20 November 2018
- 12 March 2019
- 04 June 2019

The following provides an illustration of the primary issues considered by the Health, Safety and Wellbeing Committee during the reporting period:

- Monitoring accident reports
- Planning for proposed Health and Safety legislative changes
- Reviewing the Health, Safety and Wellbeing Policy
- Reviewing the Health, Safety and Wellbeing Committee Constitution
- Providing input to the organisational review undertaken in 2018-2019.
- Monitoring Wellbeing and Safety initiatives across all College campuses
- Monitoring the actions arising from the Campus Safety Groups

8 Campus Safety Groups

The College has an extensive consultation framework in respect of Health, Safety and Wellbeing.

In addition to the Health, Safety and Wellbeing Committee, all main campuses have a dedicated Campus Safety Group which meet on a regular basis. Representatives attend the Health, Safety and Wellbeing Committee.

Periodically, task groups are formed to address specific subjects and examples include graduations and staff wellbeing days.

9 Policies and Guidance

Health, Safety and Wellbeing procedures and guidance documents are reviewed and updated on a regular basis. The procedures reviewed within session 2018-19 include:

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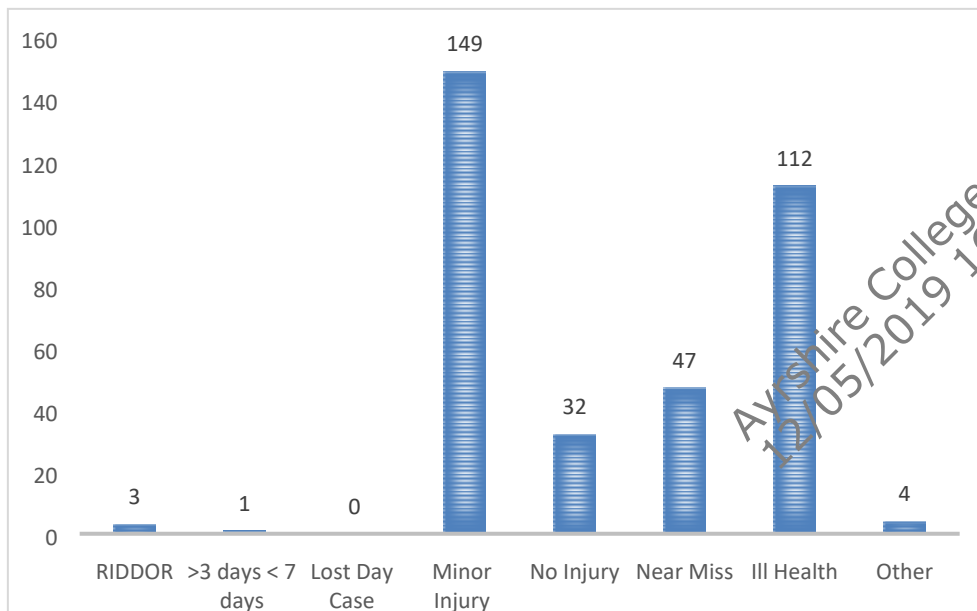
Procedure Title
Fire and Emergency Evacuation
Fire Action
Fire Alarms - Use of buildings when alarms are out of service
Accident/Incident Reporting and Investigation Procedure
Risk Assessment
Work Placement
First Aid at Work
Control of Substances Hazardous to Health (CoSHH)
Display Screen Equipment (DSE)
Off Campus Activities
Control of Vibration at Work
Safe Use and Disposal of Sharps
Infectious and Reportable Diseases
Management of Radioactive Sources
Health Surveillance

10 Accident and Incidents

The College is required by statute to record and maintain records of accidents that occur in connection with its work and activities. Quarterly accident reports are compiled for scrutiny by the Executive Management Team, Business, Resources and Infrastructure Committee and Health, Safety and Wellbeing Committee.

During the reporting period, there were 348 accidents and incidents reported to the Health, Safety and Wellbeing team, details are shown in the following tables.

Table 4: Incidents by Type August 2018 – July 2019



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The total number of incidents represents an 11.7% decrease in the number of incidents reported during 2017–18. The decrease could be attributed to increased awareness/training of staff and the Health, Safety and Wellbeing audit process which highlighted a number of potential hazards which were addressed.

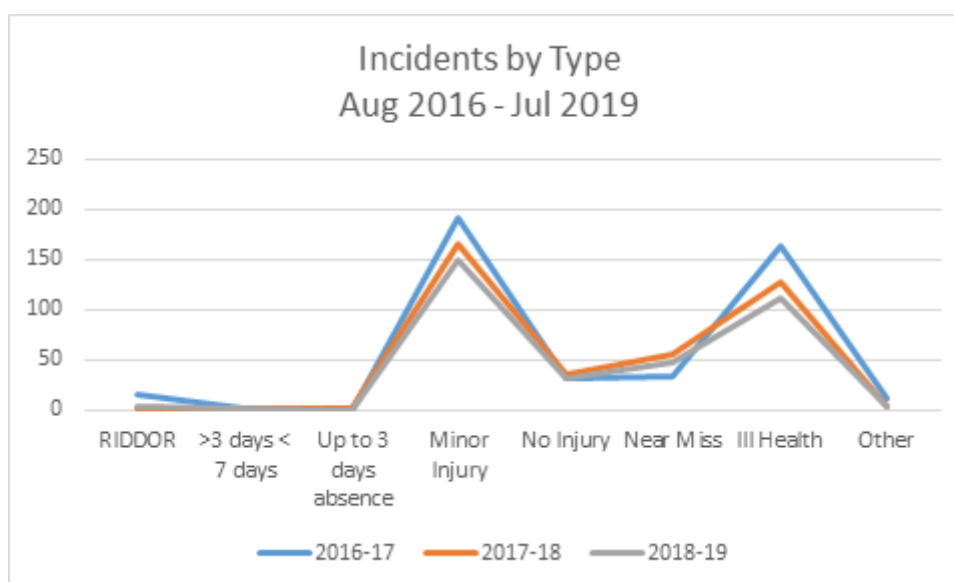
The Health, Safety and Wellbeing team continue to attend staff team meetings to promote good practice and raise awareness.

It should be noted that illnesses are not normally recognised in a typical health and safety workplace reporting system; however, due to the nature of the College environment, medical ratios have been included for trend analysis purposes.

Department specific statistics by campus are provided in Appendix 1.

The definitions of accident, near miss, dangerous occurrence and incident are set out at Appendix 2.

Table 5: Incident trend by Type August 2016 – July 2019

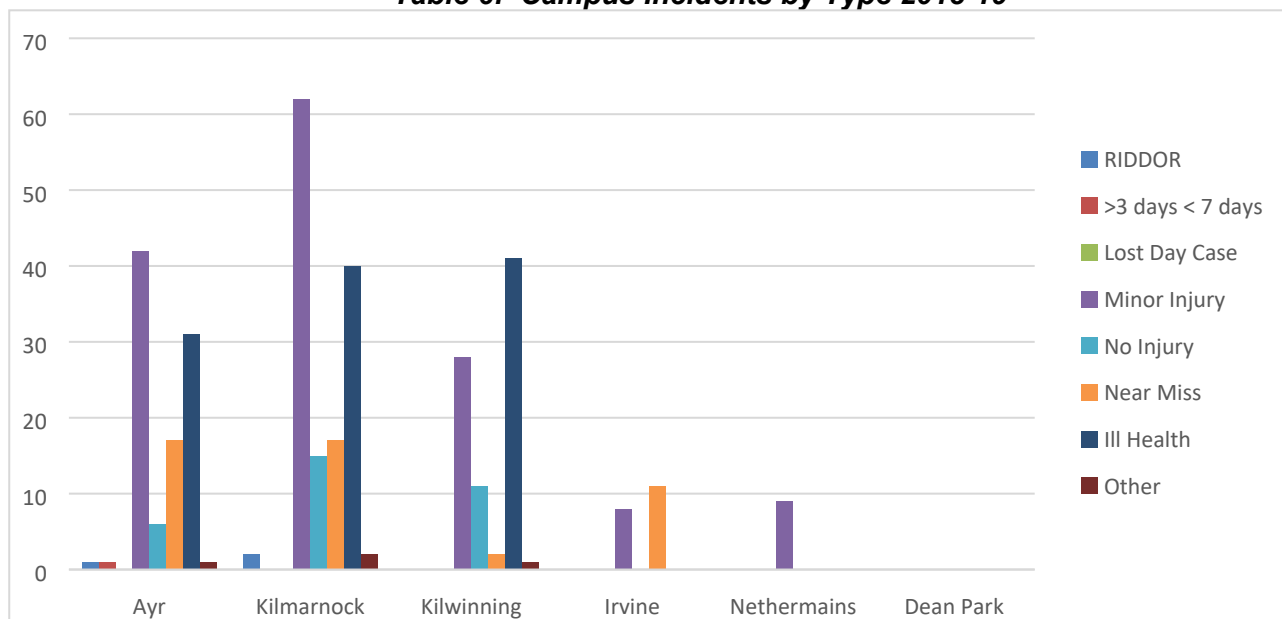


	2016-17	2017-18	2018-19
RIDDOR	16	2	3
>3 days < 7 days	2	2	1
Up to 3 days absent	0	1	0
Minor Injury	191	165	149
No Injury	31	36	32
Near Miss	34	55	47
Ill Health	163	127	112
Other	11	3	4

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Since 2016-17, the number of incidents within the College annually, has reduced from 447 to 348 (22.1%).

Table 6: Campus Incidents by Type 2018-19



	Ayr	Kilmarnock	Kilwinning	Irvine	Nethermains	Dean Park
RIDDOR	1	2	0	0	0	0
>3 days < 7 days	1	0	0	0	0	0
Lost Day Case	0	0	0	0	0	0
Minor Injury	42	62	28	8	9	0
No Injury	6	15	11	0	0	0
Near Miss	17	17	2	11	0	0
Ill Health	31	40	41	0	0	0
Other	1	2	1	0	0	0
Total	99	138	83	19	9	0

There were 3 incidents reported to the Health and Safety Executive under RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences) detailed in the following table.

1. Kilmarnock Campus	Sept 18	School Pupil	Cut from sharp object
<p>Injured person (IP) went to A&E where the cut on their index finger was glued and two paper stitches were applied.</p> <p>IP had sharpened their knife before going on a break. IP returned and forgot how sharp the knife was and cut right through an orange and into their index and small (pinkie) fingers.</p> <p>The IP was practising the correct technique when using the knife.</p>			

2. Ayr Campus	Jan 2019	Staff	Slipped on ice at College and Council boundary
College will ensure the boundary is gritted to mitigate any future accidents.			
3. Kilmarnock Campus	Feb 2019	Staff	Injury from abdominal thrusts
IP was tasting student's food and choked. A colleague undertook abdominal thrusts which resulted in the item being dislodged. The IP attended hospital and a suspected broken rib was diagnosed.			
Incident reported to RIDDOR as a precaution.			

11 Civil Action Claims

Claims received during the reporting period:

Person Involved	Injury	Current Position
Student	Injury to mouth	Claim not pursued
Student	Injury to wrist following slip	Repudiated

Outstanding claims:

Person Involved	Injury	Current Position
Staff	Asthma	Open and ongoing since 2017
Student	Injury to right knee after falling through partition floor	Case settled

12 Health and Wellbeing

12.1 Occupational Hygiene

During the reporting period, occupational hygiene assessments were undertaken in the following areas:

- Dust monitoring took place in the Nethermain campus on the 29 October 2019. The results were positive with dust levels below the workplace exposure limit.
- Dust monitoring took place in the bricklaying workshops, Ayr Campus. Dust levels were below the workplace exposure limit and good working practices observed. Risk and CoSHH assessments were reviewed following the monitoring activity.
- Due to a change in legislation, welding fume monitoring was undertaken in the workshops in Kilmarnock Campus. The monitoring found that exposure to fumes

were below the exposure limit and that the local exhaust ventilation (LEV) system was working effectively.

12.2 Occupational Health

Occupational Health is a specialist branch of medicine which focuses on health in the workplace and is concerned with the physical and mental wellbeing of staff.

The College's external occupational health provider offers support on work-related illnesses and accidents, carry out medical health checks for new and existing staff and monitor the health of staff. They also assist in the management of short and long term absences. A total of 45 occupational health referrals were supported during the period.

12.3 Health Surveillance

The College appointed a new health surveillance provider during the reporting period. In June 2019, health surveillance for 'at risk' staff groups including Construction, Land Management, Engineering, Creative and Estates in Ayr and Kilmarnock was undertaken with 214 staff attending appointments. Kilwinning and Nethermains staff were scheduled to attend appointments in August 2019.

12.4 Staff Counselling

Staff counselling services provide confidential advice and support via telephone or through private consultation with staff. Staff may self-refer or be referred as appropriate for counselling by their manager. During the review period, 47 sessions were accessed.

12.5 Staff Support Programme and Wellbeing Activities

A programme of cross campus wellbeing events and campaigns was delivered:

Yoga (Kilmarnock Campus)	September 2018
My Mental Health Matters	September/October 2018
Prostate Cancer Awareness	November 2018
Bowel Screening campaign	November 2018
12 Days of Christmas	December 2018
Daily Mile relaunched	January 2019
College and Corporate Gym memberships promotion	January 2019
Vegan event arranged by Hospitality curriculum team	January 2019
Ayrshire College Walking Challenge	February 2019
Work on Wellness (WoW) programme	March - May 2019
No Smoking Day	March 2019
National Walking week	May 2019
Sun Awareness week	May 2019
Staff Wellbeing day	June 2019

The College achieved the Healthy Working Lives bronze award and is progressing towards the silver award. The College has achieved the Paths for All Walk at Work Award for all three main campuses and is the first college to achieve this. The HSW team continue to contribute to the NHS strategies for Tobacco Action Planning and Mental Health and Wellbeing Action Planning.

13 Future Direction

13.1 Strategy and Action Plans

The Health, Safety and Wellbeing operating plan aligns itself to the People Strategy aim: *Supporting safe working environments and promoting health and wellbeing to encourage our people to focus on healthier life choices and wellness.* To achieve this aim, the Health, Safety and Wellbeing team will focus on the following priorities:

- Continue to review and improve the College's Health and Safety management arrangements.
- Support managers and staff in maintaining and achieving appropriate levels of competency and knowledge in health and safety to enable effective risk management.
- Increase staff involvement in health and safety performance to maintain and sustain a strong culture of health and safety.
- Work with key partners across our communities who are committed to maintaining, enhancing and supporting health and wellbeing.
- Develop a comprehensive wellbeing strategy to support the delivery of health and wellbeing programmes and initiatives.
- Encourage and support staff to adopt and maintain a healthy lifestyle through promoting both local and nationwide wellbeing and health initiatives.

Objectives for Health and Safety Performance

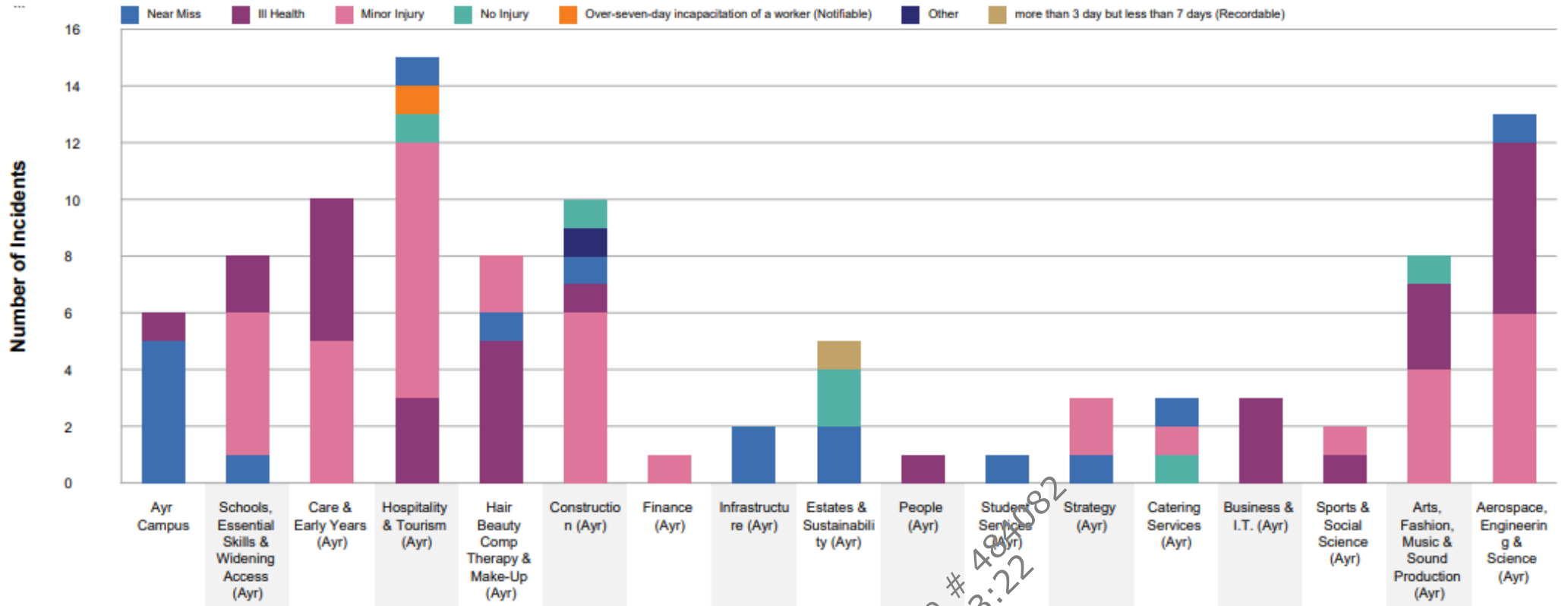
- H&S Policy - Review and revise Health, Safety and Wellbeing Policy. This is the cornerstone document for Health, Safety & Wellbeing (HSW) Management with objectives set for continued improvements to enhance the HSW culture across the College.
- HSW Management System – Ayrshire College Safety Hub continue to develop the tool to support the management of all HSW requirements across the campuses.
- Management Development - Deliver management training to the Executive, Senior and College Leadership teams
- Occupational Health - Ensure continued or enhanced provision of Occupational Health support to staff for the purpose of statutory health surveillance, health monitoring, counselling and general support.
- Wellbeing - Deliver appropriate health and wellbeing events across the campuses. Maintain and enhance the staff health surveillance program to staff. Work towards achieving the Healthy Working Lives Silver Award.
- Maintain support to staff and students - HSW Team will continue to offer support, training and advice to all staff and students to enhance the HSW culture. Maintain

Intranet portal content for all staff to be able to access procedures, responsible persons, forms and other HSW related information.

- Monitoring and Review – Monitor all aspects of the HSW Management system of the College through proactive and also responsive approaches including accident/incident reporting and investigation and also inspections, surveys and audits.

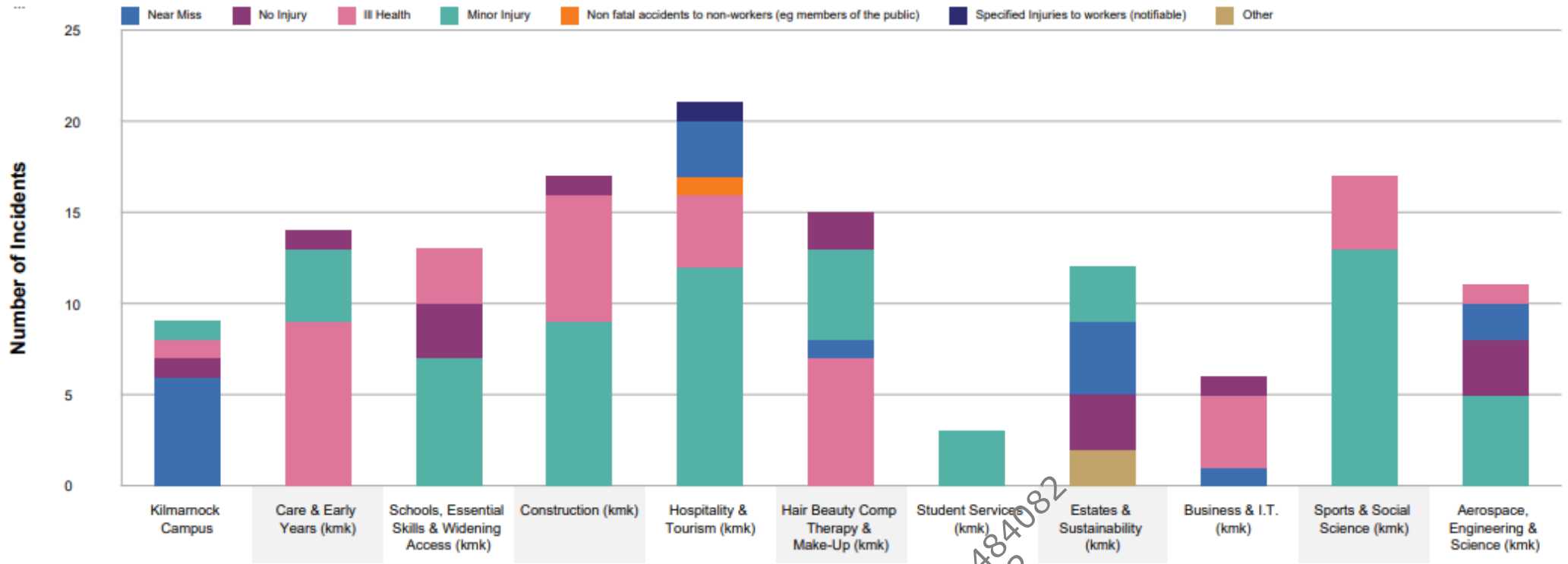
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Ayr Campus



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Kilmarnock Campus incl. Dean Park



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Kilwinning Campus incl. Nethermains and Skills Centre of Excellence (Irvine)



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Definition of Accident, Near Miss, Dangerous Occurrence and Incident

Under the terms of Ayrshire College Health, Safety and Wellbeing Policy an Accident, Near Miss, Dangerous Occurrence and Incident is defined below:

An accident

The Health and Safety Executive define an accident as “any unplanned event that resulted in injury or ill health of people, or damage or loss to property, plant, materials or the environment or a loss of business opportunity”.

Example: A builder dropping a brick from a height, which caused injury to a person underneath, would be classed as an accident.

Near miss

A near miss can be defined as, “any event, which under slightly different circumstances, may have resulted in injury or ill health of people, or damage or loss to property, plant, materials or the environment or a loss of business opportunity”.

Example: A builder dropping a brick from a height, which just missed a person standing underneath, would be classed as a “near-miss” incident. This incident did not cause an injury to a person but, under slightly different circumstances (the person standing nearer to the contact point) the person may have been injured.

Dangerous occurrence

A dangerous occurrence can be defined as, “any incident that has a high potential to cause death or serious injury” and is specified by the Reporting of Incidents, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR). There are 27 categories of dangerous occurrences that are relevant to most workplaces.

Example: The collapse, overturning or failure of load-bearing parts of lifts and lifting equipment; plant or equipment coming into contact with overhead power lines; the accidental release of any substance which could cause injury to any person.

Environmental incidents and miscellaneous incidents

Anything untoward such as threatening behaviour, physical violence, work related road traffic accident, leaks, odours etc. These may have underlying implications that impact on Health, Safety, Health and Wellbeing.

Further guidance is available from the Health and Safety Executive [RIDDOR guide reference INDG453](#).

Annual Procurement Report

For the period:

1 August 2018 to 31 July 2019

Purpose:	To present the draft Annual Procurement Report for 2018-19 to members for review, comment and approval.
Requirement:	The Procurement Reform (Scotland) Act 2014 (PRA) requires any public organisation which has an estimated annual regulated spend of £5 million, or above, to publish an Annual Procurement Report reflecting on the relevant reporting period.
Recommendation:	Members approve the Annual Procurement Report for 2018-19.

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Executive Summary

Since 31 December 2016 The Procurement Reform (Scotland) Act 2014 (PRA) requires any public organisation which has an estimated annual regulated¹ spend of £5 million or more to develop a procurement strategy and then review it annually. Organisations are also required to publish an Annual Procurement Report reflecting on the relevant reporting period of the procurement strategy.

This report covers the period of 1 August 2018 to 31 July 2019 and addresses performance and achievements in delivering the Ayrshire College procurement strategy²

The development of the procurement strategy was the outcome of consultation and discussion with internal and external stakeholders who have an interest in the collegial approach to procurement and its impact. Stakeholder engagement also features in the annual assessments of the achievement of regulatory compliance, strategic objectives of the College, value for money [defined as the best balance of cost, quality and sustainability] and delivery against the College's broader aims and objectives, in line with Scotland's National Outcomes. This process of review and reporting will inform any adjustments to the procurement strategy deemed necessary to secure future performance improvements and to respond to the economic, political and financial influences to which the College may need to adjust.

Ayrshire College has analysed third party expenditure and has identified that over the period covered by this report the following expenditure has occurred:

- EU regulated procurements [goods and services worth more than £181,302; works worth more than £4,551,413³] amounted to £1,589,333. There were 2 such procurements completed⁴.
- Lower value regulated procurements' [goods and services worth more than £50,000, works worth more than £2 million] amounted to £1,009,100. There were 9 such procurements completed.

More detailed information on the regulated procurements, sorted into procurement categories, is provided in Sections 1 and 2 and in Annex A of this report.

Ayrshire College's total non-salary expenditure for 2018/19 was £16,561,108 (ex VAT) of which the total procurement expenditure was £7,206,250 with £3,805,761 of regulated expenditure (recorded on the Contracts Register) and £3,400,489 of non-regulated spend.

£5,513,836, equivalent to 77% of the College procurement spend went through collaborative Category A, B and C1 contracts and agreements.

¹ 'Regulated' procurements are those with an estimated value equal to or greater than £50k (≥ £12,500 per annum over a four-year contract period excluding VAT) for goods & services (or £2,000,000 excluding VAT for a public works contract).

² Ayrshire College's [Procurement Strategy](#)

³ Public contracts (EU) thresholds are revised every 2 years – next due on 01 /01/2020

⁴ Completed when the award notice is published or where the procurement process otherwise comes to an end - covers contracts and framework agreement

Ayrshire College has 1745 active suppliers on its purchase ledger and did business with 892 companies in the reporting period 2018/19. Of the 892 suppliers, 27% are located in Ayrshire, 30% in rest of Scotland, 42% in the rest of the UK, 0.9% in the European Union and 0.1% in the rest of the World.

76% of procurement spend was with SMEs who constitute 88% of the total of active suppliers, 14 SMEs featured in the award of regulated procurements.

This report comprises five sections which address mandatory reporting requirements. These are as follows:

- Section 1: Summary of Regulated Procurement Completed
- Section 2: Review of Regulated Procurement Compliance
- Section 3: Community Benefit Summary
- Section 4: Supported Businesses Summary
- Section 5: Future Regulated Procurement Summary.

Report Approved By: Ayrshire College Board of Management

On: 12 December 2019

Signed on behalf of the Board of Management by: Carol Turnbull, Principal

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Section 1: Summary of Regulated Procurements Completed

Ayrshire College conducts its procurements in an open and inclusive manner with procurement objectives aligned to the College's Strategic Plan.

The details of regulated procurements completed are set out in a list at the end of this report with details summarised in **Appendix A**. That information, coupled with the publication of the Colleagueal Contracts Register (<http://www.apuc-scot.ac.uk/#!/College?inst=39>) and the systematic use of Public Contracts Scotland and Quick Quotes, provides complete visibility of the College's procurement activity over the reporting period.

In Annex A, information is set out to show lower value regulated procurements completed and EU regulated procurements completed. These are separated into contract categories and distinguish collaborative contracts from colleagueal ones. For each completed regulated procurement the information provided shows:

- the date of award
- the start dates
- the category subject matter
- the name of the supplier
- estimated value of the contract – total over contract period
- collaborative or College owned
- the end date provided for in the contract or a description of the circumstances in which the contract will end.
- whether it is an SME or supported business

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Section 2: Review of Regulated Procurement Compliance

Where appropriate, Ayrshire College has made use of collaborative contracts to deliver improved contract terms, supported contract and supplier management, sustainable procurement outcomes and value for money.

In making its regulated procurements every care has been taken to ensure that the College awards the business to suppliers who are capable, reliable and who can demonstrate that they meet high ethical standards and values in the conduct of their business.

In the period covered by this report the College has conducted all its regulated procurements in compliance with EU Treaty Principles of equal treatment, non-discrimination, transparency, proportionality and mutual recognition.

Successful delivery of Ayrshire College's Procurement Strategy objectives is part of a shareholder valued, continual improvement process.⁵ The College seeks to deliver continual improvement of all aspects of its procurement process and outcomes incremental improvements to process and outcomes over time.

Ayrshire Colleges' procurement policy and procedures and sign off arrangements that are consistent with the guidelines set out in the Scottish procurement journey, and in compliance with its Procurement Strategy, has met the objectives and obligations set out in the following schedules.

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⁵ Ayrshire College's [Procurement Strategy](#)

Procurement Strategy Objectives	Annual Report Commentary on Strategy Delivery/Compliance
<p>To sustain and further develop partnerships within the FE/HE sector, with other publicly funded bodies including the College's community partners, with professional bodies and appropriately with supply markets that will yield intelligence, innovation and deliver value to users of procurement services.</p>	<p>The College attends APUC procurement strategy groups for colleges and also engages with other bodies with regard to collaborative procurement opportunities. HE and FE specific events and Scottish public-sector events. Procurement has had preliminary contact with South Ayrshire Council (SAC) regarding being involved in SAC's Community Wealth Building Project.</p> <p>Meetings with both current and potential suppliers ensures that the College is aware of supply market developments for use in future procurements.</p> <p>Engagement with internal and external stakeholders and suppliers as part of the procurement journey provides Ayrshire College with valuable feedback which the College uses to consider possible necessary adjustments and improvements in order to achieve best value from its procurement of goods, services and works.</p>
<p>To work with internal curriculum budget holders, professional support service colleagues and suppliers to deliver innovation and best value to the teaching and learning, and service support communities, through the development of an effective and co-ordinated purchasing effort throughout the College.</p>	<p>The College's procurement activities follow the guidelines set out in the <u>Scottish Procurement Journey</u>. This helps to inform and manage the expectations of stakeholders, customers and suppliers alike and facilitates best practice and consistency with what other organisations do across the Scottish public sector.</p> <p>For larger spend categories and commodities, procurement strategies are developed and agreed through consultation with key budget holders, managers, end users and suppliers in order to deliver innovation, to improve skills and competencies and to identify the most appropriate procurement routes to market that will deliver best value outcomes.</p> <p>Care is taken to ensure that procurement operations are in line with and support the College's strategic objectives through regular review of the Procurement Strategy.</p>
<p>To promote the delivery of value for money through good procurement practice such as adoption of the Scottish Government Procurement Journey and increased spend through regulated</p>	<p>The best balance of cost, quality and sustainability together with outcome based specifications (where possible) are used in tenders to ensure value for money is delivered. Analysis of spend is carried out to identify sensible aggregation opportunities through collaborative contracting.</p> <p>Ayrshire College sorts regulated procurements into procurement categories. How these goods, services and works are bought is subject to review internally monthly and</p>

procurement and use of procurement collaboration opportunities.	with APUC annually. Examples include joint purchasing, use of local, regional and national framework agreements, consolidated contracting.
To seek out professional development opportunities to enrich and enhance experience and capability of procurement within the College.	<p>Quarterly performance reviews of Procurement are carried out and training events are attended where possible. E-learning resources are also used to further develop procurement knowledge and capability.</p> <p>Internal training of staff with procurement and purchasing responsibilities is in place and additional guidance available on the College's intranet for reference.</p>
To work with key suppliers to ensure continued value, managed performance and minimise risk throughout the life of contracts for the benefit of stakeholders and students.	<p>Contract and supplier management guidance and scorecards are in place for use with key suppliers and contracts. Key performance indicators are adopted from the relevant frameworks for call off contracts or added to Category C contracts as applicable for use in managing performance of the contract.</p> <p>A contract risk register is maintained to prioritise contracts and to identify the frequency that the contracts need reviewed.</p>
To develop sound and useful procurement management information in order to measure and improve procurement, contract management and supplier performance; in support of corporate planning which is conducted through a fair and transparent process.	<p>Expenditure analysis data is sourced from multiple systems. These include the College's finance system, Hunter (including Contracts Registers and Procurement Data Dashboard) is used to provide management information for use in managing and measuring contract and supplier performance.</p> <p>Use is made of PCS and PCS-T to publish procurement opportunities. Appropriate use is made of lotting, output based specifications and clear evaluation criteria to ensure that procurements are accessible to as many bidders (including SMEs) as possible.</p> <p>Post procurement reviews are carried out to check that tendering outcomes are delivering against procurement strategies/business case objectives. These are in turn consolidated by contract and supplier management to monitor performance and introduce any improvements required.</p>
To embed sound ethical, social and environmental policies within the College's procurement function and to comply with relevant Scottish, UK and EU legislation in	<p>Procedures are in place to ensure that consideration of environmental, social and economic issues and benefits is made, where appropriate, on a contract-by-contract basis during the planning stage.</p> <p>For every procurement, the College considers how it can improve the economic social or environmental wellbeing of its area through inclusion of environmental criteria and</p>

<p>performance of the sustainable procurement duty.</p>	<p>community benefit clauses in its contracts. The requirement is that this must be included in procurement contracts of over £4m. The College did not award any contract over £4m in the period being reported, it did include community benefits in three of its regulated contracts.</p> <p>Procedures are also in place to ensure that regulated procurements are only awarded to businesses that are capable, reliable and, meet high ethical standards and values in the conduct of their business. Ayrshire College complies with its duties under the Modern Slavery Act and published its own <u>Modern Slavery Act Statement</u> in 2018. The College is committed to the protection of and respect for all human rights and has adopted a zero-tolerance position to slavery and human trafficking in all its forms. The College demonstrates this by acting ethically and responsibly in all the relationships it holds, and uses the APUC Supply Chain Code of Conduct to reinforce this commitment in all contracting activity.</p> <p>The College is committed to contracting only with suppliers that comply with all appropriate and relevant legislation. Where appropriate, and on a contract by contract basis, the College will assess the legislation applicable to a procurement and take steps to ensure bidders comply with it e.g. Health and Safety, Late Payment legislation. Ayrshire College is a Living Wage accredited supplier and where relevant the Living Wage and fair work practices of suppliers is promoted in tender documentation.</p>
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Ayrshire College has procurement policies and procedures and sign off arrangements that are consistent with the guidelines set out in the Procurement Journey and that have met the objectives and obligations set out in our Procurement Strategy.

The following headings details what the College has done against the general duties and specific measures of the Procurement Reform (Scotland) Act 2014.

- **Treating economic operators equally and without discrimination**

The College has conducted all its regulated procurements in compliance with EU Treaty Principles of equal treatment, non-discrimination, transparency, proportionality and mutual recognition. Public Contracts Scotland (PCS) is used to publish all procurement opportunities and separate lots are tendered as appropriate.

In our tender documents, outcome based specifications and clear evaluation criteria are included to ensure the procurement is accessible to as many bidders as possible.

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- **Acting in a Transparent and Proportionate Manner**

The College works to engage with its local supply market, for example via “meet the buyer events” and by using Public Contracts Scotland Quick Quote. Guidance and information on how to contact and do business with Ayrshire College is contained on the Procurement page of the College website.

- **Contributing to the Carrying out of our Function and the Achievement of our Purposes**

Non-pay expenditure is analysed on a monthly basis and reported to executive management on a quarterly basis to identify tender and efficiency opportunities and plan procurement activity.

- **Delivering Value for Money**

To all procurements the principle of value for money (best balance of cost, quality and sustainability) is applied and we consider whole-life costing in our regulated procurements.

Ayrshire College use collaborative contracts for 77% of its purchases, to deliver improved contract terms, contract and supplier management, sustainable procurement outcomes and the best balance of cost, quality and sustainability.

Key contracts and suppliers are pro-actively managed to ensure contract deliverables and objectives are achieved.

It is estimated that during the reporting period, locally tendered savings were £118,552 at BT1 (generally versus previous price paid). Savings through framework agreements were £371,386 at BT1 pending of APUC verification of 2018/19 savings.

- **Sustainable Procurement Duty and Community Benefits**

In compliance with the Sustainable Procurement Duty Ayrshire College consider the environmental, ethical, economic and social impacts as well as the promotion of positive impacts and innovation relating to all regulated procurements throughout the procurement journey.

Procurement tools and systems such as the Scottish Public Procurement Prioritisation Tool, the Sustainability Test, Life Cycle Impact Mapping, the Scottish Flexible Framework as well as APUC’s Supply Code of Conduct, Sustain and Electronics Watch are used where relevant and proportionate to the scope of the procurement.

The Scottish Government supported business framework is considered when sourcing goods and Third sector bodies and supported businesses are always considered for relevant procurement activities.

Although the College has not awarded a contract over £4m in the reporting period it does consider what Community Benefits can, on a proportionate basis, be included in regulated procurements.

- **Consulting and Engaging with those Affected by the College's Procurements**

At the start of each regulated contract process consultation and engagement with the relevant internal and external stakeholders takes place to ensure the procurement strategy takes account of their aims and requirements.

- **Living Wage**

The College, as a Living Wage accredited employer, recognises the value of a well-motivated and dedicated workforce both in its own organisation and in those of its suppliers. Where relevant and proportionate, the College considers the fair work practices of suppliers in its procurements, including application of the living wage.

- **Promoting Compliance with the Health and Safety at Work Act 1974**

Ayrshire College is a Healthy Working Lives accredited organisation and is committed to contracting only with suppliers that comply with Health and Safety legislation.

Where appropriate, and on a contract by contract basis, the College will assess the legislation applicable to a procurement and take steps to ensure bidders comply with such legislation. Where proportionate, the College also seeks to assess the compliance of subcontractors.

- **Procurement of Fairly and Ethically Traded Goods and Services**

The College considers including the relevant standards and labels, as appropriate, in all its procurement activity.

- **The provision of food and improving the health, wellbeing and education of communities in the College's area, and the promotion of the highest standards of animal welfare**

The College is through its Catering and Hospitality Food Supply framework sourcing foodstuffs to the highest standard of production and animal welfare.

The Catering and Hospitality management are working with suppliers to continue to identify innovations that can be adopted by the College to improve the health and wellbeing of students and staff.

- **Payment terms**

The College recognises the importance of paying suppliers promptly once goods or services have been delivered. Standard payment terms are within 30 days of the date of receipt of a valid invoice although in exception circumstances, these payment terms may be reduced.

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Section 3: Community Benefit Summary

For every procurement over £4m, Ayrshire College will consider how it can improve the economic, social or environmental wellbeing of its area through inclusion of community benefit clauses, to assist with achieving sustainability in contracts activity, including targeted recruitment and training, small business and social enterprise development and community engagement. Where possible, relevant and proportionate and where they are considered not to have a negative impact on the delivery of value for money, such clauses may be included in regulated procurements valued at below £4m.

The College's policy on identifying community benefit requirements is, in consultation with stakeholders, to consider on a case by case basis, the relevance and proportionality to the subject matter of the procurement. The requirement is then built into the procurement specification and into the eventual conditions of contract performance.

Where applicable, suppliers are invited to describe their approach to delivering community benefits or achieving social value through the contract as part of the tendering process. Relevant community benefits include:

- providing 'upskilling' opportunities (e.g. Toolbox talks) with students and staff,
- offering advice and assistance on the best practice methodology,
- student work experience and employment,
- apprenticeships,
- local sub-contractor opportunities available to SMEs, 3rd sector and supported businesses,
- direct involvement in community based schemes or programmes,
- curriculum support and sponsorship initiatives,
- to minimise environmental impacts, for example impacts associated with vehicle movements and/or associated emissions and impacts on protected areas, buildings or sites.

During the period 1 August 2018 to 31 July 2019 Ayrshire College did not awarded any contracts over the £4 million regulated procurement contract threshold.

Community benefits were however generated by three contracts awarded below the £4 million threshold. Community benefits during the reporting period include:

- payment of the Living Wage to all contractor operatives engaged on facilities management contracts for Kilmarnock and Kilwinning Campuses;
- student training
- staff toolbox talks
- sponsorship of
- support from waste supplier, Enva Scotland Ltd at freshers fayre.

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Section 4: Supported Business Summary

For all procurements, Ayrshire College assesses each as to whether the goods required or service provision could be fulfilled by a Supported Business, whilst remaining compliant with EU and Scottish Procurement Legislation and ensuring value for money for the College. The College use Supported Business register, published by Ready for Business, to check for potential providers.

In the period 1 August 2018 to 31 July 2019 Ayrshire College did not reserve any contracts for supported businesses in this period. However £1,405 of spend was placed with a local supported business for laundry services.

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Section 5: Future Regulated Procurements Summary

Ayrshire College wants to ensure it achieves best value for money in its procurements through competition by promoting optimal participation in its procurement processes. One method of achieving this is to give notice to suppliers of tendering opportunities that are expected to commence over the next two financial years.

The information provided in the list of Future Regulated Procurements and **Appendix A** covers:

- the subject matter of the anticipated regulated procurement
- whether it is a new, extended or re-let procurement
- the expected contract notice publication date
- expected award date
- expected start and end date
- the estimated value of the contract.
- contract category A, B, C or C1

In preparing this forward projection of anticipated regulated procurements, it is difficult to be precise about providing details of actual requirements. Over a forecast period of two years it is very probable that circumstances and priorities will change so the list of projected individual regulated procurement exercises outlined in **Appendix A** should be viewed with this caveat in mind.

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Glossary of Terms

A, B, C and C1 Contracts (Who buys what?)

Category A	Collaborative Contracts available to all public bodies <ul style="list-style-type: none"> • Scottish Procurement
Category B	Collaborative Contracts available to public bodies within a specific sector <ul style="list-style-type: none"> • Scottish Procurement • APUC • Scotland Excel • NHS National Procurement
Category C	Local Contracts for use by individual public bodies
Category C1	Local or regional collaborations between public bodies

APUC's Code of Conduct - APUC and its client community of colleges and universities is committed to carrying out procurement activities in an environmentally, socially, ethically and economically responsible manner and to entering into agreements and contracts with suppliers that share and adhere to its vision. To demonstrate this commitment, current and potential suppliers are asked to acknowledge their compliance with the principles of the APUC Supply Chain Code of Conduct with respect to their organisation and their supply chain.

BT14 – Sustainability Based Benefits - sustainability benefits where costs are not normally relevant can be reported but will normally be described in narrative including but not limited to the following areas:

- Reduction in waste – packaging and / or further use of residue from processes etc.
- Reduction in consumption - use of raw materials (consumables, utilities etc.)
- Recycling and/or reuse of products
- Enhanced Reputation and/or marketing opportunities
- Community Benefits delivery
- Carbon Reduction

Social, equality and / or environmental improvements

Category Subject is a collection of commodities or services sourced from the same or similar supply base, which meet a similar consumer need, or which are inter-related or substitutable.

Community Benefits are requirements which deliver wider benefits in addition to the core purpose of a contract. These can relate to social- economic and or environmental. Benefits. Community Benefits clauses are requirements which deliver

wider benefits in addition to the core purpose of a contract. These clauses can be used to build a range of economic, social or environmental conditions into the delivery of Collegial contracts.

Contracts Registers these typically provide details of the procurement exercise to capture key information about the **contract** (the goods and services, values, date started, expiry date, procurement category etc).

Cost Avoidance The act of eliminating costs or preventing their occurrence in the first place. It tends not to show up on, but materially impacts, the bottom-line cost and is normally referred to as a “soft” cost saving i.e. negating supplier requests to increase costs, procuring services/goods/ works under budget, obtaining prices lower than the market average/median.

Contract management or contract administration is the management of contracts made with customers, suppliers, partners, or employees. Contract management activities can be divided into three areas: service delivery management; relationship management; and contract administration.

EU regulated procurements are those whose values require that they are conducted in compliance with the Public Contracts (Scotland) Regulations 2015 and the Procurement Reform (Scotland) Act 2014.

Flexible Framework Self-Assessment Tool (FFSAT) enables measurement against various aspects of sustainable procurement.

Hub (Spikes Cavell) - The Scottish Procurement Information Hub is provided by Spikes Cavell as a spend analysis tool allowing organisations to: -

- ☑ Identify non-pay spend on external goods and services
- ☑ Identify key suppliers and how many transactions are made with each
- ☑ Highlight common spend across suppliers and categories
- ☑ Identify spend with SMEs and/or local suppliers

This information means that individual organisations and Centres of Expertise can identify where collaborative opportunities might exist and where transactional efficiencies could be made.

For more information, visit the Scottish Government's [Hub](#) page.

Hunter - Hunter has been developed by the eSolutions team. It is a database solution which uses standard Microsoft packages (Access and SQL Server) enabling organisations to effectively monitor and report on collaborative contracting activities.

As a solution, it is operational within the HE/FE sector in Scotland and is also being utilised by the HE consortia in England and Wales that also provide collaborative contracting services to the sector. Hunter has a multi-level structure which allows consortia to share collaborative agreements, make them visible to their member organisations, and in turn enabling them to record their own contracts.

Collegial Dashboard - is the area within the APUC Buyers Portal being developed by the APUC eSolutions team providing easy access to Colleges' key management reporting data being recorded centrally through **Hunter**. The dashboard currently hosts key regulatory procurement information on Contracts Registers, forward contracting plans, expenditure reporting and APR Data. The list of reports is planned to expand to cover savings and PCIP dashboard data.

Lotting - the Public Contracts (Scotland) Regulations 2015 encourage the use of lots (regulation 47), to promote competitiveness and to facilitate the involvement of SMEs in the public procurement market, by considering the appropriateness of dividing contracts into lots to smaller contracts

OJEU thresholds OJEU is the Official Journal of the European Union, the gazette of record for the European Union. Around 2500 new notices are advertised every week - these include invitations to tender, prior information notices, qualification systems and contract award notices. The European public contracts directive (2014/24/EU) applies to public authorities and the following thresholds will apply to procurement carried out whose value equals or exceeds specific thresholds. The present thresholds are (net of VAT): - for Supply, Services and Design Contracts, £164,176, for Works Contracts £4,104,394. Public contracts (EU) thresholds are revised every 2 years – this is next due on 01/01/2018.

Output Specification requirements are set out in terms of what you want to achieve, leaving the tenderers to decide on how they will deliver those requirements. This can lead to innovation by the tenderers. The services detailed in the output specification should be capable of objective assessment so that the performance of the supplier can be accurately monitored.

Prioritisation - the Sustainable Public Procurement Prioritisation Tool which is a tool to aid all procuring organisations across the Scottish Public Sector designed to bring a standard structured approach to the assessment of spend categories.

Procurement Journey is public procurement toolkit with guidance and templates on the procurement process to facilitate a standardised approach to the market and contract and supplier management.

Procurement & Commercial Improvement Programme (PCIP) replaced the previous Procurement Capability Assessment (PCA) and focuses on the policies and procedures driving procurement performance and more importantly, the results they deliver.

PCS (Public Contracts Scotland) is the national advertising portal used to advertise all public sector goods, services or works contract opportunities.

PCS-Tender is the national eTendering system. It is centrally funded by the Scottish Government. The system is a secure and efficient means for buyers and suppliers to manage tender exercises online. The standard templates enable buyers to create consistent tender documentation.

Segmentation the division and grouping of suppliers or contracts in relation to spend and its criticality to business.

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Small and Medium Sized Enterprises (SMEs) encompass –

- Micro enterprises: enterprises which employ fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed £1.57 million.
- Small enterprises: enterprises which employ fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed £7.86 million.
- Medium enterprises: enterprises which are neither micro nor small, which employ fewer than 250 persons and which have an annual turnover not exceeding £39.28 million, and/or an annual balance sheet total not exceeding £33.78 million.

Social Enterprises are revenue-generating businesses with primarily social objectives whose surpluses are reinvested for that purpose in the business or in the community, rather than being driven by the need to deliver profit to shareholders and owners.

Supply Chain encompasses all activities, resources, products etc. involved in creating and moving a product or service from the supplier to the procurer.

Supply Chain Management Programme (Sustain) is the APUC supply chain sustainability web portal, a central hub where sector suppliers can complete and store sustainability compliance data. The portal is the core supply chain sustainability tool supporting HE and FE Colleges and their suppliers in delivering a transparent, environmentally positive, ethical and socially responsible supply chain

Supported business means an economic operator whose main aim is the social and professional integration of disabled or disadvantaged persons, and where at least 30% of the employees of the economic operator are disabled or disadvantaged persons.

Supported employment programme means an employment programme operated by an economic operator, the main aim of which is the social and professional integration of disabled or disadvantaged persons, and where at least 30% of those engaged in the programme are disabled or disadvantaged persons.

Sustainable Procurement A process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis and generates benefits, not only for the organisation but also to society, the economy and the environment.

Third-Party Expenditure is calculated based upon the total value of invoices paid per annum, excluding VAT, to all suppliers for the purchase of goods and services. It is defined as including goods, services and works. These are defined as follows:

- Goods – tangible products such as stationery, which are often also known as supplies
- Services – provision of an intangible product such as refuse collection, elderly home care, whether carried out internally or externally

- Works – including construction works and utilities (i.e. energy costs).

Third Party Expenditure excludes employee costs, non-cash expenditure (e.g. depreciation), grants, trust payments and other non-controllable payments to other publicly funded bodies but should include spending on agency staff, capital expenditure and programme spend on commodities and services.

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Annual Procurement Report - Appendix A:

List of Regulated Procurements Completed in Reporting Period 1 August 2018 to 31 July 2021

Compliant

Category Subject	Supplier Name	Date of Award	Owner: Cat A/B/C or C1	Start Date	End Date	Value over contract Period ex VAT	SME status	Supported Business
Supply of Fresh, Chilled, Frozen and Ambient Foods to Ayrshire College	Bidfood (formerly Bidvest Foodservice); Brakes Bros; Brownings the Bakers Ltd; Campbell Brothers Ltd; Campbells Prime Meat Ltd; Fresh Food Company Ltd; Glencrest Ltd; JB Foods (Scotland) Ltd; Reids Food Service Ltd	01/08/2018	C	01/08/2018	31/07/2020	£1,333,333	Large	no
Non-life Insurance for Ayrshire College	Zurich Municipal	01/08/2018	B	01/08/2018	31/07/2021	£265,000	Large	no
Supply of Staff Compliance Course Training E- Learning & LMS Platform	C L Consortium Ltd	25/09/2018	C	25/09/2018	24/09/2020	£52,200	Small	no
Supply and Maintenance of Citrix Licences 2018	I Konic Ltd	26/09/2018	C	26/09/2018	25/09/2020	£92,116	Small	no

Category Subject	Supplier Name	Date of Award	Owner: Cat A/B/C or C1	Start Date	End Date	Value over contract Period ex VAT	SME status	Supported Business
Design, Supply, Installation & Service Of A Dust Extraction & Wood Waste Management System	McLuckie Engineering Ltd	15/01/2019	C	15/01/2019	14/01/2022	£53,100	Micro	no
Supply of Students PPE Kit 2019	Lion Safety Ltd	03/06/2019	C1	03/06/2019	02/06/2020	£54,167	Small	no
Maintenance and Support of Telephone System	Exchange Communications Ltd	12/07/2019	A	12/07/2019	11/07/2022	£95,313	Large	no
Flat Roofing and Associated Works, Riverside Building, Ayr	Hugh LS McConnell Ltd	15/01/2019	C	15/01/2019	31/03/2019	£60,650	Medium	no
Replacement of Windows, Dam Park Building Phase 3	CMS Enviro Systems Ltd	18/01/2019	C	18/01/2019	31/03/2019	£394,151	Medium	no
Supply of Biomass Fuel	Balcass Timber Ltd	26/03/2019	C	26/03/2019	25/03/2021	£154,833	Large	No
Foundation Year 1 Students Transport 2019	Stuart Neil t/a Neils Private Hire; Thomas McGhee t/a McGhees Taxis; Ayr taxis Ltd; Sam Prow t/a Sam Prows Taxis; John Bennett t/a Bennetts of Kilwinning;	07/06/2019	C	10/06/2019	20/06/2020	£52,570	Micro; Micro; Micro; Micro; Medium	no

Non-Compliant

Category Subject	Supplier name	Date of Award	Owner : Cat A/B or C?	Start Date	End Date	Value over contract period	Compliance issue	Proposed Solution
Annual Support & Maintenance of Finance System	Advanced Business Solutions Ltd	18/01/2019	C	01/04/2019	31/03/2022	£69,085	Negotiated extended contract award to Advance Business Solutions Ltd for legacy finance system support and maintenance for two years.	Assess future requirements and identify options. By engaging with Finance system providers and internal stakeholders during the contract extension period. Tenders will then be issued.

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List of Regulated Procurements Planned to Commence in the Next Two (eg 2019-20 and 2020-21)

Category Subject	Owner: Cat A/B/C or C1?	New, extended or re-let procurement	Expected contract notice publication date	Expected Date of Award	Expected Start Date	Expected End Date	Estimated Value over contract period
Supply of Fresh, Chilled, Frozen and Ambient Foods to Ayrshire College	C	re-let	02/02/2020	31/07/2020	01/08/2018	31/07/2020	£1,600,000
Management Information Services IT System	B	re-let	01/02/2020	30/07/2020	31/07/2015	30/07/2020	£404,380
Provision of Multi-functional Copiers	A	re-let	05/11/2019	03/05/2020	04/05/2015	03/05/2020	£250,000
Waste Services	B	re-let	18/08/2018	14/02/2019	15/08/2021	14/02/2019	£225,000
Estates Minor Works Framework	C	new	04/08/2020	31/01/2021	01/02/2019	31/01/2021	£200,000
Ayrshire College Inter-site WAN Connectivity	B	re-let	26/04/2020	23/10/2020	25/04/2023	23/10/2020	£175,000
Supply, Install, Support and Maintain HR and Payroll System	B	re-let	09/11/2019	07/05/2020	06/11/2022	07/05/2020	£140,000
Provision of IT System Support and Professional Services	C	re-let	19/01/2020	17/07/2020	18/07/2017	17/07/2020	£125,000
Supply, Support and Maintenance of IT Server Equipment	C	re-let	10/03/2020	05/09/2020	07/09/2017	06/09/2020	£118,194
Supply and Maintenance of Citrix Licences	C	re-let	29/03/2020	25/09/2020	26/09/2018	25/09/2020	£110,539
Supply, Support and Maintenance of ICT Networking Equipment	C	re-let	03/11/2020	02/05/2021	03/05/2018	02/05/2021	£108,030

Category Subject	Owner: Cat A/B/C or C1?	New, extended or re-let procurement	Expected contract notice publication date	Expected Date of Award	Expected Start Date	Expected End Date	Estimated Value over contract period
Non-life Insurance for Ayrshire College	B	re-let	02/08/2020	29/01/2021	31/07/2023	29/01/2021	£106,556
Non-life Insurance for Ayrshire College	B	re-let	01/02/2021	31/07/2021	01/08/2018	31/07/2021	£106,122
Supply of Biomass Fuel	C	re-let	26/09/2020	25/03/2021	26/03/2019	25/03/2021	£100,278
Occupational Health Services	C	new	04/08/2020	31/01/2021	01/02/2019	31/01/2021	£75,000
Health & Safety Management System	C	re-let	11/08/2018	07/02/2019	08/02/2016	07/02/2019	£68,000
Internal Audit	B	re-let	02/08/2020	29/01/2021	30/06/2023	29/01/2021	£66,240
Supply of Students PPE Kit	C1	re-let	05/12/2019	02/06/2020	03/06/2019	02/06/2020	£65,000
Provision of Legal Services- General	B	re-let	20/09/2020	19/03/2021	20/03/2019	19/03/2021	£56,700
Supply of Staff Compliance Course Training E- Learning & LMS Platform	C	re-let	28/03/2020	24/09/2020	25/09/2018	24/09/2020	£56,160
Supply of Beauty Kits to Ayrshire College 2018	B	re-let	01/02/2019	31/07/2019	01/08/2018	31/07/2019	£55,400
Foundation Year 1 Students Transport 2019	C	re-let	23/12/2019	20/06/2020	10/06/2019	20/06/2020	£50,000

Please note, the guidance states that any reference to 'contract' is also to be construed as meaning a framework agreement.

<u>1. Organisation and report details</u>	
a) Contracting Authority Name	Ayrshire College
b) Period of the annual procurement report	01/08/18 to 31/07/19
c) Required by s18 Procurement Reform (Scotland) Act 2014 to prepare an annual procurement report? (Yes / No)	Yes
<u>2. Summary of Regulated Procurements Completed</u>	
a) Total number of regulated contracts awarded within the report period	11
b) Total value of regulated contracts awarded within the report period	£2,607,433
c) Total number of unique suppliers awarded a place on a regulated contract awarded during the period	23
i) how many of these unique suppliers are SMEs	14
ii) how many of these unique suppliers how many are Third sector bodies	0
<u>3. Review of Regulated Procurements Compliance</u>	
a) Number of regulated contracts awarded within the period that complied with your Procurement Strategy	11
b) Number of regulated contracts awarded within the period that did not comply with your Procurement Strategy	0
<u>4. Community Benefit Requirements Summary</u>	
Use of Community Benefit Requirements in Procurement:	
a) Total number of regulated contracts awarded with a value of £4 million or greater.	0
b) Total number of regulated contracts awarded with a value of £4 million or greater that contain Community Benefit Requirements.	0
c) Total number of regulated contracts awarded with a value of less than £4 million that contain a Community Benefit Requirements	3

Key Contract Information on community benefit requirements imposed as part of a regulated procurement that were fulfilled during the period:

d) Number of Jobs Filled by Priority Groups (<i>Each contracting authority sets its own priority groups</i>)	0
e) Number of Apprenticeships Filled by Priority Groups	0
f) Number of Work Placements for Priority Groups	2
g) Number of Qualifications Achieved Through Training by Priority Groups	0
h) Total Value of contracts sub-contracted to SMEs	£7,615
i) Total Value of contracts sub-contracted to Social Enterprises	0
j) Total Value of contracts sub-contracted to Supported Businesses	0
k) Other community benefit(s) fulfilled	0

5. Fair Work and the real Living Wage

a) Number of regulated contracts awarded during the period that have included a scored Fair Work criterion.	0
b) Number of unique suppliers who have committed to pay the real Living Wage in the delivery of a regulated contract awarded during the period.	0
c) Number of unique suppliers who are accredited Living Wage employers and were awarded a regulated contract awarded during the period.	4
d) Number of unique suppliers who have signed up to the Scottish Business Pledge and were awarded a regulated contract awarded during the period.	0

6. Payment performance

a) Number of valid invoices received during the reporting period.	12,858
b) Percentage of invoices paid on time during the period (“On time” means within the time period set out in the contract terms.)	64%
c) Number of regulated contracts awarded during the period containing a contract term requiring the prompt payment of invoices in public contract supply chains.	11

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d) Number of concerns raised by sub-contractors about the timely payment of invoices within the supply chain of public contracts.	0
<u>7. Supported Businesses Summary</u>	
a) Total number of regulated contracts awarded to supported businesses during the period	0
b) Total spend with supported businesses during the period covered by the report, including:	£1,405
i) spend within the reporting year on regulated contracts	0
ii) spend within the reporting year on non-regulated contracts	£1,405
<u>8. Spend and Savings Summary</u>	
a) Total procurement spend for the period covered by the annual procurement report.	£7,206,250
b) Total procurement spend with SMEs during the period covered by the annual procurement report.	£5,476,750
c) Total procurement spend with Third sector bodies during the period covered by the report.	31,916
d) Percentage of total procurement spend through collaborative contracts.	77%
e) Total targeted cash savings for the period covered by the annual procurement report	Target not set
i) targeted cash savings for Cat A contracts	Target not set
ii) targeted cash savings for Cat B contracts	Target not set
iii) targeted cash savings for Cat C contracts	Target not set
f) Total delivered cash savings for the period covered by the annual procurement report	£489,938
i) delivered cash savings for Cat A contracts	£79,031
ii) delivered cash savings for Cat B contracts	£292,355
iii) delivered cash savings for Cat C contracts	£118,552
g) Total non-cash savings value for the period covered by the annual procurement report	Value not known

9. Future regulated procurements

- a) Total number of regulated procurements expected to commence in the next two financial years
- b) Total estimated value of regulated procurements expected to commence in the next two financial years

27
£1,671,665

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Board of Management Meeting.

12 December 2019

Subject: Student Poverty and the Roll Out of Universal Credit

Purpose: The Board to be better informed on the impact that the roll out of Universal Credit is having on students' ability to access Student Support Funds, and in particular Discretionary Funds, and the consequent knock effects that this is having on the wellbeing of some students.

Recommendation: The Board discuss this paper and note the situation.

- 1. Background:** At its meeting on 12 March 2019, the Business, Resources and Infrastructure Committee (BRIC), considered a standing item, being *2018-19 Student Support Funds Position at 8 February 2019*. The Following extract is from the approved minute of the meeting:

It was noted in discussion, however, that an issue that the Board would require to consider in the near future was the impact that the introduction of Universal Credit was having on some learners. It was suggested that this discussion could initially be held by LTC and then be raised to the Board to ensure all members were aware of the effect the roll out of Universal Credit was having on the student population.

The Committee noted the paper and recorded the following action:

The Committee recommended that a discussion on the impact of the role out of Universal Credit on learners should be held at the Learning and Teaching Committee early in 2019-20, with a subsequent discussion at a Board Meeting shortly afterward, informed by the discussion at LTC.

- 2. Current Situation:** At its meeting on 5 September 2019 the Learning and Teaching Committee received a verbal report on the impact that the roll out of Universal Credit was having on some students. The following extract is from the approved minute of the meeting:

J Thomson advised members of the difficult situation faced by some students following the introduction of Universal Credit. In addition, the associated legislation meant that discretionary support funding, provided by SFC and administered by the College to support students in difficult circumstances, might well now act to their detriment in terms of their Universal Credit entitlement. J Thomson confirmed that this was now a complex area and that both he and Student Funding were working closely with the Department for Work and Pensions on the provision of assistance based on individual circumstances.

The Committee noted the verbal update and regretted the impact that the roll out of this benefit legislation was having on some of the most vulnerable students registered with the College.

Later during the same meeting, the Committee considered a standing item being *2018-19 Student Support Funds – Final Position at July 2019*. The following extract is from the approved minute of the meeting:

J Thomson took the Committee through Paper 8 as presented and various questions were raised and answered satisfactorily. J Thomson noted that the College seeks to ensure that students are fully aware of their position in relation to student support funds, in particular discretionary funding, and how to maximise the opportunities available to them. Nevertheless, the College did not utilise its full FE Discretionary Budget in 2018-19. This was mainly due to the impact the Universal Credit (UC) roll out was having on some of the more vulnerable students, as discussed under Item 8 above.

Members noted C Turnbull's comment that there had been a rise in figures for young people in poverty in Ayrshire and that the College was looking at ways of assisting those students affected. The College provided soup free to all students at lunchtime and E Hutton advised members that another option currently being considered was a supplier-sponsored Breakfast Initiative. Further supplier meetings had been organised and it was hopeful that this initiative might start during the first term.

J Thomson confirmed that he was also working with the Student Funding Team and the funding sector regarding this issue and the utilisation of remaining student support funds, noting that it was a requirement that all unused student support funds be returned to SFC and could not be used e.g. in support of any food related initiatives. The Committee agreed that it would be useful to see a comparison on student support funding with other colleges.

As a result of these discussions, and in line with the original intention of BRIC at its meeting of 12 March 2019, this paper is now brought to the Board. The intention of the paper is to increase awareness among Board members and provoke discussion on the increasing levels of poverty being experienced by some of the most vulnerable students registered with the College, and the role that Universal Credit may be playing in exacerbating that situation.

3. **Proposals:** The Board discuss the issues raised in the minute extracts above and note the current position in relation to student support funding and Universal Credit.
4. **Consultation:** The Business, Resources and Infrastructure Committee, the Learning & Teaching Committee.
5. **Resource Implications:** No Immediate resource implications for the College.
6. **Risks:** Rising levels of young person poverty will have a detrimental effect on the ability of some of the most vulnerable members of society being able to

undertake college education, and will detrimentally effect recruitment and enrolment in the future.

7. **Equality and Diversity Impact Assessment.** None undertaken.
8. **Conclusion:** The Board note the content of this paper and the subsequent discussion.

Brendan Ferguson
Secretary to the Board of Management
November 2012

Ayrshire College # 484082
12/05/2019 16:33:22

Board of Management Meeting.

12 December 2019

- Subject:** Externally Facilitated Board Effectiveness Review
- Purpose:** To inform the Board that the above Review is now scheduled to take place during academic year 2019-20 and to decide how to commission it.
- Recommendation:** The Board delegate responsibility to the Board Secretary, in liaison with the Board Chair and the Principal, to progress this matter.
-

1. **Background:** The Code of Good Governance for Scotland's Colleges (V2, Sept. 2016) (the Code) Para D.23 states

The board must keep its effectiveness under annual review and have in place a robust self-evaluation process. There should also be an externally facilitated evaluation of its effectiveness at least every three years. The board must send its self-evaluation (including an externally facilitated evaluation) and board development plan (including progress on previous year's plan) to its funding body and publish them online.

The Guidance Note for the conduct of an Externally Facilitated Board Effectiveness Review (EFBER) is attached as *appendix 1*.

Those of you who were members of the Board in 2016-17 will recall that V2 of the Code made this an immediate action on Boards for completion by 31 March 2017. You will recall that compliance with the Code is a condition of grant. V3 of the Code has not yet been published. Consequently, the Guidance Note remains extant, the Board is now obliged to carry out an EFBER during 2019-20

2. **Current Situation:** The 2016-17 exercise saw a number of challenges. Not least of these challenges was the fact that there were few, if any, facilitators available trained in undertaking this process. Different colleges took different approaches. At Ayrshire College, the approach taken was to go to tender with audit companies, to seek someone who at least had some background in undertaking a role of this nature.

Resultant on the tender process, Scott Moncrieff was appointed to carry out the EFBER. In 2016-17, a scheduled internal audit review of corporate governance was also carried out during the same academic year. The College's internal auditors at that time were Scott Moncrieff. The terms of reference of the internal audit review and the Guidance Note for the EFBER were similar, despite the Guidance Note stating that no duplication with internal audit was intended. Scott Moncrieff was instructed, therefore, to ensure that the two reviews were kept entirely separate. Accordingly, a senior

member of Scott Moncrieff staff was appointed to the External Facilitator role and a report produced (*appendix 2*).

Precisely the same situation has now arisen in 2019-20. An internal audit review of corporate governance was carried out by the College's internal auditors, BDO, during August 2019. The auditor's report was received and considered at the recent meeting of the Audit Committee. The Board is now obliged to carry a similar exercise with an EFBER in 2019-20.

It might reasonably have been expected that following the 2016-17 EFBER cycle carried out by the sector there would have been a review of the process, and any lessons learned reflected upon, before embarking on the next cycle. However, feedback on the 2016-17 cycle has been sparse. It had also been expected that as a part of the revisions for V3 of the Code, consideration would be given to the cycle of the EFBERs to take account of the respective progress of the individual Colleges that make up the sector. Indeed, it had been widely expected that the cycle would move to a more flexible "*not less than every five years*". However, that now seems unlikely in the short to medium term.

In an ideal world, Ayrshire College would not be undertaking an EFBER in the same academic year as an internal audit review of corporate governance. Nor would it wish to undertake such an exercise in a year in which 50% of the Board have only been in their role for a few months, thereby limiting the contribution they can make. It would have been rather more productive to conduct EFBER in 2020-21. However, with V3 of the Code not yet published, there is no flexibility. Therefore, the Board is obliged to conduct this exercise in 2019-20.

Recognising this as a sector wide issue, the College Development Network (CDN) has recently begun an exercise designed to recruit a pool of individuals who will be trained to undertake the external facilitation role. Given the timescales involved, it is difficult to foresee a sufficient number of persons being recruited and trained in time to undertake and complete the sector wide requirement to forward completed reports to SFC in 2019-20. It may now be the case that, as in 2016-17, individual colleges will have to decide how best to approach this exercise. With that in mind, the Board may wish to consider whether it wishes to go to tender in order to appoint a facilitator from the audit companies, or whether it wishes to consider a different approach e.g. approaching an individual with known qualities and background.

3. **Proposals:** The Board consider the above position with a view to reaching a decision on how best to commission the appointment of an appropriate external facilitator to conduct an EFBER.
4. **Consultation:** Board Secretaries Network; College Development Network.
5. **Resource Implications:** The commissioning and payment for this process would result in a cost of up to £7000.
6. **Risks:** If the EFBER process were not completed as required, the College would be in breach of the Code of Good Governance and, by extension, the

conditions of its grant award. This could result in financial penalties for the College

7. **Equality and Diversity Impact Assessment.** Not Required.
8. **Conclusion:** The Board approve the conduct of an Externally Facilitated Board Effectiveness Review to be carried out during 2019-20, with the progress of this matter being delegated to the Board Secretary in Liaison with the Board Chair and the Principal and reported back to the Board.

Brendan Ferguson
Secretary to the Board of Management
November 2019

Ayrshire College # 484082
12/05/2019 16:33:22

College Sector Brexit Response

Introduction

Senior college representatives met with Richard Lochhead MSP, Minister for Further Education, Higher Education and Science, Scottish Government officials and representatives of the Scottish Funding Council (SFC) on Thursday 10 October 2019 to discuss the college sector's proposed Brexit response (see **Appendix 1** for attendees).

This meeting with the Minister followed a Brexit workshop that Colleges Scotland held on Tuesday 17 September 2019 for individual college representatives in order to discuss Brexit preparedness and to understand the interventions that could be sought by the sector, particularly in a no-deal scenario.

This paper has been jointly produced between the SFC and Colleges Scotland.

Background

Discussion focused on the college response to meeting Scotland's skills needs in the following scenario:

- A disruptive no-deal Brexit
- Economic shocks / recession
- Businesses impacted and either re-focussing their activities or closing
- Redundancies and job losses (predictions of up to 100,000 jobs affected)
- Loss of EU national staff and students impacting on demographics

It was noted that, at this stage, it is not possible to predict with accuracy which sectors, which age groups or which parts of the country might be most affected in the above scenario. However, colleges have a strong track record in responding quickly to meet local demands for retraining in the event of economic turbulence, for example in response to the 2008 recession.

Potential Interventions Identified

Colleges set out their views on the **three key areas** where we can prepare now so that colleges can respond quickly and flexibly to mitigate Brexit impacts, according to local and regional needs. These are set out below. It was noted that these would inform the preparations for the short-term Brexit response but, once the impacts are known, further targeted mitigating actions may be required.

Suspension of some funding rules to enable an agile response

Colleges will need to be prepared to respond quickly to local demands. Detailed regulation of their activities and tight conditions around funding can slow the response process. Therefore, a certain level of delegation of authority will be necessary to allow colleges to flex the provision they offer to meet the needs of their region.

In practical terms this could mean:

- A relaxation of Developing Scotland's Young Workforce targets and activities.
- Temporary flexibility around activity targets.

- Temporarily releasing colleges from the terms of their current Outcome Agreements.
- Temporary flexibility around some elements of Outcome Agreements, for example operating out with normal regional boundaries where an institution has a particular specialism.
- A restatement of the current ministerial guidance, emphasising that colleges should be flexible and highly responsive to the needs of industry and learners of all ages – rather than the previous prioritisation of young, full-time learners.

Use existing structures

The view of colleges is that Scotland has existing networks, structures and – in some cases – funding streams already in place which can be used as part of the Brexit response. It was predicted that colleges' have a key role to play in meeting the skills and training needs of Small Medium Sized Enterprises (SMEs) and supporting vulnerable students. The college view was that, in many cases, interventions providing targeted training over a short timescale could be sufficient to provide the level of re-skilling required.

The existing structures which could be used as part of the Brexit response could include:

- The Flexible Workforce Development Fund gives employers the incentive to train their workforce to meet their skills needs. The funding allocated through this model could be increased and the scope of the scheme broadened to include SMEs, including non-levy payers, and targeted industries, employment sectors or locations, for example rural businesses.
- The Transition Training Fund was put in place to support individuals impacted by the contraction of the oil and gas sector to retrain following the 2008 recession. This model could be used to offer targeted support for specific regions or employment sectors.
- Partnership Action for Continuing Employment (PACE) provides support for those organisations and individuals that are facing redundancy and would be likely to be triggered in the event of a disruptive no-deal Brexit, although the current level of resource to support PACE would need to be reviewed.
- Individual Training Accounts (ITAs) if the impacts of Brexit focus on individuals – this also relates to the section on student support below. There would be a need to ensure sufficient funding is provided to allow maximum utilisation of ITAs, if the impacts of Brexit focus on individuals.
- Colleges have good links with local employers and businesses in their regions and would continue to use the intelligence they provide to meet their regional training needs. Colleges should be given the authority to base decisions on the activity they offer on their local-level networks, as often the collection of national level data and evidence can include time delays and are less responsive to local sensitivities.
- Community Planning Partnerships provide a link with other public and third sector bodies which colleges can use to identify groups of individuals with training and re-skilling needs.

If additional resource is available as a result of Barnett consequential or other Brexit related funds this could be used by colleges as follows:

- Colleges anticipate that any Brexit-related economic impact will have an increased demand for their courses, and additional resource would allow colleges to deal with a sudden increase in demand and /or to offer the required appropriate courses.
- Provision of resource to develop new, focussed courses – including online training material – to support education and training needs arising from Brexit.
- A fund to support additional flexible activity, which could be delivered through existing funding mechanisms or through a separate Brexit initiative-type fund.

Student funding

Student funding arrangements and the interplay of student funding with the benefits system can act as a deterrent for some individuals who would benefit from a training or retraining intervention. Details of the problems that can be encountered by potential students are set out at **Appendix 2** but, in summary, the key issues are:

- The lack of integration of the benefits system with someone looking to better themselves or take an opportunity provided by undertaking a course at a college, resulting in financial disincentives for the individual.
- Where students take a short break from the benefits system to attend a short full-time course, then have to re-apply for benefits afterwards and experience long waits with no funding to cover Department of Work and Pensions (DWP) processing times.

The interventions being sought include:

- The policy around the allocation of most benefits is reserved to the UK Government. The key action that Scottish Government could take to remedy these issues would be to seek some flexibility from the UK Government around relaxing the rules which would allow DWP rules to be adapted to allow benefit claimants to undertake study, particularly those students on short, full-time courses. If students were able to remain on benefits whilst undertaking short, full-time courses there would be limited disruption to the student's household income. This would make study and upskilling a more attractive prospect, leading to increased employability and less likelihood of long-term reliance on benefits.
- It should be noted that one option open to DWP is to allocate Rapid Response funding to people who have been made redundant and wish to do a short course in a relevant area. Rapid Response support is currently assessed on a case by case basis by DWP. DWP contacts have advised colleges that, to date, they have had no guidance on mechanisms to support individuals in the case of economic disruption as a result of a no-deal Brexit. This is an area where colleges feel it would be helpful to brief and train DWP staff now, so that they can be prepared to put appropriate supports in place at short notice.
- If the discussions with DWP do not provide the required flexibility, Scottish Government may wish to consider whether there is any scope for this support to be offered through its own devolved powers on benefits, although it was acknowledged that the devolved powers are limited in scope.
- If neither of the above options is feasible, then the view of colleges is that they should be allocated additional Discretionary funding for student support and given the associated authority to use this funding in a flexible manner. This funding could then be used to support students who would otherwise be deterred from taking up a college place because of issues relating to their transition between the bursary and benefits systems.

Summary

Given the changing and unknown situation with regard Brexit and its impacts, we need to ensure that actions are taken that create and support a college sector environment and approach that empowers the colleges in a way that enables them to be agile and flexible with whatever Brexit may bring.

Colleges Scotland
October 2019

Ayrshire College # 484082
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Attendees at Ministerial Meeting on Thursday 10 October 2019

Richard Lochhead	Minister for Further Education, Higher Education & Science
College representatives	
David Alexander	Vice Principal, West College Scotland
Joyce Clark	Business & Resource Manager, Newbattle Abbey College
Mike Jeffrey	Vice Principal, Edinburgh College
Sheila Lodge	Depute Principal, City of Glasgow College
Shona Pettigrew	Assistant Principal, New College Lanarkshire
Hannah Ritchie	Vice Principal, Dumfries and Galloway College
Derek Smeall	Principal and Chief Executive, Glasgow Kelvin College
Ken Thomson	Principal and Chief Executive, Forth Valley College
Shona Struthers	Chief Executive, Colleges Scotland
Andy Witty	Director of Sector Policy, Colleges Scotland
SFC/Scottish Government	
Martin Fairbairn	Chief Operating Officer, Scottish Funding Council
Sarah Kirkpatrick	Assistant Director, EU Exit, Scottish Funding Council
Linda Pooley	Deputy Director, Colleges, SFC sponsorship and DYW
Susan Gallacher	Head of College Policy, Scottish Government
Catherine Brown	Head of FE Student Support & Ministerial Delivery, Scottish Government
Stevie Boal (Secretariat)	Senior Policy Adviser, Scottish Government

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Benefits for Students – Information Supplied by the Scottish Funding Council

The interplay between student support and social security benefits can be complex and is set out in full in the Child Poverty Action Group's [Benefits for Students Handbook](#). Background information on the key issues is set out below.

Summary of the current system

The benefits system treats students differently, depending on the type of course they are undertaking.

- Most **full-time students on Higher Education** (including HN level courses at college) courses cannot claim benefits, because their entitlement to a student loan makes them ineligible.
- **Full-time students on Further Education** courses at college can, in some circumstances, claim benefits whilst they study.
- **Part-time students** at college can claim benefits and study if they have no other means of support.

There are also slight differences in the benefits rules depending on whether students are:

- **New claimants** receive Universal Credit (UC). Students who are eligible to receive UC whilst they study are those who have children, are disabled, are estranged from their parents, or are living with a partner who is claiming UC. Students who are eligible to receive UC whilst they study may receive a weekly £28 bursary from SFC in addition to their benefits – incentivising study for this group.
- **Existing claimants** receive legacy benefits which pre-date UC. Some students, particularly if they received housing benefit, are better off remaining on benefits whilst they study. However, benefits rules for students on legacy benefits prevent them from receiving any top-up bursary support, so they don't receive the weekly £28 rate that UC students do.

If young students on full-time further education courses are living with their parents, there is usually no interaction with the benefits system and these students can apply for a bursary. Students who have families and homes of their own and those who are disabled are more likely to be receiving benefits whilst they study, and these tend to be mature students. In many instances, particularly if students receive help with their housing costs through the benefits system, the amount they can receive through the benefits system is higher than the amount they would receive in bursary.

Key issue: Transitioning between bursary and benefits

The main problem that arises for students is when they transition from benefits to bursary and/or from bursary to benefits.

If the student has been on benefits and applies for a college bursary, they have to evidence that their benefit claim has been closed before they can access student support. Colleges can process applications quickly and there should not be a gap in individuals receiving support. However, delays can be caused if:

- students are not able to evidence that they have closed that benefit claim; or
- the college has a sudden influx of new applications without the staff capacity to process these applications.

When students finish their courses, they may have to re-apply for benefits, if they are not moving to employment immediately. There is currently a 5-week processing time for new applications for benefits and there have been cases where students have waited up to 7 weeks. During this period they have no means of support.

Brexit impact

During previous phases of economic disruption, colleges have seen demand rise for short, full-time, focussed learning programmes, so that people who have lost their jobs can upskill. They have also experienced increased demand from mature learners and students with families. Colleges anticipate that any Brexit-related economic impact will have a similar result on demand for their courses.

An individual suddenly made redundant may be able to sign up for a course and access a bursary more quickly than accessing benefits, but colleges may need additional resource to deal with a sudden increase in demand and /or to offer additional courses. If college Student Support teams had access to individuals prior to them being made redundant it would help ensure that students are offered the right course for them and create a smoother funding transition for the student. This is where some of the interventions discussed in the paper can help.

Short, full-time courses

If an individual loses their job and initiates a benefits claim, this can take 5+ weeks to process. If the individual then applies for a full-time course at college, they would have to close their benefits claim and claim bursary instead. On completion of the student's training, unless they accessed immediate employment, they would then have to make a new benefits application, again with a waiting time of 5+ weeks. If the student has undertaken a short, full-time course of just a few weeks or months duration, they could suffer significant disruption to their finances within a short timeframe and see this as a negative impact for having accessed college. Someone who had been made redundant and then waited 5+ weeks for financial support may be reluctant to close their claim for a short college programme, knowing that on completion they would have another lengthy wait for further benefits support if they didn't progress directly into employment.

Ayrshire College # 484082
12/05/2019 16:33:22

**Minute of the Learning & Teaching
Committee Meeting
Held at the Ayr Campus,
On Thursday 5 September 2019**



Present: Fiona McQueen (Chair)
Fiona Blain
Margarette Bryan
Steve Graham
Christopher Hall
Lauren Howieson
Gordon James
Mary McClung
Jack McCrindle
Mike Stewart
Carol Turnbull
Steven Wallace
Alan Walker

(Paper 12)

In attendance: Brendan Ferguson (Board Secretary)
Yvonne Melvin (Executive Assistant)
Anne Campbell (Vice Principal – Curriculum)
Michael Breen (Vice Principal – Finance)
James Thomson (Director of Finance, Student Funding & Estates)
Elaine Hutton (Director of Curriculum – Creative, Social Science, Sport and Fitness & Hospitality)
Gavin Murray (Director of Curriculum – ACES, Computing, Games Development & Business Inc. Travel and Tourism)
David Davidson (Director of HD & OD)

1 Welcome and Declarations of Interest

The Chair welcomed everyone to the meeting and, in particular, new members Fiona Blain, Steve Graham, Lauren Howieson, Mary McClung and Mike Stewart.

There were no declarations of Interest.

2 Apologies

Apologies were received from Committee members Elaine Anderson and Alison Sutherland, from ELT member Jane McKie, and from SLT member Julie Maxwell.

3 Minutes of the Previous Meeting held on 30 May 2019 (Paper 1) (C/P)

The minutes were approved as a correct record.

Proposed: Gordon James
Seconded: Margarette Bryan

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Matters Arising and Action Tracker (Paper 1a)

There were no matters arising not included in the agenda.

The Chair introduced Paper 1a and members agreed the following:

Action 2 - Completed.

Action 11 - Completed.

4 Student Association Report (Paper 2) (P)

J McCrindle, as newly elected President of the Student Association, introduced Paper 2 and took the Committee through the content as presented. J McCrindle advised members that the details of the Student Mental Health Agreement were currently being considered and a further update would be provided to the Committee when the Agreement had been approved. Members were also advised that Fresher's Events had now been carried out on the three main campuses and had been very successful.

L Howieson, as newly elected Student Association Vice President, updated members on the Free Sanitary Products Promotion and advised that a meeting had been organised with a potential supplier. A further update would be provided to the Committee at its next scheduled meeting in November 2019.

The Committee noted and welcomed the above report.

5 Terms of Reference and 2019-20 Work Plan (Paper 3) (P)

The Chair and the Board Secretary took the Committee through Paper 3 as presented.

The Committee noted and approved the Terms of Reference and the 2019/20 Workplan.

6 2018-19 Performance Indicators (Paper 4) (P)

A Campbell introduced Paper 4 and noted that the figures would not be finalised until the audit process and FES return to SFC were completed. The finalised figures for 2018-19 would be provided to members at the Committee meeting in March 2020 when the team evaluations were complete and the national PIs for the sector had been published.

An additional paper providing members with a yearly comparison of FE and HE Full Time Outcomes in graphical form was tabled at the meeting. A Campbell noted areas where improvement had been achieved and areas that required further consideration and strategies to be put in place. A Campbell advised that Team Evaluations, to look at strategies for improvement, were currently under way.

Further discussions took place on the tabled paper with various questions raised and answered satisfactorily. The Committee agreed that the information provided would be useful on a per campus basis and A Campbell stated that a further summary to this effect would be provided.

M Stewart enquired about a possible comparison of the College to other similar colleges. A Campbell confirmed that benchmarking this type of comparison is normally undertaken upon national publication of PIs in March of each year and a future update would be provided to members.

The Committee noted the contents of Paper 4 and appendices, agreed that it demonstrated an overall positive trend and looked forward to receiving further updates as they become available.

Action: The Committee to receive a summary of the FE and HE Full Time Outcomes per campus and in comparison to similar Colleges by March 2020 meeting.

7 Information for College Quality Arrangements 2019-20 (Paper 5) (P)

A Campbell introduced Paper 5 as written and advised that Ayrshire College's progress visit is scheduled to take place week commencing Monday 13 January 2020. The next full Evaluative Report and Enhancement Plan is to be published in October 2020.

The Committee noted the contents of Paper 5.

8 Impact of Universal Credit (Verbal)

J Thomson advised members of the difficult situation faced by some students following the introduction of Universal Credit. In addition, the associated legislation meant that discretionary support funding, provided by SFC and administered by the College to support students in difficult circumstances, might well now act to their detriment in terms of their Universal Credit entitlement. J Thomson confirmed that this was now a complex area and that both he and Student Funding were working closely with the Department for Work and Pensions on the provision of assistance based on individual circumstances.

The Committee noted the verbal update and regretted the impact that the roll out of this benefit legislation was having on some of the most vulnerable students registered with the College. The Committee looked forward to receiving further updates on the progress being made in the future.

9 2018-19 External Verification Report (Paper 6)

A Campbell introduced Paper 6 and noted that the College had participated in 92 external verification activities in 2018-19 (compared to 76 in 2017-18) as follows:

- 62 SQA visits (57 in 2017-18)
- 14 SQA postal/central verifications (6 in 2017-18)

- 16 visits from other Awarding Bodies (13 in 2017-18)

Members were advised that 90 external verification visits were successful, with two requiring further actions, which were resolved quickly. The Committee was asked to note the positive feedback received.

The Committee noted the contents of Paper 6 and welcomed the positive feedback received.

10 2018-19 Credit position Report – Final Position for Audit (Paper 7) (P)

A Campbell introduced Paper 7, confirming that the College was approximately 700 credits over its 2018-19 credit position target and was in a comfortable position for the FES Audit.

The Committee noted Paper 5 and the Chair on behalf of the Committee offered thanks and congratulations to all the staff teams involved for their hard work in achieving this outcome.

11 2018-19 Student Support Funds – Final Position at July 2019 (Paper 8) (P)

J Thomson took the Committee through Paper 8 as presented and various questions were raised and answered satisfactorily. J Thomson noted that the College seeks to ensure that students are fully aware of their position in relation to student support funds, in particular discretionary funding, and how to maximise the opportunities available to them. Nevertheless, the College did not utilise its full FE Discretionary Budget in 2018-19. This was mainly due to the impact the Universal Credit (UC) roll out was having on some of the more vulnerable students as discussed under Item 8 above.

Members noted C Turnbull's comment that there had been a rise in figures for young people in poverty in Ayrshire and that the College was looking at ways of assisting those students affected. The College provided soup free to all students at lunchtime and E Hutton advised members that another option currently being considered was a supplier-sponsored Breakfast Initiative. Further supplier meetings had been organised and it was hopeful that this initiative might start during the first term.

J Thomson confirmed that he was also working with the Student Funding Team and the funding sector regarding this issue and the utilisation of remaining student support funds, noting that it was a requirement that all unused student support funds be returned to SFC and could not be used e.g. in support of any food related initiatives. The Committee agreed that it would be useful to see a comparison on student support funding with other colleges.

J McCrindle and L Howieson confirmed that the Student Association would wish to offer their assistance in supporting poverty related initiatives.

The Committee noted Paper 8 and its content, and commended the work of the College in seeking to mitigate the impact of young person poverty within the student body.

12 2019-20 Enrolment Position Update Report (Verbal)

A Campbell advised members that the College was currently 83% to target. It was 94% to target on full time courses, which was ahead of the 2018-19 position.

Members were advised that a paper outlining the College's position in more detail would be provided at the next Committee meeting in November 2019.

The Committee noted and welcomed the above update.

13 Evaluative Report and Enhancement Plan 2018-21 - Progress Report (Paper 9) (P)

A Campbell introduced Paper 8 and took the Committee through it as written, reminding members that this was the current Enhancement Plan covering the 3-year period 2018-21. The Committee's attention was drawn to the appendices provided, and in particular Appendix 2 containing commentary on the specific actions due for completion by the end of the cycle.

The Committee noted the urgency of the position in relation to the Nethermains Campus and the need to work with partners to identify options for the improvement of facilities for STEM delivery in North Ayrshire. In response to a question, G Murray updated members on the ongoing discussions taking place between the College and a fund dispensing authority regarding funding and options. Members were advised that an application had been submitted and was currently being reviewed.

The Chair enquired about other possible sources of funding. C Turnbull advised on a number of options currently being considered and confirmed that the Nethermains Campus remained serviceable at the current time.

The Committee noted the content of Paper 9 and appendices, and commended the progress made to date.

14 Industry Programmes 2018-19 Progress Report (Paper 10) (P)

A Campbell introduced Paper 10 and advised members that progress on the Business Growth area would be reported to future BRIC committees, while progress on the modern apprenticeships and work based learning areas continue to be reported to the Learning and Teaching Committee.

The Committee was asked to note an amendment to section 3 of the paper. The College had approached SFC on the possibility of re-allocating approximately £133,000 of the Flexible Workforce Development Fund to another college, or to roll this forward to next year.

Members welcomed Paper 10 and a discussion followed. A number of questions of clarification were asked and satisfactory responses received. In relation to Modern Apprenticeships, the Committee noted in particular

- The significant increase made in the 2018-19 award.
- Ayrshire College was currently the 3rd biggest provider of Modern Apprenticeships in the college sector,
- Ayrshire College was the second largest provider of engineering apprenticeships in the sector,
- Recruitment for 2019-20 remained strong.
- A modern apprenticeship in food and drink had been added in 2019-20, reflecting the region's ambitions and the opportunities expected to arise as a result of the Ayrshire Growth Deal.
- Confidence is high that the number of new starts in 2019-20 would equal or exceed those for 2018-19

The Committee welcomed Paper 10 and commended the ongoing work being undertaken by the College.

Action: The Industry Programmes Progress Report to be split in two with a Business Growth report to be brought as a standing paper to the Business, Resources and Infrastructure Committee and the Apprenticeships and Work Based Learning report to be brought as a standing paper to the Learning and Teaching Committee.

15 Ayrshire Growth Deal (Verbal) (P)

A Campbell provided an update and advised members of the progress being made within those areas in which the College had been involved, in particular within aerospace and STEM.

G Murray advised members that the College was working closely with South Ayrshire Council and Strathclyde University on the creation of an Augmented Reality Learning Space. This would be split into two phases, with Phase 1 being hosted at the Aeronautical building at the Ayr Campus and Phase 2 at a site near Prestwick Airport. The bid was currently being worked on and would shortly be ready for submission.

A Campbell advised members on an Innovation Fund bid from the College which would focus on the digital agenda. The bid would be submitted to SFC by Thursday 19 September 2019 and would be accompanied by a letter of comfort in support from Barclays.

The Committee noted the above verbal update.

16 Risk Register – LTC Extract at September 2019 (Paper 11) (P)

J Thomson introduced Paper 11 and highlighted to members that V1 of the 2019-20 Risk Register was a continuation from V4 of the 2018-19 Risk Register. The draft was discussed and a number of questions asked and satisfactorily answered.

The Committee agreed the following in relation to the Risks contained within the extract:

- **L&T1 – Increased to 9 to reflect the uncertainty at the start of a new academic year.**

The remaining Risks to be maintained at the same levels.

The Committee agreed the changed L&T1 and that all remaining Risks remain as recorded.

Received for Information

17 Student Services Annual Report 2018-19 (Paper 12) (P)

Action: A smaller and high-level version of the Student Services Annual Report be provided on a regular basis at future meetings.

Action: A summary of the Student Services Annual Report be provided at the College Terminology Workshop in October 2019.

18 Complaints Report 2018-19 (Q3 Feb-Apr) (Paper 13) (P)

19 Access and Inclusion Strategy (Paper 14) (P)

20 Published 2019-20 Regional Outcome Agreement (Paper 15) (P)

21 Date of Next Meeting: The next meeting will be held on Thursday 14 November 2019 at 4.00 pm, Kilmarnock Campus, Boardroom.

(C/P) Confirmed minutes will be published

(P) Papers will be published on the College website

(R) Papers will not be published for reasons of commercial sensitivity or for reasons of personal data confidentiality

Ayrshire College # 484082
12/05/2019 16:33:22

Present: Steven Wallace (Chair)
Willie Mackie (Vice Chair) *(Paper 13)*
Fiona Blain
Christopher Hall
Mary McClung
Jack McCrindle
Fiona McQueen
Hazel Murphy
Mike Stewart
Carol Turnbull (Principal)
Alan Walker

In attendance: Brendan Ferguson (Board Secretary)
Yvonne Melvin (Executive Assistant)
Michael Breen (Vice Principal – Finance)
Anne Campbell (Vice Principal – Curriculum)
Jane McKie (Vice Principal – People)
David Davidson (Director of HR and Organisational Development)
James Thomson (Director of Finance and Student Funding)
Liz Walker (Head of Financial Services)

1 Welcome and Declarations of Interest

The Chair welcomed everyone to the meeting, and in particular new board members Fiona Blain, Mary McClung and Mike Stewart. There were no declarations of interest.

2 Apologies

Apologies were received from Board Member, Scott Cooley.

3 Minutes of the Previous Meeting held on 4 June 2019 *(Paper 1) (P)*

The minutes were approved as a correct record

Proposed: Christopher Hall
Seconded: Hazel Murphy

Action Tracker *(Paper 1a) (P)*

Action 4 - The Committee agreed this would remain marked as In Progress and an update would be provided at the meeting in November 2019.

Action 12 - The Committee agreed this would be marked as Completed, but would remain on the tracker.

Action 13 - The Committee noted this would be covered in the meeting at Item 13 on the agenda

Action 14 - The Committee agreed this would remain marked as In Progress and that further discussions were required.

Action 15 - The Committee agreed this would remain marked as In Progress.

Action 16 - The Committee agreed this would remain marked as In Progress.

Action 17 - The Committee noted this would be covered in the meeting at Item 7 on the agenda

4 Matters Arising

There were no matters arising not dealt with on the agenda.

5 2018-19 Management Accounts at July 2019 (Paper 2) (P)

M Breen introduced Paper 2. For the benefit of the new board members in attendance, M Breen provided a detailed explanation of the Management Accounts Paper and why it was brought to this meeting. M Breen then took the Committee through V1 as presented, reminding members that this represented the trading position for 2018-19 as at the end of the 2018-19 academic year. The next version that the Committee would see would be the Audited Accounts at its November 2019 meeting. The operating surplus in excess of budget was highlighted to the Committee and members' attention was then drawn to Table 1 and Diagram 1 for graphical information. M Breen then took members through the variances and position to date. Members were advised on the challenges faced and M Breen concluded that he was pleased with the current positive position. A number of questions were asked and satisfactory responses received.

The Committee welcomed the content of Paper 2, noting the positive, but still financially challenging, position. The Committee also welcomed the introduction of graphical information to the paper. During discussion, it was suggested and agreed that a robust commercial income paper would be beneficial for consideration at future meetings.

The Committee noted and welcomed Paper 2 and commended its informative layout

The Committee approved the 2018-19 Management Accounts for the period ended 31 July 2019.

Action: A Commercial Income Update paper to be provided as a standing item from 2020.

6 National Bargaining Update (Verbal)

J McKie provided a verbal update outlining the progress to date. Members were advised that the revised national pay and conditions of service agreement for lecturing staff had been advised to the sector in June 2019, and that a National Working Practice Agreement (NWP) had now been implemented. The NWP brings together in one document all previously agreed national terms and conditions of service for lecturing staff.

The Committee was advised that the College was continuing its work with staff and trade union representatives in relation to the local processes of the nationally agreed Job Evaluation exercise for support staff. J McKie reminded members that the date for implementation of the JE exercise had been agreed nationally as 1 September 2018. The outcomes of the whole national process would require, at the final implementation stage, to be backdated to that date.

The Committee noted the above verbal update.

7 2018-19 Organisational Review – Final Position (Presentation) (R)

J McKie provided a presentation on the final position of the 2018-19 Organisational review and provided some background information for new Board members present. The Committee was advised of the work that management had undertaken to ensure that the College achieved the deadline date of 31 July 2019 for the full implementation of the process. It was vital that all actions with regard to the management of the Voluntary Severance (VS) scheme were complete by the same date i.e. the end of the academic session 2018-19 and the end of the College's financial year. J McKie advised with regard to the SFC's detailed scrutiny of the VS approval processes and the College's financial management of the scheme. Members were advised that the HR team had worked closely with staff affected by the organisational changes and that the new structure had been successfully implemented on 1 August 2019.

The Committee was advised that recruitment to new posts was ongoing and that all new teams would have participated in development sessions by end of October 2019. Individual training/development would be provided from August 2019, with ongoing mentoring.

In response to a question, J McKie confirmed that every effort had been made to ensure that the outcome of the Organisational Review did not result in any diminution of the student experience, and this position would be monitored by the new curriculum teams.

J McKie confirmed this would be the final update to the Committee.

The Committee noted the content of the above update and commended the College for its management of this process.

8 HR and Organisational Development Report (Paper 5) (P)

J McKie took the Committee through Paper 5 as presented.

J McKie advised members with regard to the sickness absence monitoring information. As a key performance indicator for the organisation, the aim was to maintain absence levels between 3 and 4%. It was noted that absences were within or below this level.

J McCrindle voiced his concern on the number of absences due to apparent mental health reasons. J McKie advised on the generic group headings used for absence reporting and about any assumptions with regard to the specific reasons for staff absence. The Committee welcomed assurances that staff wellbeing was the highest priority for the organisation and that processes were in place to help to address the needs of staff, dependent on their own particular circumstances, including mental health.

Staff Learning and Development

Members were advised that the dates for the forthcoming Investors in People (IiP) review had been scheduled for late November to early December 2019. An update would be provided at the November 2019 Committee meeting .

Health, Safety and Wellbeing

J McKie advised members with regard to the ongoing accident and incident monitoring processes, which indicated different levels of accidents/incidents occurring across the main campuses, relating to different aspects of the curriculum. Members noted the positive position of zero incidents being reported under RIDDOR in the period.

The Committee noted Paper 5 and its content.

9 2018-19 Student Support Funds Position as at July 2019 (Paper 6) (P)

J Thomson took the Committee through Paper 6 as presented, noting that the main reason for the significant underspend in the application of the FE Discretionary budget for 2018-19 was the impact that the roll out of Universal Credit (UC) was having on students and young person poverty in general. It was explained to Members that a decision to provide discretionary funding to students receiving UC could result in those students having their overall funding stopped, and thus be financially disadvantageous to them. As a result, applications to the fund had decreased. J Thomson assured the Committee that he and his team were working closely with students and the Department of Work and Pensions on this matter.

The Committee noted Paper 6 and again regretted the impact of the roll out of Universal Credit on some of the most financially disadvantaged students.

10 SFC Funded Capital and Revenue Expenditure Position at July 2019
(Paper 7) (P)

M Breen took the Committee through Paper 7, noting that the period of allocation for the 2018-19 grant had been extended to July 2019. M Breen advised the Committee on the £1.7m spent on the works at the Ayr campus, as set out in Paper 7. Members were also asked to note the hard work of Ray Walkinshaw and his Estates team in achieving this positive position.

The Committee noted Paper 7 and commended Ray Walkinshaw and his team on their work over the summer.

Action: Item 13 in the Action Tracker to be marked as completed.

11 2019-20 Update on Capital Works *(Verbal)*

M Breen provided a verbal update on the capital works planned for 2019-20, in the light of the significantly decreased Capital and Revenue grant provided by SFC for 2019-20. Members were advised that the planned investment would focus on small ICT projects. Given the overall allocation of circa £125,000, Members agreed to the request not to provide standing papers to the Committee.

Action: That the 2019-20 update on Capital Works be removed as a standing item on the agenda. Items for the agreement of this Committee to be brought to any future meetings by exception.

The Committee noted the above verbal update.

Received for Information

12 Certificate of Assurance SFC *(Paper 9) (R)*

13 SFC Financial Forecast Return (FFR) Circular *(Paper 10) (P)*

14 AOB

F McQueen questioned whether the College would require a Brexit Assessment to ascertain the risk posed. M Breen confirmed that the Chair of the Audit Committee had requested a Brexit Risk template to be completed for the next meeting.

15 Date of Next Meeting – Tuesday 19 November 2019 in Ayr Campus

(C/P) Confirmed minutes will be published on College Website

(P) – Paper will be published on the College Website

(R) – Paper is reserved, because it contains data or information of a personal nature, which is restricted by legislation, or because it contains commercially sensitive information, and will not be published on the College Website

Reserved Items on the next Page.

(Paper 14)

Present: Gordon James (Chair)
Margarette Bryan
Hazel Murphy (Vice Chair)
Elaine Anderson
Scott Cooley
Steve Graham
Alison Sutherland

In attendance: Brendan Ferguson (Board Secretary)
Michael Breen (Vice Principal - Finance)
Yvonne Melvin (Executive Assistant)
Anne Campbell (Vice Principal – Curriculum)
Jane McKie (Vice Principal – People)
Tony Barrie (BDO – Internal Auditors)
Joanne Buchanan (Mazars – External Auditors)
Suzie Graham (Mazars – External Auditors)

1 Welcome and Declarations of Interest

The Chair welcomed everyone to the meeting and in particular, new members Elaine Anderson, Scott Cooley and Steve Graham. BDO and Mazars were asked by the Chair to give new members an overview of their respective roles, responsibility and key reporting stages.

There were no declarations of interest.

2 Apologies

Apologies were received from Director of Finance, Student Funding & Estates James Thomson.

3 Minutes of the Previous Meeting held on 18 June 2019 (Paper 1) C/P

The minutes were approved as a correct record.

Proposed: Margarette Bryan
Seconded: Hazel Murphy

Audit Action Tracker (Paper 1A) (P)

Action Due date for the Business Continuity Plan (Action 5) be amended to November annually and the action owner updated to M Breen

Ayrshire College # 484082
17/09/2019 16:33:22

4 Matters Arising

Page 2, Item 5; the caveats noted in the minute had now been completed.

5 Audit Committee Terms of Reference and 2019-20 Workplan (Paper 2) (P)

B Ferguson introduced Paper 2 and, for the benefit of new members, explained that the Terms of Reference and the draft annual Committee Workplan were brought to the first meeting of the Committee in each academic year for consideration and approval.

The Terms of Reference were approved as presented.

The 2019-20 Committee Workplan was approved subject to the following amendments:

- **The Business Continuity Plan be moved to the second quarterly meeting of the cycle (as noted under Action Tracker above).**
- **Add into the third Quarterly meeting of the cycle an Audit Development Session to be prepared and presented by one of the internal or external auditors (this to be an annual feature in the Workplan)**

6 Internal Audit Progress 2018-19 at September 2019 (Paper 3) (P)

T Barrie (BDO) introduced Paper 3 and directed members to the summary on page 4 of the document that listed the audits completed. T Barrie noted that the report did not include any information on student recruitment, as this would be provided in the follow-up report at the Committee's meeting in November 2019. The Committee was also advised that the Corporate Governance Internal Audit Review had been carried out by BDO during the week commencing 26 August 2019, and had now been completed. The report would be provided to the Committee at its next meeting in November 2019.

The Committee noted that the above report was in line with the expectations of the 2018-19 Internal Audit Plan as approved by the Committee

The Committee noted and approved the content of the above Report.

7 External Audit Progress Report at September 2019 (Paper 4) (P)

J Buchanan (Mazars) took the Committee through the sections of the Report seriatim, setting out the progress made and what further work was planned prior to consideration by the December meeting of the Board. The Committee considered the progress made against the approved timeline and were content that the Audit was progressing as expected, with planning complete and fieldwork expected to be completed by October 2019. No significant issues had arisen to date. Members noted, however, that a new SORP introduced from January 2019 would come into effect during the external audit for the 2019-20 academic year.

A number of questions were asked on the content of the report and satisfactory responses received.

The Committee commended the inclusion of Section 3 of the report, which listed the national publications in 2019 that guided the external audit process.

The Committee noted and approved the content of the Paper 4.

8 2019-20 Internal Audit Rolling Action Plan at 9 September 2019 (Paper 5) (P)

M Breen introduced Paper 5 and provided an explanation of this standing item on the agenda for the benefit of new members. M Breen noted that there was a high degree of confidence that the outstanding actions would be completed by the due dates listed in the Paper.

The Committee noted the above report.

9 Date of Next Meeting – Tuesday 26 November 2019 at 4pm in the Kilwinning Campus.

Received For Information

10 Scotland's Colleges 2019 – Audit Scotland Report (Paper 8) (P)

P - Papers will be published on the College Website

R - Papers will not be published for reasons of commercial confidentiality or for reasons associated with data protection legislation

A/P - Already published on the College Website

C/P - Confirmed minutes will be published on the College Website

Reserved Items on the next page.

Ayrshire College # 484082
12/05/2019 16:33:22

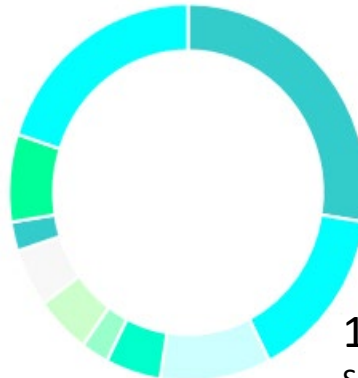
Freedom of Information – Key Facts 2018/2019



40 requests for information

Requestor Type

8% Charities



28%
What do they know website

15%
Scottish Parliament

10%
Union



80% responded to in timescale



3 requests for an internal review

Top 3 Request Types

- Student numbers/demographics
- Staff numbers/demographics
- Support services offered



7 subject access requests 2018/2019

Ayrshire College # 484082
02/05/2019 16:33:22

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Freedom of Information Report August 2018 – July 2019

Ayrshire College #184082
12/05/2019 16:33:27

FOI Requests Received

2018/2019

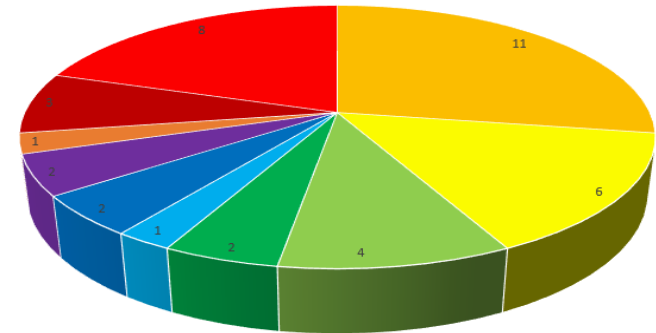
40 Freedom of information requests were received.

The chart on the right shows the number of FOI requests received by requestor type. 28% of requests were received through the 'What do they know' website. 15% were received from the Scottish Parliament and 10% were from both the Unions – EIS and Unison.

8 requests received in the other category included requests from a food supplier, an IT & sales marketing company, a first aid training provider, a publishing company, an energy company and 3 requests where the requestor type was unknown.

The charts below show the number of FOI requests received split by month and the number of requests where an internal review was received.

FOI requests received, split by requestor type

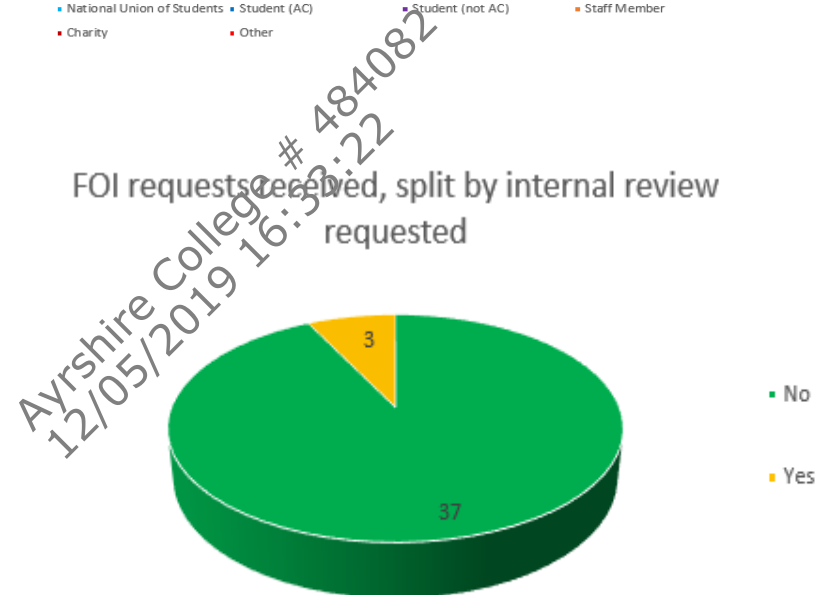


- What do they know
- Scottish Parliament
- Union - EIS/Unison
- Media
- National Union of Students
- Student (AC)
- Student (not AC)
- Charity
- Other
- Staff Member

FOI requests received, split by month



FOI requests received, split by internal review requested

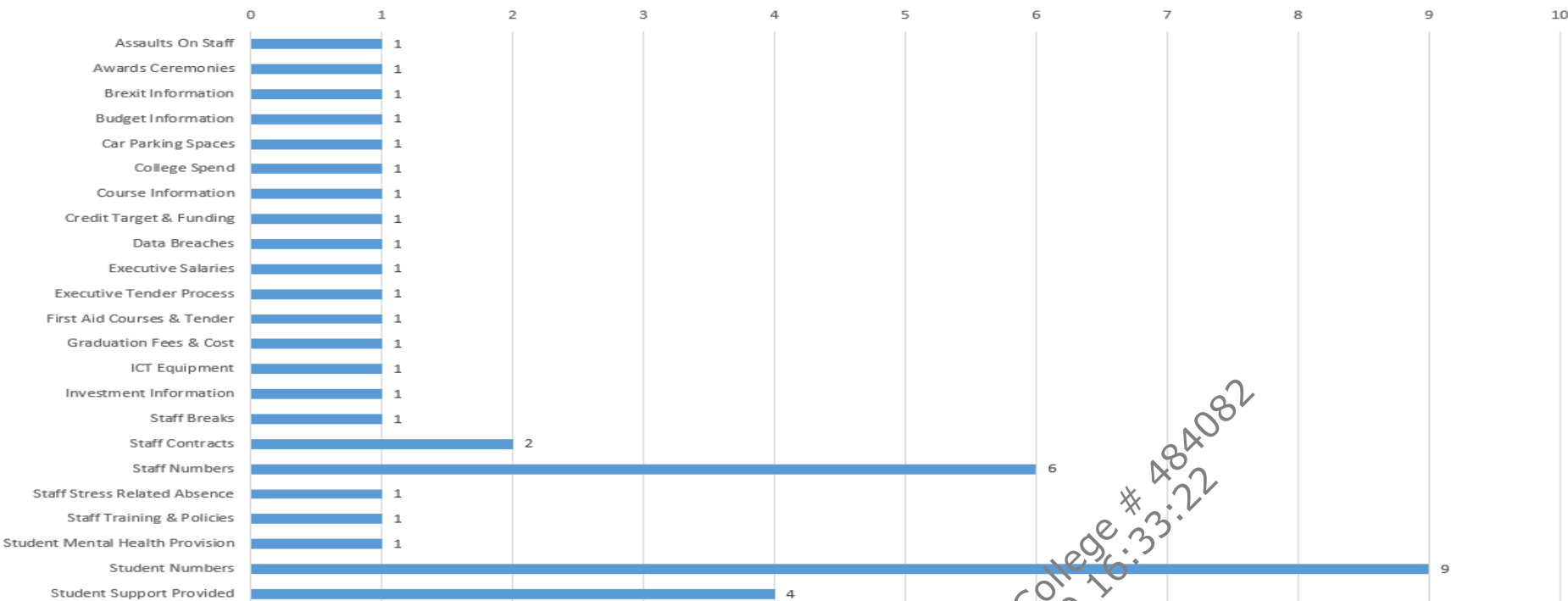


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FOI Request Type

2018/2019

FOI requests split by type of request



In the Student Numbers category requests were received for overall College student numbers or student numbers in specific areas of childcare and sports courses, students who had disclosed a disability or disclosed they were D/deaf or hard of hearing, the number of students who had withdrawn, number of EU students and the number of students studying on a renewable energy course or unit.

The Staff Numbers had requests for the number of male/female staff, additional support needs staff, staff in and out of scope of the NRPA and total number of staff and first aiders.

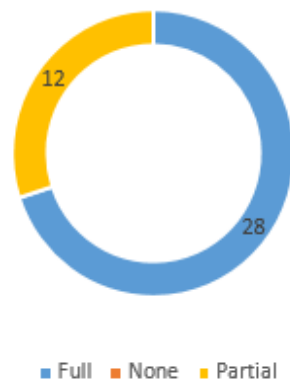
Four requests were received for the Student Support we provide. The requests asked for the number of students who declared they were dyslexic and the support available, students who were care experienced or who had additional support needs and the support available and bereavement counselling available.

The Staff Contracts had requests for the number of staff on zero hours/temporary contracts and salaries and the number of staff on temporary contracts and the number moved to permanent contracts.

Information Provided

2018/2019

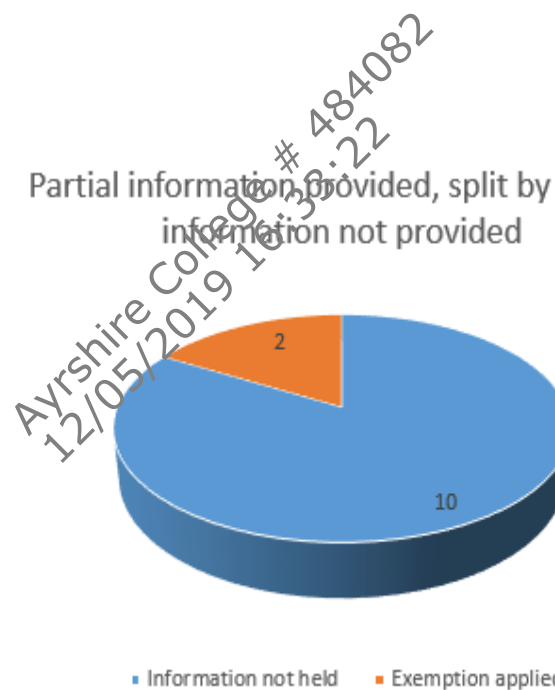
FOI requests received, split by information provided



The chart to the left shows the number of FOI requests where the information requested was provided in full, some of the information requested was provided or none of the information was provided.

The chart on the right shows the reason information was not provided, where only some of the information requested was provided.

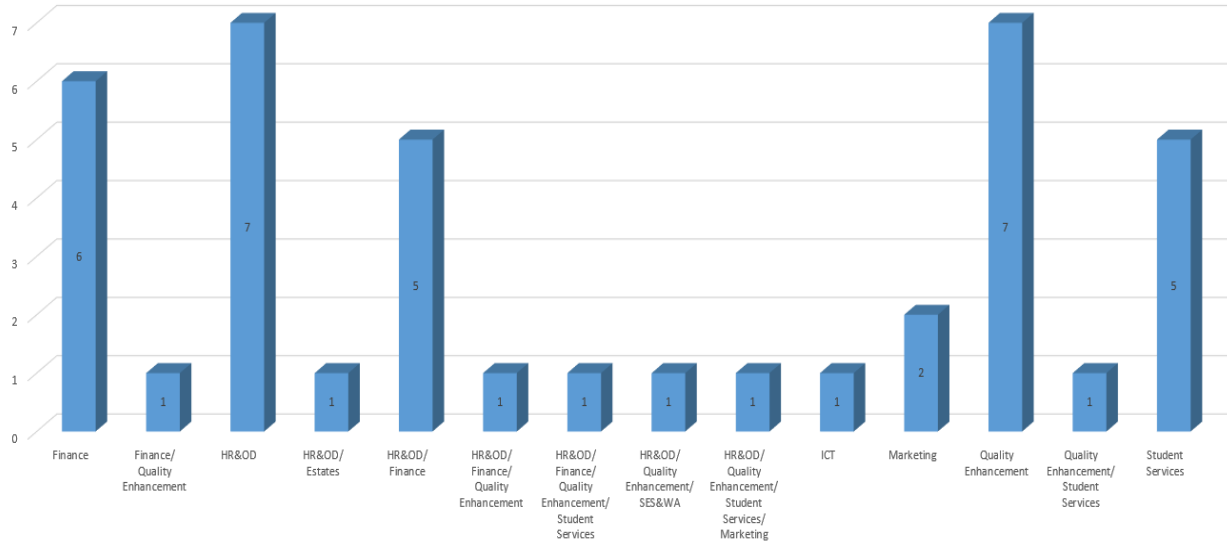
Partial information provided, split by reason information not provided



FOI Requests – Directorate

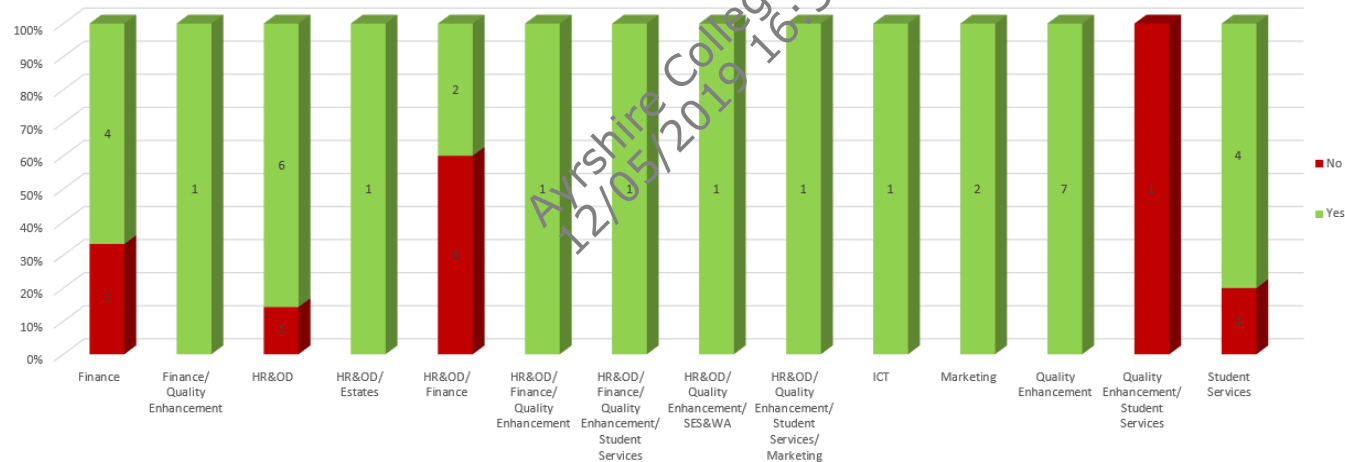
2018/2019

FOI requests received, split by directorate



The chart on the left shows the FOI requests received, split by directorate. 30% of requests received asked for information from more than one directorate.

Percentage of FOI requests received, closed within timescale split by directorate



The chart on the right shows the percentage of FOI requests issued within the 20 working day timescale.

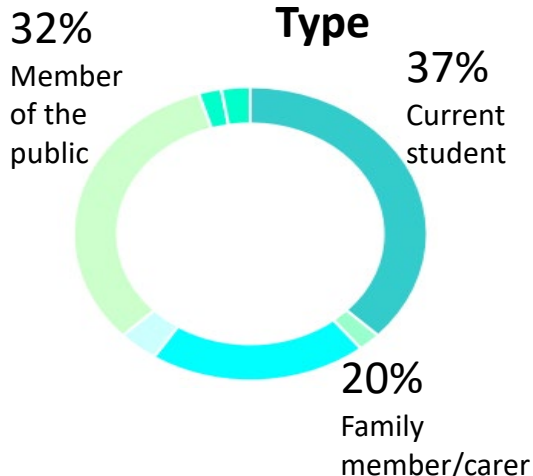
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Complaints – Key Facts 2018/2019

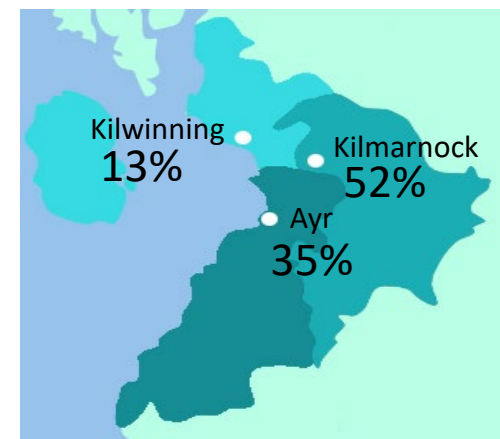
191 issues (184 complaints, 6 cannot directly assist, 1 policy issue)



Complainant Type



Campus Split



78% closed in timescale

1

82% stage 1

Top 3 Complaint Categories

- Staff Conduct
- Environmental (car parking)
- Application, Admission, Interview, Enrolment, Induction

Complainant Satisfaction

67%

Thought their complaint was taken seriously.

72%

Thought the response they received was clear.

78%

Thought they received a response within an appropriate timescale.

83%

Thought they were dealt with courteously at all time.

UPHELD
37%

PARTIALLY UPHELD
15%



80 actions logged

Ayrshire College # 484082
12/05/2019 16:53:22

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Annual Complaints Report 2018/2019

Ayrshire College #184082
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Ayrshire
College 

The logo for Ayrshire College, featuring a stylized teal arrow pointing to the right, composed of two overlapping shapes.

Total Issues Received

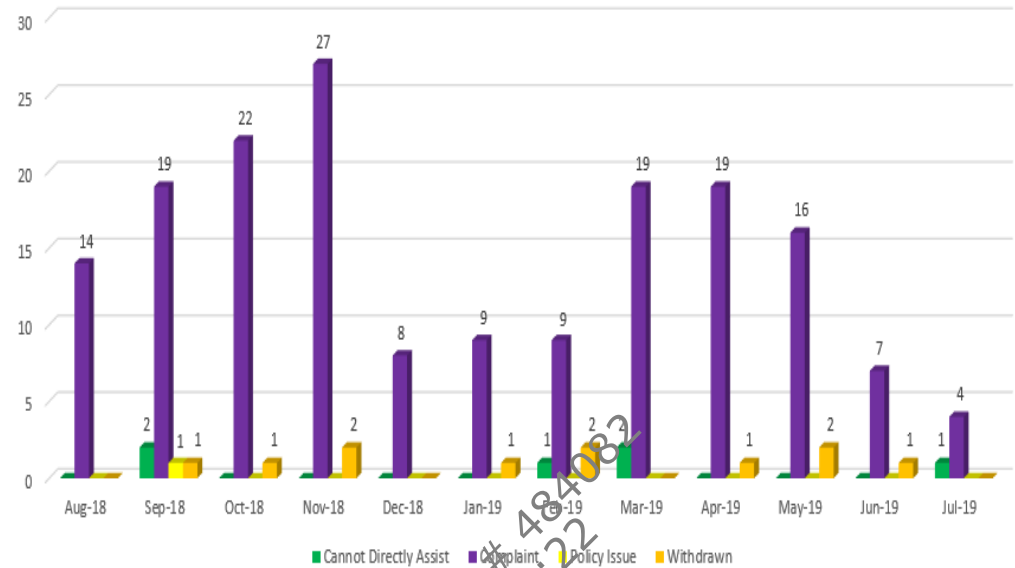
191 issues were received. The chart on the right shows the number of issues received each month, split by the type of issue.

184 complaints were received, 11 of these were withdrawn. 6 issues were recorded as cannot directly assist and 1 as a policy issue.

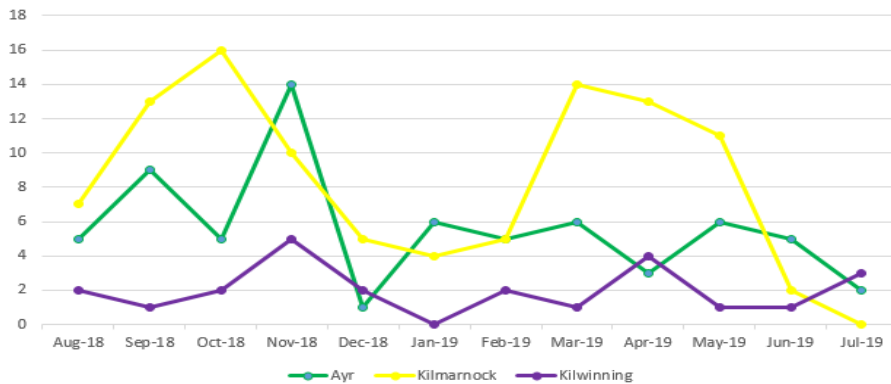
Of the 6 recorded as cannot directly assist, 3 were about content on personal social media accounts by students and staff and 3 were about the behaviour of students outwith College. The 1 issue recorded as a policy issue was an allegation of plagiarism, which was investigated under the malpractice and maladministration policy.

The charts below show the total issues received each month by campus and the total issues received split by campus and type of issue.

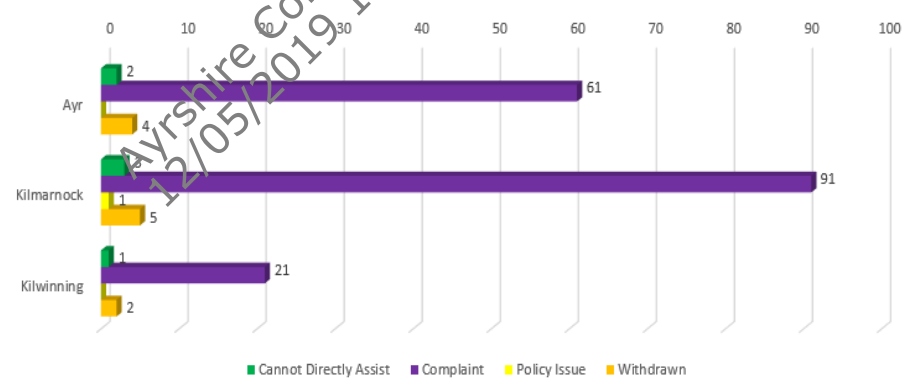
Issues received, split by month and type of issue



Issues received, split by month and campus

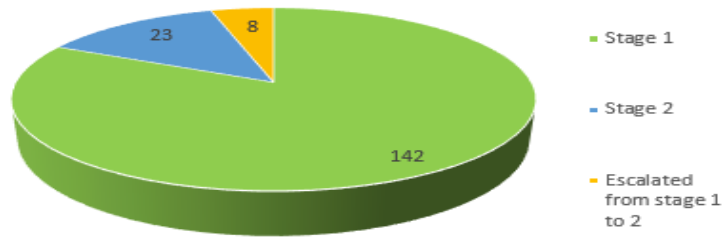


Issues received, split by campus and type of issue



Complaints Received

Complaints received, split by stage



184 complaints were received, 11 of these were withdrawn.

The chart on the left shows the remaining 173 complaints received, split by stage.

142 out of 173 complaints received were dealt with at stage 1, which equates to 82% of complaints.

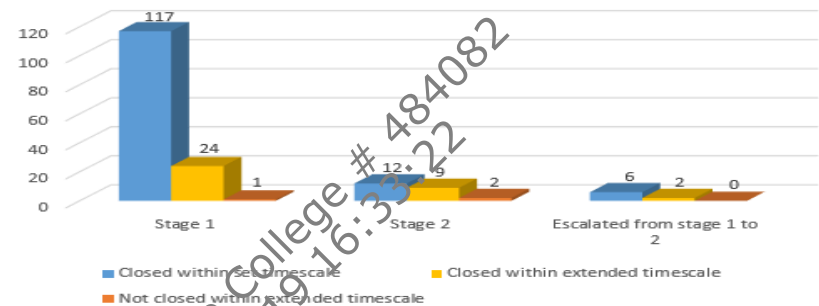
Stage 1 – SPSO set timescale is 5 working days and extended timescale is 10 working days

Stage 2 – SPSO set timescale is 20 working days and extended timescale is 40 working days

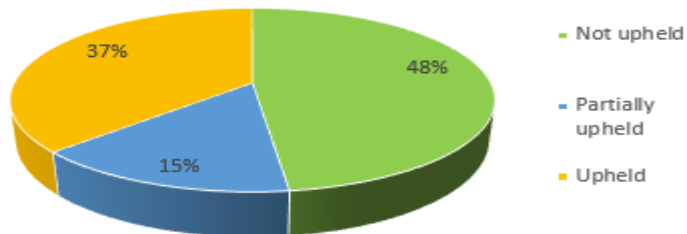
Escalated from stage 1 – 2 - SPSO set timescale is 20 working days and extended timescale is 40 working days

78% of complaints were closed within the SPSO set timescale.

Complaints received, split by stage and timescale closed in



Complaints received, split by outcome as a percentage



Of the 173 complaints received, 37% of complaints were upheld, with a further 15% partially upheld. This combines to 90 out of 173 complaints.

Complaints – Sub-category

Annual Complaints Report - 2018/2019

The chart below shows the complaints received, split by sub-category and outcome. Noted below are the main reasons for complaint in each of the top 5 sub-categories:

Staff Conduct

- Treatment of students by staff member and during interviews
- Attitude and behaviour of staff member
- Lack of support, classes finishing early
- Lack of response, not receiving callbacks, requests not actioned
- Not received apprenticeship qualification
- Asked to leave the College building

Environmental

- Local residents neighbouring the Kilmarnock campus unhappy students and staff using their car park, students being disrespectful, dropping litter, driving irresponsibly, blocking pavement and padlock on barrier vandalised
- Local residents neighbouring the Ayr campus unhappy students and staff parking in their street and in residents' carpark, delivery vans driving up their streets, litter being dropped, students being disrespectful, our alarm sounding during anti-social hours, newly painted wall not complete, contractors starting times, a barrier was placed in their street blocking access and that we do not provide bins on the river walkway

Application, Admission, Interview, Enrolment, Induction

- Application process offensive and asks information deemed unnecessary
- Did not receive communication to make payment and course now full
- Attended for a group interview and told to go home as too many people
- Not offered a place on course applied for
- Not given enough notice of interview, interviewers did not turn up, it was rushed and not advised interview was for a waiting list place

Student Conduct

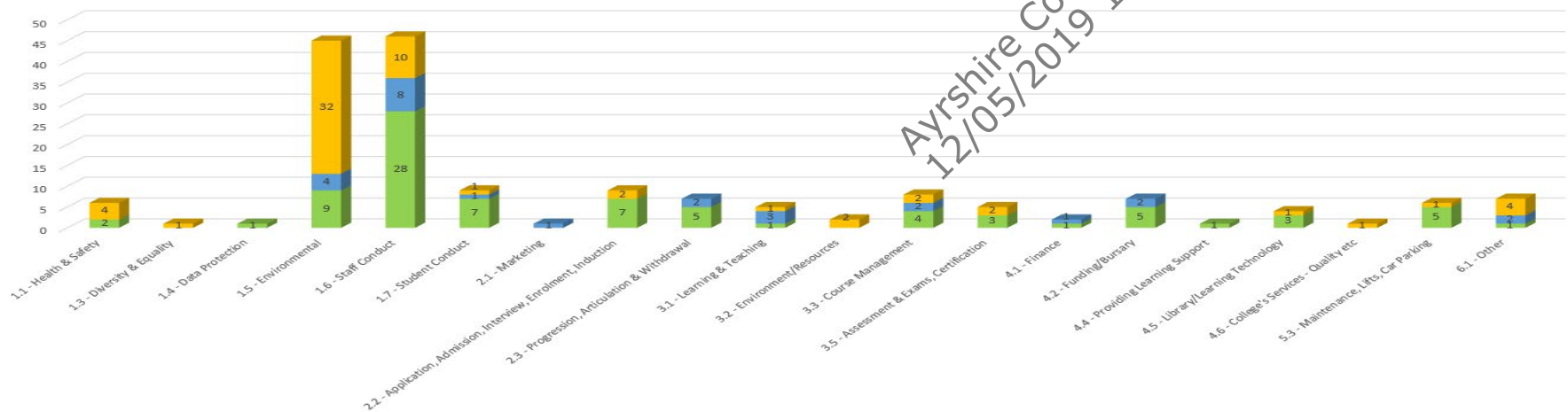
- Students sending inappropriate messages during class and via social media
- Student driving irresponsibly in residents' car park, dropping litter, playing music
- Allegation student allowed to study with criminal conviction
- Unhappy with hair cut/highlights from student and their conduct
- Behaviour of other students in class towards students in class

Course Management

- Change in lecturer for evening class
- Advised class time reducing by an hour a week
- Change in timetable at short notice and student had other commitments
- Advised work to be handed in that day but extended timescale already agreed

*Pages 15-17 show all the categories and sub-categories available

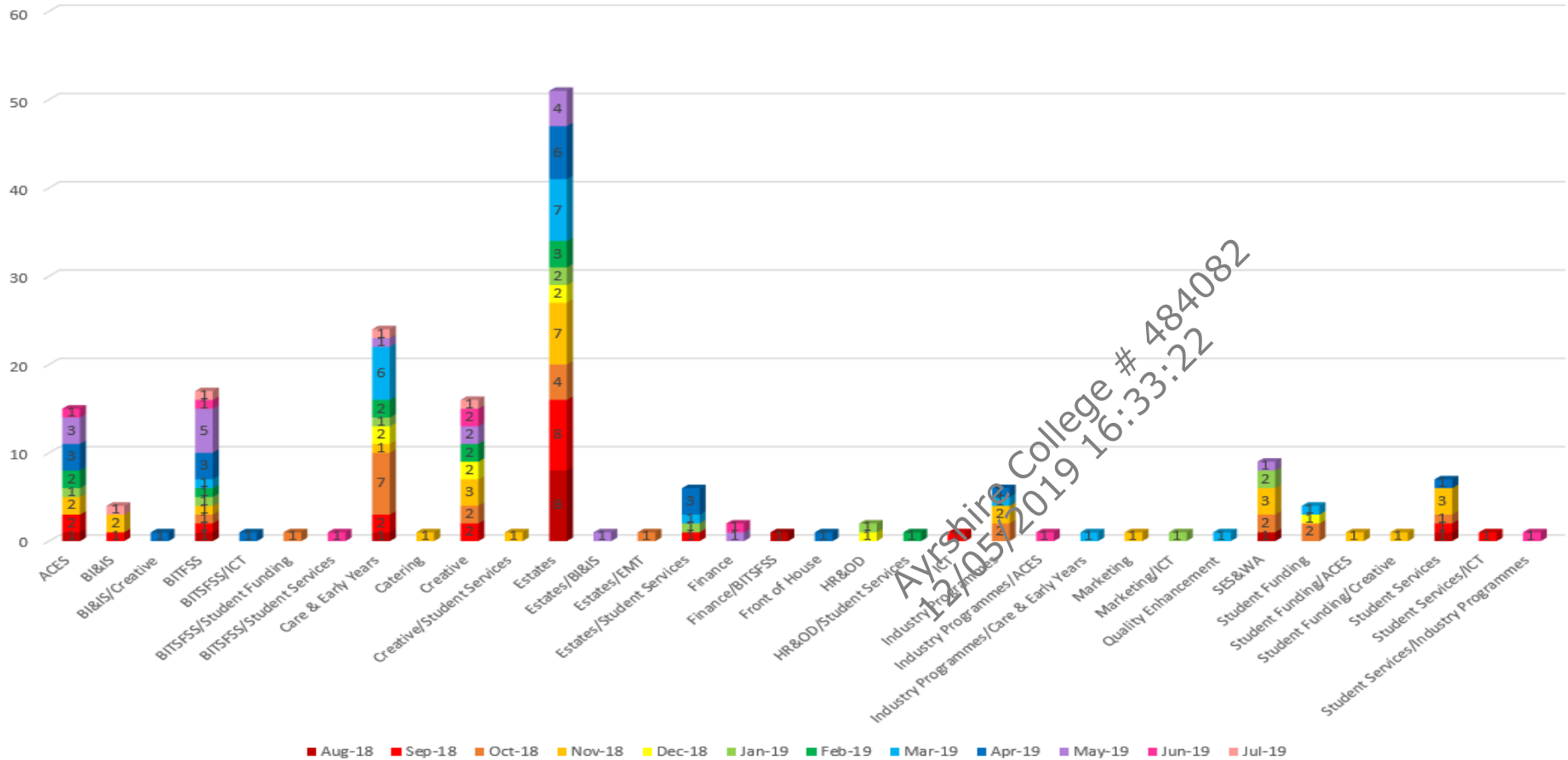
Complaints received, split by sub-category and outcome



Complaints – Directorate

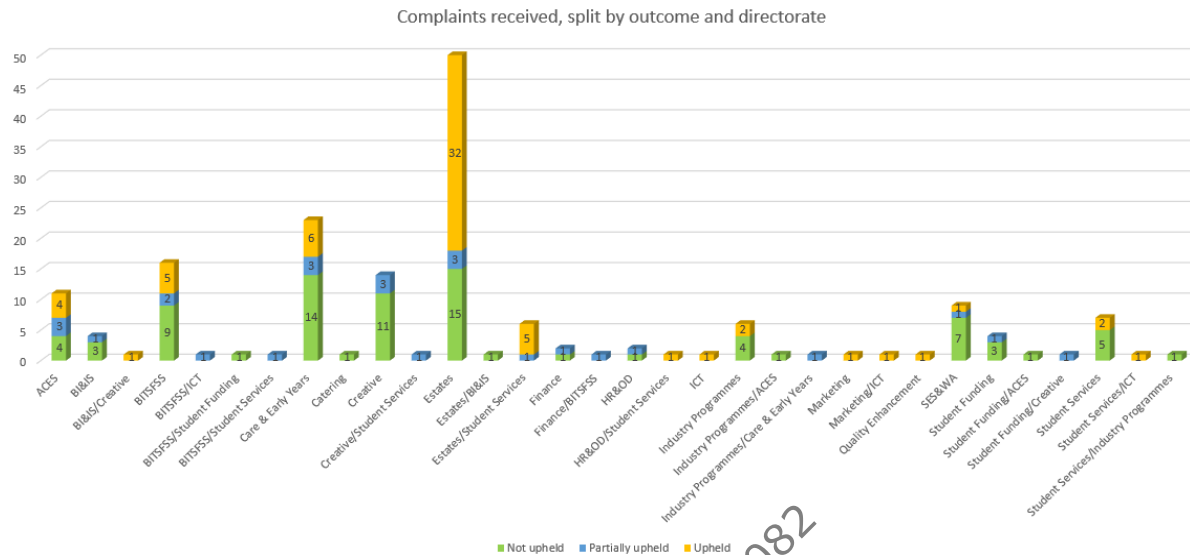
The chart below shows issues received each month, split by directorate. It should be noted that complaints about our car park and residents' car parks are logged against Estates and complaints about students' behaviour outwith the classroom are mainly recorded against Student Services.

Monthly complaints (inc withdrawn) received, split by directorate

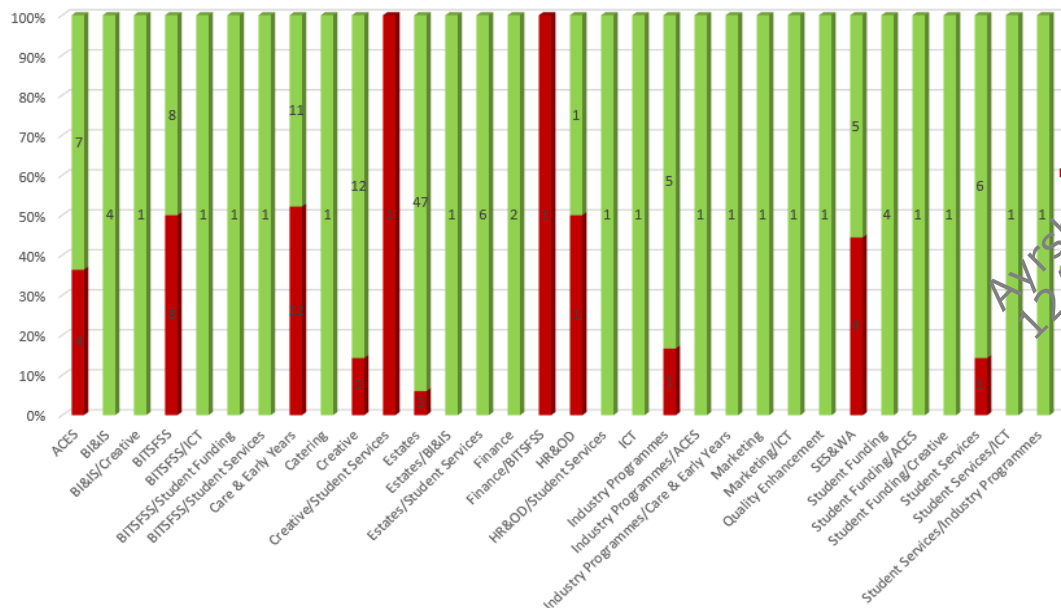


Complaints – Directorate

The chart on the right shows the complaints received, split by outcome and directorate.



Percentage of complaints received, closed within timescale split by directorate



The chart on the left shows the percentage of complaints received, that were closed within the SPISO set timescale (5 or 20 working days), split by directorate.

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12/05/2019 16:33:22

Actions

Annual Complaints Report - 2018/2019

Complaint Category	Number of actions	Number completed	Number outstanding
1. Customer Care	47	41	6
2. Applications, Admissions & Progression	7	6	1
3. Course Related	13	10	3
4. Services	7	7	0
5. Facilities	2	2	0
6. Others	4	2	2
Total	80	68	12

Ayrshire College # 484082
12/05/2019 16:33:22

Service Improvements

Annual Complaints Report - 2018/2019

Issue	Actions
Local resident unhappy the grass at the Holehouse Road campus had not been cut and weeds were growing into their garden.	Discussions were already in progress with our landscape contractor and arrangements were made for the grass to be cut and weeds attended to by the end of the following week.
Local resident in Content Avenue unhappy that contractors working on the Ayr campus started working at 7.30am at weekends.	Contractors reminded that their start time should be no earlier than 8am.
Parent did not receive a callback about a signer for the student.	Letter sent to all parents of students in supported learning classes with contact number and email address for the guidance lecturer.
Student did not receive a callback or response to emails chasing a credit transfer.	Head Of met with all managers to reiterate the importance of listening to and responding to voicemail messages and emails.
Parent unhappy a sticker was placed on the students windscreen as they were parked on double yellow lines in the College car park.	Feedback given to the manager applying the sticker that they should be applied to the side window and not the windscreen.
Parent unhappy the student's outstanding fees debt was passed to a debt recovery agency, potentially affecting their residency application. Student was not informed of the actual amount of the fees until December.	<p>Process altered for those students being charged overseas rates so invoice is issued as close to the start of the session as possible, confirming monetary amount of the fees due.</p> <p>When confirming right to study under residency check, as well as including the type of fee to be charged, we will also confirm an approximate monetary amount.</p>
Housing Association received complaints from residents of new development in Hill Street about students and staff parking in the development.	<p>First Steps Workshop content updated to specifically refer to this area when advising students where not to park.</p> <p>Plasma screen notices updated to advise staff and students not to park in any of the residents car parks opposite or nearby the Kilmarnock campus.</p>
Student did not receive their certificate as a unit had not been correctly attached to their student record.	<p>Curriculum Managers provided with training on Qlikview and the importance of checking student records that units allocated to students match the credits.</p> <p>Frequent checks taking place with Student Information to ensure all units are correctly attached.</p>

Service Improvements

Annual Complaints Report - 2018/2019

Issue	Actions
<p>Student unhappy with Wi-Fi network in the Ayr campus.</p>	<p>ICT reviewed the wireless coverage in the Ayr Campus and fixed the following issues:</p> <p>Room F126 - when the building works were completed cabling was missed for this room, additional cabling installed.</p> <p>Aero Building Room A102 – wireless connection was poor for students when using laptops. Additional wireless access point installed in this room.</p> <p>Room G51 – laptops had issues when connecting to wireless. Access point had frozen up. A hard reset resolved this and improvements noted.</p>
<p>Support worker unhappy with the way she was spoken to and that when they asked where the cash machine was the staff member only pointed her in the general direction.</p>	<p>Staff induction for catering staff now includes information on the location of available services.</p>
<p>Student unhappy they were not advised College would be closed for Graduation until 2 days before and missed out on a shift at work.</p>	<p>Process updated so that in future, an email will be sent to all students to advise of the campus closures for graduation.</p>
<p>Student unhappy bursary payment placed on hold due to an unauthorised absence but they were on placement that day.</p>	<p>Curriculum Admin were unable to get a hold of the salon owner. Process updated so that calls will now be made by another Curriculum Admin on a Friday and the register updated the following Monday.</p>
<p>Student unhappy they are not allowed to eat hot food in LRC but allowed to eat cold food, which can also smell.</p>	<p>Policy updated to reflect that no food or drink to be consumed in the LRC, following discussions with the Student Association. This will avoid any ambiguity.</p>
<p>Parents of a student unhappy student's withdrawal date processed as the last date of attendance at College and the medical certificate and self-certificate have not been taken into account.</p>	<p>SAAS guidance allows Colleges to make a decision on whether to process the withdrawal date later e.g. to allow for a medical certificate. Process for withdrawals reviewed when medical certificate and/or self certificate received.</p>
<p>Student unhappy with the way an assessment is carried out and having to do this outwith College hours is unfair.</p>	<p>Candidates applying for the HND course will be made explicitly aware that evening work is expected as part of the course. This will be communicated at induction sessions as not all candidates are interviewed.</p> <p>The assessment requirements, specifically evening work expectations, will be explained to students at the start of the unit.</p>

Service Improvements

Annual Complaints Report - 2018/2019

Issue	Actions
Student representative unhappy with the way the student was treated by another student and that no action was taken when this issue was raised. A meeting was arranged for the student with the class, with support from Student Services, but this did not take place.	Process reviewed when a Student Services Adviser is absent so that support in meetings/discussions is provided by another member of the team.
Parent unhappy the student was sent home from College suspected of being under the influence.	<p>Staff to complete a student incident report for all these types of incident.</p> <p>Process being reviewed for the safety of a student if they are sent home suspected of being under the influence of drugs or alcohol.</p>
Applicant unhappy they were told to apply for the course when applications opened and they wouldn't need to attend an interview. However, when they tried to apply the course was already full.	The possibility of a system to record potential applicants who have declared an interest in a programme is being investigated so applicants can be contacted when the applications are open.
Student unhappy vaping is not allowed on College grounds and is treated the same way as smoking.	Smoke Free Campus procedure to be reviewed.
Students unhappy with the teaching methods and lack of support from a member of staff.	<p>Regular standardisation meetings to take place with the two lecturers teaching on the course.</p> <p>All practical sessions on the course will be supervised by lecturers.</p> <p>Remove the use of the terms 'primary lecturer' and 'secondary lecturer' by staff.</p>
Parent of a student unhappy that a hygiene room was not installed in the Riverside building and that only one hygiene room is available in the Dam Park building.	Decision not to install a hygiene room in the Riverside building is being reviewed.
Member of local church unhappy staff and students are smoking in the church grounds and dropping their cigarette ends.	Email communication issued to all staff and students of that campus asking them to refrain from smoking in the grounds or entrance of the church.
Student was assigned to the wrong framework on OneFile for the SVQ element of their course.	Process for assigning students to a framework has been reviewed.
Parent of a student unhappy that the student cannot get a disabled parking space despite having a blue badge, as cars without disabled badges are parked in these spaces.	Estates staff are now patrolling the car parks in the morning.

Service Improvements

Annual Complaints Report - 2018/2019

Issue	Actions
Local resident in Content Avenue, Ayr, unhappy a barrier has been erected preventing residents from gaining access to the street.	The barrier was to prevent students parking at the back of the College, however this should have been manned. Barrier will only be put in place where this can be manned by a member of staff to allow residents access to Content Avenue.
Students unhappy assessment procedure has been changed meaning some assessments already complete on paper needed to be redone online.	Contact made with SQA and agreement reached that assessments already completed on paper could be accepted but future assessments to be done online.
Lifts in the Riverside building in Ayr kept dropping when the student was in them, hurting their already injured back.	Lift engineers called the next day and again two days later and reported the lifts are in working order, however they will continue to monitor them.
Students were unhappy with the teaching methods and conduct of a member of staff.	Lecturer will not teach this subject in 2019/2020 academic year and will reflect on their teaching practice. Lecturer to ask students for feedback fortnightly initially, moving to monthly. Lecturer to conduct a peer review, shadow another lecturer and be shadowed by another lecturer. Lecturer to use a variety of teaching styles and mix this up. Teaching notes/slides to be reviewed and updated.
Student unhappy class was not covered when lecturer absent. LAN school not working for 12 weeks and problems with IT.	Feedback given to lecturers of other systems that can be used when issues with LAN school. Investigate the issue of not being able to increase the screen size when using LAN school. Process for notifying students of staff absence reviewed. Communication with staff about paperless environment and the requirement for handouts if this is affecting the student experience.
Lecturer failed to provide lecture notes in advance of the class and feedback not provided in a timely manner.	Review of the learning and teaching methods of the course to be undertaken with particular emphasis on arrangements to meet individual support needs.
Students unhappy with the way they were treated by a member of staff and that the member of staff was behaving differently towards them.	Staff member to arrange to use some reflection tools. Student Association to ensure meetings with students are arranged outwith class time or receive the lecturer's permission to remove students from class.
Parent of a student unhappy student was injured in the gym.	Danger zone in the gym made more visible to prevent students going into this area when weights are being used. Matting has been extended.

Service Improvements

Annual Complaints Report - 2018/2019

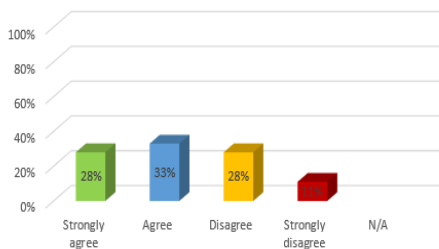
Issue	Actions
Student had an issue with another student in the class and didn't feel this was dealt with properly by the Curriculum Manager.	Feedback to staff about the need for concise notes to be recorded whether formal or informal process used.
Student unhappy the College website for the course they studied was misleading about progression to University.	Wording on the website and career book updated to be clearer in that a place at University is not automatic. Wording on all other courses on the College website and career book reviewed to ensure clear information, that is not misleading, is provided.

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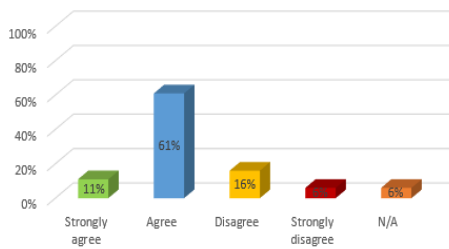
Customer Satisfaction

A total of 106 surveys have been sent, with 18 responses received, this equates to a 17% response rate. The results from the responses received are shown in the charts below.

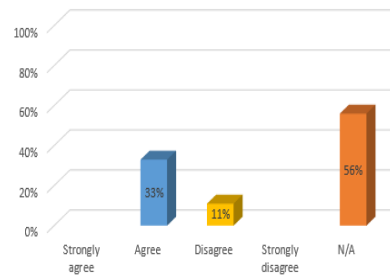
Q2 - I was aware of the complaints procedure before I needed to make a complaint



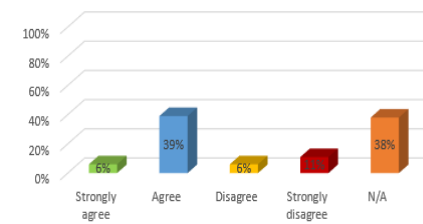
Q3 - I found the complaints process easy to access



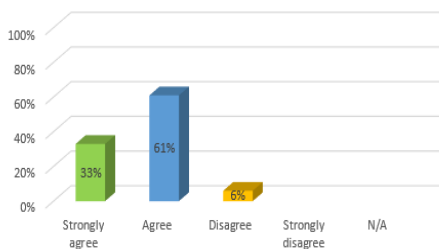
Q4 - I found the complaints form easy to use



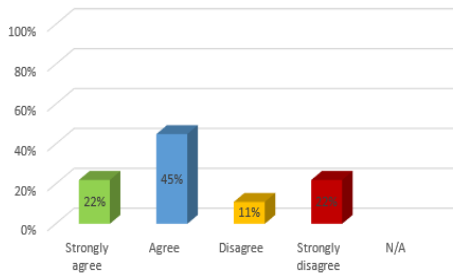
Q5 - I was able to access information and assistance in making my complaint where this was required



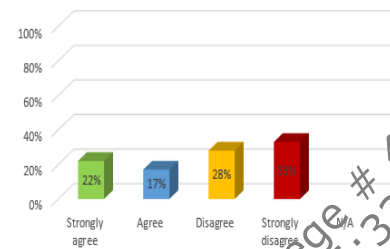
Q6 - I received a prompt acknowledgment of my complaint



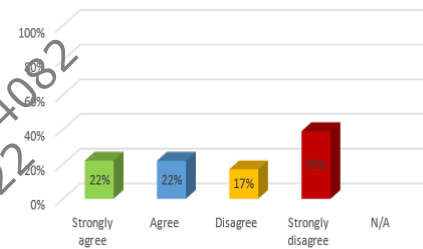
Q7 - I felt my complaint was taken seriously



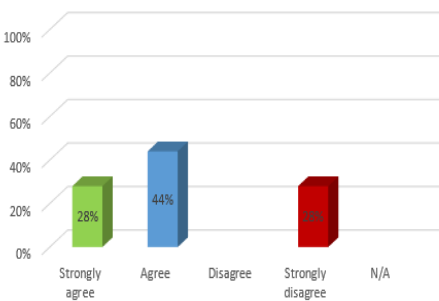
Q8 - I felt my complaint was thoroughly investigated



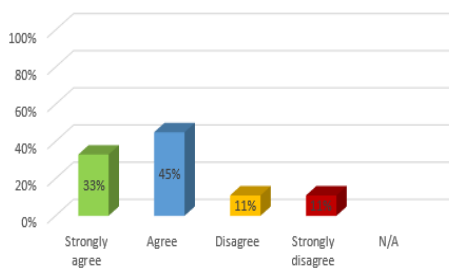
Q9 - I received a fair and objective response to my complaint



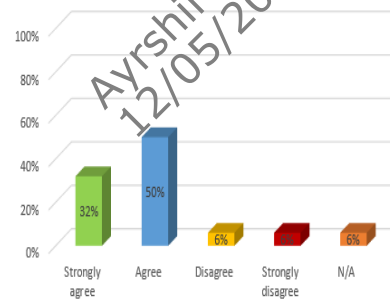
Q10 - I received a clear response to my complaint



Q11 - I received a response to my complaint within an appropriate timescale



Q12 - I was dealt with courteously at all times



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Customer Satisfaction

Annual Complaints Report - 2018/2019

The comments below is feedback received through the complaints customer satisfaction survey.

'... was great and dealt with the complaint acknowledgement however the response and actions promised/agreed did not leave me without doubt or fill me with confidence. I do not feel Ayrshire college is fulfilling its obligation to the community or its students. Nothing about the complaint is personal, the response left very little for them to be responsible for as they were non committal answers "we will speak with factors and see what we can do" "we leave it up to students but we ask them not to do it".

'... was a big help.'

'...who dealt with my complaint was very professional polite and helpful.'

'It was dealt with.'

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'It is annoying that the College refuses to take responsibility for how its students and staff behave off-campus. They need to realise that they are upsetting local residents. A positive attitude to resolving the litter and parking problems would help. Why not clean the Civic Theatre Green and Content Avenue every evening if staff and students are not going to be disciplined over their behaviour.'

Appendix

The tables below show the College Development Network categories and sub-categories, which we have adopted.

1.0	CUSTOMER CARE	
	Sub-Category	Examples
1.1	Health & Safety	<ul style="list-style-type: none"> Alleged misuse of disability car parking spaces Subject to passive smoking in no smoking area Tripping hazards in workshop
1.2	Security	<ul style="list-style-type: none"> Theft of personal property Padlock on bicycle locker cut by Estates staff
1.3	Diversity & Equality <i>(Protected Characteristics)</i>	<ul style="list-style-type: none"> Failure to make reasonable adjustments under the terms of Equality Act Visitor complains of poor accessibility to toilets and lifts Student not allowed to progress on course due to additional support not being available to support disability Textbook contains racist material
1.4	Data Protection	<ul style="list-style-type: none"> E-mail address divulged to other people Staff shared student personal data with others during classroom discussion
1.5	Environmental	<ul style="list-style-type: none"> Housing Association complains of students littering outside tenants' properties Neighbour complains of noise from construction work at College Residents complain that students and staff used private car-parking spaces
1.6	Staff Conduct	<ul style="list-style-type: none"> Poor customer service Failure to respond to requests by e-mail/phone etc. Requests handled impolitely, discourteously
1.7	Student Conduct	<ul style="list-style-type: none"> Student complains that disciplinary procedure was applied unfairly Students damage neighbouring properties

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Appendix cont...

2.0 APPLICATIONS, ADMISSIONS, PROGRESSION		
	Sub-Category	Examples
2.1	Marketing	<ul style="list-style-type: none"> • Unable to find evening class information on College website • Misleading information in College prospectus
2.2	Application, Admission, Interview, Enrolment, Induction	<ul style="list-style-type: none"> • No acknowledgement of application • Criteria for rejecting application was unfair • Placed on waiting list despite applying quickly • No information on College website to inform applicant course was already full and only found out weeks later • Applicant travelled long distance for interview only to be told they didn't have the necessary entry requirements • Applicant invited to wrong campus for interview
2.3	Progression, Articulation & Withdrawal	<ul style="list-style-type: none"> • Student unhappy that they were not allowed to progress to next level having successfully achieved the previous level • Student complains withdrawal process was not followed • University not supplied with student reference as requested

3.0 COURSE RELATED		
	Sub-Category	Examples
3.1	Learning & Teaching	<ul style="list-style-type: none"> • Quality of teaching not to the standard expected • Teaching from powerpoint for 3 hours without a break • Lecturer unapproachable when requiring support
3.2	Environment/Resources	<ul style="list-style-type: none"> • Classrooms/desks not fit for purpose • Wifi unreliable • Broken smartboard • Workshops too cold • Not enough computers for size of class
3.3	Course Management	<ul style="list-style-type: none"> • Class cancelled at short notice • No contingency for staff absence • Lecturer arrives late/finishes class early
3.4	Facilitated Learning Support	<ul style="list-style-type: none"> • Guidance class not held • Staff do not provide printed materials in format stipulated in PLSP • Staff unaware of changes to PLSP
3.5	Assessment & Exams, Certification	<ul style="list-style-type: none"> • Assessments crammed into end of block • Student not provided with opportunity for re-sit • Delay in providing results/certificates • Not receiving certificate due to College failing to attach student to group award • Noise disruption during exam

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Appendix cont...

4.0 SERVICES		
	Sub-Category	Examples
4.1	Finance	<ul style="list-style-type: none"> Former student unhappy to be threatened with legal proceedings for unpaid fees Student unhappy not to have course fees refunded after withdrawing from course
4.2	Funding/Bursary	<ul style="list-style-type: none"> Delay in processing bursary application Application for hardship fund handled unfairly
4.3	Student Records	<ul style="list-style-type: none"> Student personnel data is incorrect/not updated
4.4	Provided Learning Support	<ul style="list-style-type: none"> Delay in arranging DSA assessment Student unhappy that they could not have the same support worker for every class Student unhappy that additional support requirements have not been put in place
4.5	Library/Learning Technology	<ul style="list-style-type: none"> Student complained that library overdue book notification system was unfair Lack of support provided by the College with regards to provision of IT on evening class Library opening hours
4.6	College Services – Quality etc	<ul style="list-style-type: none"> Delay in handling complaint

5.0 FACILITIES		
	Sub-Category	Examples
5.1	Catering	<ul style="list-style-type: none"> Coffee shop frequently runs out of soya milk Choice on offer
5.2	Student Accommodation	<ul style="list-style-type: none"> Poor wifi service Cleanliness of accommodation
5.3	Maintenance, Lifts, Car Parking	<ul style="list-style-type: none"> Lifts out of order College does not provide sufficient car parking space College signage is misleading

6.0 OTHERS		
	Sub-Category	Examples
6.1		<ul style="list-style-type: none"> No College wide 2 minute silence on Remembrance Day

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Submission to the
Scottish Government's Spending Review 2020/21

4 October 2019



1. Summary

This is the submission from Colleges Scotland, the representative organisation and Employers' Association for the college sector, to the Scottish Government's Spending Review process for 2020/21 – 2022/23.

This submission proposes a level of revenue and capital investment in the college sector for the three years 2020/21, 2021/22 and 2022/23, alongside the appropriate evidence base, in order to ensure the delivery of its core functions in support of learners, and to continue to develop a transformational agenda providing innovative solutions in our tertiary education landscape, including an appropriate response to challenges such as emerging technologies, digitisation and automation. This submission also delivers on the Scottish Government's Programme for Government – Protecting Scotland's Future, and the recently published Future Skills Action Plan.

In autumn 2019, Colleges Scotland will be publishing a report on the community and societal impact and benefits delivered by the college sector in Scotland, to demonstrate what is being achieved. This report will not only consider the educational outputs, but cover the positive impacts that colleges make to improving National Performance Framework outcomes and other policy areas through greater collaboration across portfolios and public bodies, e.g. reduction of child poverty, improvements in wellbeing and the beneficial impact on areas such as justice, social security and public health.

Additionally, in autumn 2020, in time for the 2021/22 Draft Budget, Colleges Scotland will be producing a more detailed piece of work demonstrating the value add from colleges to Scotland's economic and social wellbeing.

Derek MacKay MSP, Cabinet Secretary for Finance, Economy and Fair Work, has also commissioned a report on the economic impact of colleges from key individuals within the college sector, due to be completed in autumn 2019.

The level of funding requested in this submission will enable Scotland's colleges to help deliver the core purpose set out in the Ministerial Letters of Guidance and the National Performance Framework around creating a more successful country with opportunities for all, and in particular the vital contribution colleges make to retraining and upskilling the workforce. Specifically, the funding will allow the colleges sector to:

- Support a successful Scottish economy today and in the future, through the vital contribution that colleges make to sustainable and inclusive economic growth.
- Be at the heart of Scotland's communities, enabling the development of places which are inclusive, resilient, and with a sense of community wellbeing.
- Through increased agility in upskilling and re-training, deliver and support innovative businesses by contributing to a fair and equitable working society, assisting the tackling of poverty by sharing opportunities and success more equally, and addressing climate change, through maximising the impact of the Climate Emergency Skills Action Plan and the partnerships around innovating for Net Zero.
- Deliver for people: students, staff and partners, to enable all to realise their full potential by providing the opportunity for all citizens, wherever they are in Scotland, to contribute positively to society, to improve the life chances of those in poverty of all ages, and by increasing wellbeing amongst the nearly quarter of a million learners in colleges. For example in 2017/18, 31% (24,013) of college learners were from Scotland's lowest socio-economic background, with 40% of learners from this socio-economic background progressing to university through college. Colleges will also fully contribute to the work of the Adult Learning Strategic Forum for Scotland and continue to increase the delivery of high level skills and opportunities for work based learning.

Scotland's colleges are key to delivering the *Programme for Government's* ambition to shape the kind of Scotland we all seek – an inclusive, fair, prosperous, innovative country, ready and willing to embrace the future. The right investment in the college sector is vital to achieving this shared vision, especially at this time currently in which the college sector is facing a tight financial environment and certain colleges have particular financial challenges, as outlined in the Auditor General for Scotland's report¹ *Scotland's Colleges 2019*. The Auditor General also highlighted the growing gap between colleges' income and expenditure and that the increase in Scottish Government funding for 2019/20 which, whilst welcome, only covered the additional costs of harmonising pay and conditions across the sector. The report also sets out that the current Scottish Government capital funding falls short of the estimated costs of maintaining the college estate.

The college sector will continue to engage constructively with Scottish Government and the SFC to work towards ensuring sustainability for college funding. Whilst colleges are delivering efficiencies, Colleges Scotland has an expectation that the appropriate Barnett Consequential from increased spending on the colleges in England by the UK Government, will be focussed towards the college sector in Scotland, and be used to contribute to the move towards a financially sustainable sector.

The current uncertainties surrounding the UK's exit from the European Union (EU), and the scale of any economic shock as a result, make this a particular challenging time for financial planning. The college sector is ready to continue to work with the Scottish Government and the Scottish Funding Council (SFC), and to be adaptive to assist in dealing with the economic shock and the mitigating actions required.

All of the uncertainties set out above, including the tight fiscal environment that currently faces Scotland's public sector, leads Colleges Scotland to conclude there is a need for a fundamental review of the current funding model and measurement of activity for colleges. This review is required to ensure that the resource for the college sector is positioned and structured to support deliver of the policy priorities of the Scottish Government. Colleges Scotland would be pleased to engage in preparatory discussions, including appropriate remit and timescales, at this stage around such a review.

The table below sets out our request for additional revenue funding over and above the baseline for the college sector. It should be noted that this table assumes the baselining of previously received funding, for example, for National Bargaining / harmonisation (including all elements for backdating Job Evaluation to September 2018). The request around Flexible Workforce Development Fund is based on the assumption that the level of funding of £20m for 2020/21, as set out the Future Skills Action Plan, continues to be delivered solely through the college sector.

Investment Requirements for Academic Year	2020/21 £m	2021/22 £m	2022/23 £m
Revenue Funding			
Additional funding to maintain revenue in real terms (adjusting for inflation – see Note 1)	11.2	12.0	12.3
Flexible Workforce Development Fund (FWDF) – see Note 2	0.0	10.0	20.0
Scottish Teachers' Pension Scheme (STPS)	11.0	11.0	11.0
Sanitary Products	1.7	1.7	1.7
Change Fund	5.5	5.5	5.5
Total Additional Revenue Request	29.4	40.2	50.5

Note 1: Inflation adjustment based on GDP quarterly deflator data produced by HM Treasury (March 2019) published 2 April 2019.

Note 2: The figures in the table for FWDF represent the additional amount over and above the funding level of £20m per year, as set out in the Future Skills Action Plan.

¹ Audit Scotland, Scotland's Colleges 2019 <https://www.audit-scotland.gov.uk/report/scotlands-colleges-2019>

The table below sets out our total request for capital funding for the college sector (except for NPD payments or capital funding related to Forth Valley College).

Capital Investment Requirements for Financial Year (FY)	2020/21 £m	2021/22 £m	2022/23 £m
Estates Funding			
Backlog capital maintenance – see Note 3	46.0	106.0	106.0
Lifecycle maintenance	22.0	22.0	22.0
Digital Funding			
Lifecycle replacement	25.0	25.0	25.0
Total Capital Request	93.0	153.0	153.0

Note 3: There would be a reduction in the level of this ask if the funding for the capital projects set out in this Spending Review submission is provided.

In addition, resources need to be identified for the following:

- Five major campus refurbishment / replacement projects, with typical values of between **£70m** and **£100m** each.
- Major capital projects required in the college sector as a result of strategic issues and curriculum change.
- Investment in developing and extending ICT and digital technologies in the sector.

2. Background

Scotland's colleges now operate within a national network that enables regional influence and capacity. This allows the college sector to significantly contribute to the delivery of sustainable, high quality vocational, technical and professional education, benefitting learners, impacting on communities, and supporting economic growth.

Vision – College Sector

A dynamic, collaborative, and innovative sector delivering high-quality lifelong learning, widening access to education, and promoting social inclusion that enables people to thrive in life, in their communities, and in work.

This Spending Review comes at a challenging time for the college sector and its partners as we face significant reduction in public sector resources, coupled with ongoing uncertainty about the United Kingdom's departure from the EU and the consequences for colleges. Through the European Social Fund programmes, between 2016/17 and 2018/19, it is estimated that Scotland benefited in investment of approximately £66m (including match funding).

Reduction in EU funding will cause a reduction in teaching activity within the college sector and adversely impact on funding for learners, including some of the most vulnerable students and those furthest from the workforce which will affect progress on widening access. In addition, currently the Foundation Apprenticeship and Graduate Apprenticeship programmes are funded from EU schemes. As discussions are held with regard post Brexit funding for all these areas, Colleges Scotland ask is to ensure there is resource to support the learners' funding and to provide this directly through the college sector budget. Colleges also deliver significant levels of higher education and a continuation of payment of tuition fees also needs to be addressed.

At the same time as the challenges around Brexit and the underlying demographic trends, a continuing move towards greater automation in a range of lower skilled areas of the economy, pose significant challenges for the college sector in Scotland.

Colleges Scotland is mindful of the starting point for funding the different sectors within the educational landscape. The teaching allocation per college learner is approximately half of that received by universities, and the lowest across the whole of education provision (pre-school, primary, secondary and universities).² This demonstrates the high level of efficiency colleges have already achieved but which is difficult to sustain as confirmed by Audit Scotland.

Despite these challenges we know the college sector will deliver high-quality lifelong learning and skills training that enables people to thrive in life, in their communities, and in work. Continuous learning lies at the heart of a successful economy in the context of the Fourth Industrial Revolution. A recent report by Fraser of Allander Institute highlighted the critical supporting role that colleges will play in providing an appropriately skilled workforce, to allow Scotland to fulfil its global potential by 2050³. Colleges support people of all ages to obtain technical, professional and vocational education and skills to reach their potential and progress into further study, training or employment.

Colleges are located across Scotland, engaging with all local communities. They contribute hugely to Scotland as a nation and are delivering equality of access to the skills and knowledge which are vital for successful careers, whilst also supporting a positive culture within our communities. They are ideally placed to train and develop the current and future workforce and essential to help move away from a reliance on recruiting people from the rest of the EU.

3. Economic and Social Impact of Scotland's Colleges

Scotland's colleges create economic value in many ways. They put learners on the path to success and help them to increase their individual potential and employability, leading to the offsetting of other public-sector spending, e.g. justice, social security, and public health. Equally important, colleges provide employers with the skilled workforce necessary to make their businesses more productive.

The college sector spend along with that of its staff and students, supports the economy and contributes to increased tax receipts and decreased public sector costs.

The Scottish economy (as measured by GDP) will be better off by over £20 billion in present value term (i.e. with future benefits discounted) over the long-term.

This corresponds to around an additional £55k boost to productivity for the Scottish economy per college graduate.

The investment is estimated to support nearly 14,000 Full Time Equivalent (FTE) jobs in present value terms.

Source: Ross, A., Murray, A., Roy, G., Black, J., McGregor, P., & Malloy, E. (2017). *The Value of College Graduates to the Scottish Economy*.

4. Delivery by the College Sector

Scotland's colleges will, with the investment and innovative changes set out in this submission, be able to achieve the ambitious vision to deliver an education system that ensures all learners reach their potential and contribute to the economy, by producing a highly skilled workforce through retraining and upskilling to ensure inclusive economic growth.

Scotland's colleges provide a national network with a regional focus which has demonstrated its ability to respond quickly and effectively to Scottish Government policy direction as identified in the

² Parliamentary answer by John Swinney MSP to question S5W-22664 (1 May 2019)

³ Fraser of Allander, Scotland in 2050: Realising our Global Potential – Final Report, March 2019

<https://250.shepwedd.com/scotland-2050>

government policy paper *Scotland's Colleges: Delivering for All*. No other sector has the ability to reach the businesses, communities, and individuals who are at the heart of the Scottish Government's change agenda. The investment requests identified by the sector are essential to ensuring the delivery of the strategic aims of the Scottish Government.

This Spending Review submission has been developed on the assumption of delivering the Scottish Government target of 116k FTEs, however in light of the aspirations of Scottish Government to see an increase in part-time learners and to support training and upskilling of those in-work, the current methodology to measure and fund activity in colleges is not appropriate. Colleges Scotland and the college sector is keen to work with the Scottish Government and the SFC to identify a methodology that is more likely to achieve the aspirations.

5. Sustainable and Evidence Based Investment

Even with the current funding levels for colleges outlined above, and the funding challenges faced by colleges as highlighted by Audit Scotland in the *Scotland's Colleges 2019* report⁴, colleges have continued to deliver efficiencies. These efficiencies have included the absorption of pay awards, additional pension costs and the introduction of the Apprenticeship Levy. In light of all of these, Colleges Scotland is of the view that the revenue and capital funding requests, as set out in this submission, are both reasonable and required.

Revenue Funding

Protection of Core Functions

Provision of a sustainable level of revenue funding is required to protect the core functions of the college sector, essential to delivering the Scottish Government's priorities including the *Programme for Government* and the *National Performance Framework*. In particular:

- Progress the Scottish Government's policy objectives and deliver the quality and volume of activity targets.
- Ensure colleges contribute to inclusive economic growth – at both a regional and national level – leading to increased prosperity with greater equality, the creation of opportunities for all, and the fair distribution of benefits from increased prosperity.
- Retraining and upskilling of the workforce to deliver increased productivity will require a greater focus on part-time learning. This will require more flexible approaches, models of delivery such as modularisation and curriculum choices, as well as carrying a need for greater resources in order to achieve the delivery targets set by the Scottish Government and the Enterprise and Skills Strategic Board.
- Participate fully in the Adult Learning Strategic Forum for Scotland.
- A key role for the college sector, in the communities they serve, is to support the development of the skilled workforce, required by employers, in order to allow them to contribute to sustainable economic growth.
- Take action to deal with the Climate Emergency, through contributing to the development and delivery of the Climate Emergency Skills Action Plan and the new partnerships with colleges through innovating for Net Zero.
- Delivery of learners to pursue a career in cyber security.
- Take action to contribute to an acceleration of the implementation of the Learner Journey Review.
- Delivery of the skills alignment agenda of the Enterprise and Skills Strategic Board.
- Take action on gender equality, both on college boards and on courses.
- Improved retention and attainment rate of learners.
- Delivery of training for Early Years and Childcare professionals in support of key Scottish Government policy driver.

⁴ Audit Scotland, *Scotland's Colleges 2019* <https://www.audit-scotland.gov.uk/report/scotlands-colleges-2019>

- Provider of retraining and upskilling to allow all learners to contribute to inclusive economic growth.
- Ensure continued delivery of Foundation Apprenticeships and Graduate Apprenticeships in the post-Brexit landscape.
- Provide the necessary pastoral support to students, including preventative mental health services and in-college student support services, which are fundamental to improved retention and attainment rates as colleges continue to deliver on widening access.
- Provide the appropriate support for young and adult carers.
- Recognition and positive support of veteran's education.

Funding for National Bargaining

The college sector will continue to support the significant changes to pay and conditions resulting from the fulfilment of the Scottish Government's policy to implement National Bargaining in the college sector.

The conclusion of pay harmonisation for lecturers and job evaluation for support staff has increased the sector base salary position and this recurring cost is now required in each year, which has been verified by the SFC as **£48.9m** for 2020/21. It is clear that funding will require to be maintained year on year to cover the cost of implementing this Scottish Government policy. The college sector is now at a critical point, as highlighted by the Auditor General for Scotland's report *Scotland's Colleges 2019*, and further additional cost pressures, such as National Bargaining, makes it clear that without provision of this resource year on year, the ongoing costs are not affordable for the sector.

Our assumptions are that:

- The resource of **£48.9m** will be baselined into the budget for the college sector going forward.
- The resource awaiting distribution on conclusion of pay outcomes of Job Evaluation is still available to the college sector.

The £48.9m includes an estimated 6% increase to support staff salary costs as a result of implementing the outcomes of job evaluation (which will be backdated to September 2018). It must be emphasised that the total cost to the sector following this exercise is still not known at this time. Support staff trade unions appear to be pursuing a request for upwards harmonisation, similar to that negotiated for lecturers. It is important to note that the funding provision requested does not meet this aspiration. As an indicator, a similar increase to support staff pay levels aligned to Lecturing pay outcomes has been estimated to cost (based on prudent assumptions) an approximately additional £6m per annum over and above the £48.9m per annum figure.

Changes to Funding

In addition to the above challenges, the current plan to absorb National Bargaining funding into the existing funding methodology by reallocating the quantum of funding away from specific point of need to a set percentage across the college sector, presents real risks of further destabilising colleges who would not receive enough resource to cover the additional costs, especially if the financial environment continues to be so tight as highlighted by the Auditor General for Scotland. Recent projections from SFC show that some colleges could lose up to 4% of their core funding. There could also be regional circumstances which increase the challenge of the change to the funding, for example, Distant Islands Allowance.

Flexible Workforce Development Fund (FWDF)

Colleges welcome the opportunity to progress the implementation of the FWDF which has provided a resource up until now of £10m to the sector to help increase Scotland's productivity through upskilling the existing workforce. The college sector has demonstrated successful delivery of the fund since its launch, meeting employers training needs and establishing relationships with many new businesses.

Employer feedback has demonstrated that the work colleges have undertaken with levy-paying organisations has positively contributed towards the achievement of significant economic impact and increased productivity as a result of training to support public, private and third sector organisations, supported through the FWDF.

Colleges Scotland is committed to maximising the benefit of the FWDF, with the current model shown to deliver on this government priority. The request around FWDF is based on the assumption that the level of funding of £20m for 2020/21, as set out the Future Skills Action Plan, continues to be delivered solely through the college sector, and that the FWDF will continue to be available in 2021/22 and beyond. Our request is for the provision of the **£20m** resource in 2020/21, increasing to **£30m** in 2021/22 and **£40m** in 2022/23 (i.e. an additional **£10m** in 2021/22 and **£20m** in 2022/23 over the baselined amount).

Flexible Workforce Development Fund (FWDF) – Case Studies

Borders College

Staff at the Scottish Public Pensions Agency (SPPS) in Tweedbank recently completed WorldHost (the principles of customer service) training delivered by Borders College through the FWDF. This has given their staff the skills and knowledge necessary to deliver excellent customer service at the agency.

Forth Valley College

The FWDF has enabled Tillicoultry Quarries to train more than 100 of their staff. The family owned firm which has 11 sites across Central Scotland specialising in hard rock and sand quarries, recycling and asphalt and concrete plants, is building a strong relationship with Forth Valley College, which is delivering training at their sites in IOSH – Managing Safely and Manual Handling.

Scottish Teachers' Pension Scheme (STPS)

The Scottish Public Pensions Agency (SPPS) previously advised that there will be a significant increase in employer contribution rates from September 2019. This was as a result of:

- HM Treasury seeking to reduce the Discount Rate further from 2.8% to 2.4% from April 2019.
- Following a Court of Appeal decision on Thursday 20 December 2018, an amount equivalent to the corrective measures that would have been implemented as a result of a breach of the cost cap floor, following the 2016 valuation of the STPS.

The combined impact of these scenarios is an increase in the employer contribution rate to 23% of pensionable pay from September 2019. For 2020/21, this is an increase in employer costs to the college sector in Scotland of approximately **£11m** per annum. For the purposes of this Spending Review submission we have maintained the ask at this level over the three-year period.

Colleges Scotland was pleased to see the announcement of the provision of additional funding for the period up to end March 2020, and this ask relates to the continuation of this additional funding for the Spending Review period.

Sanitary Products

Colleges Scotland is pleased that the Scottish Government has confirmed that funding of **£1.7m** to support the provision of free sanitary products will be in place for 2019/20, which is allocated on a financial year basis.

This ask is based on the assumption that the Scottish Government will continue to support this policy area and therefore will provide the required ongoing resource. Colleges Scotland's request therefore relates to the continuation of this additional funding for the Spending Review period, whilst acknowledging the requirement to provide resource to cover the costs for the remainder of the Academic Year 2019/20.

Change Fund

The Auditor General for Scotland has made it clear in the *Scotland's College 2019* report that the college sector is now operating with extremely tight margins, which combined with the sector's inability to hold reserves or borrow, leaves a reliance on public funding.

In order to provide the capacity and support the innovation necessary to ensure that the college sector is strongly placed to take forward key areas such as upskilling and re-training, adapting to the changes in demography with a focus on adult learners, ensuring an even stronger employer engagement, achieve the ambitions of the Enterprise and Skills Strategic Board, and contribute to inclusive economic growth and increased productivity, Colleges Scotland is making a request for a Change Fund.

The purpose of the Change Fund is two-fold:

- To take forward existing initiatives.
- To development new diversification initiatives and to broaden our sources of income, including exploring potential options through pilot studies.

In line with the college sector's strategic vision, high-level strategic goals will be developed in partnership with relevant stakeholders, which the Change Fund can resource. This approach will ensure delivery of improvement projects at a college level that are responsive to regional needs, but which will also contribute to national goals.

Take Forward Existing Initiatives

Innovation

The College Innovation Fund in 2018/19 was used to support projects which demonstrated effective college and business collaboration in support of Scottish Government strategy. For example, the FUTUREquipped project was a collaborative, cross sectoral, college and Innovation Centres pilot that involved Construction Scotland Innovation Centre, Digital Health Institute, Innovation Centre for Sensor and Imaging Systems, and The Data Lab. Several colleges also utilised the opportunities through use of Innovation Vouchers, whilst each college received resource from the College Innovation Accelerator Fund.

The college sector has also been named as partners in regard to Innovation Centres during the review of the relevant Outcome Agreements by the SFC.

Colleges are in a strong position to assist businesses to drive up productivity and their contribution to the Scottish economy through process and design innovation, and through enabling leadership and management practice improvements. The college sector has significant reach into the Small and Medium Enterprises that are the backbone of the Scottish economy and have traditionally been harder to engage in such activity.

The college sector is also a critical player in provision of the skills required in de-carbonising the economy and assisting in the mitigation of the challenge presented by climate change.

Colleges Scotland is anticipating that funding will continue at the current level, and that going forward adequate funding is available to develop innovative work of the college sector.

Regional Science, Technology, Engineering and Mathematics (STEM) Partnerships

The college sector is fully engaged and looking forward to progressing the role of leading the development of regional STEM partnerships. As the Developing Young Workforce (DYW) reaches the final stages of its seven-year programme, colleges are well placed to take forward what has been embedded in the educational system. STEM will be a key element of moving this forward, and colleges are uniquely positioned to deliver this aspect of the Scottish Government's agenda.

In order to facilitate colleges leading this agenda and ensuring the momentum of what has been achieved through the DYW programme, a need for adequate additional resource has been identified. These resources include staffing to both ensure that the regional activities in relation to STEM can be effectively delivered and underpin strong co-ordination across all partners within the region to allow existing resources to be fully utilised, as well as a national support mechanism.

Colleges have a proven record of supporting both co-development of curriculum and delivery, and City Region and Growth Deals rely on having a sustainable, high quality vocational, technical and professional skilled workforce to support economic growth, as well as partnership working with business and industry. This provides a real opportunity for colleges to integrate within Scotland's City Region Deals on the development of skills to support the aims of city and growth deals.

WorldSkills

Participation in WorldSkills International, EuroSkills, and WorldSkills UK has seen colleges from Scotland ranked regularly in the top 10, achieving the highest international standards in vocational and technical skills competitions. Such success sends a strong message to those international companies considering investment in Scotland. In addition, participation allows for utilisation of the knowledge and learning gained from competition to raise standards in Scotland. There is also the opportunity to leverage the value from the competitions and potential public investment from across different policy areas.

Job Evaluation Process

In order to implement and maintain the process and delivery of a National Job Evaluation exercise for support staff, current calculations suggest that this will result in additional costs not previously identified for 2020/21 that relate to identified staffing, support and software costs to ensure adequate support for the overall project.

There will then be continuing costs in 2021/22 and 2022/23 related to the support of the ongoing process and administration of Job Evaluation.

New Diversification Initiatives

Colleges are looking to capitalise on their regional scale, recognising the importance of the growth in regional economies for the delivery of inclusive economic growth and for dealing with the impact of climate change for Scotland. Colleges can add value not only in the delivery of vocational, technical and professional education and skills, but in the wider range of developments that are required.

The college sector is looking to respond to the challenge to diversify its income streams, as recently discussed with the Minister for Further Education, Higher Education and Science. In order to do this, it has been acknowledged that some investment is required upfront. There are further commercial

opportunities that colleges could utilise and grow, but as a consequence of the increasing tight margins that colleges operate in, as highlighted by the Auditor General for Scotland in the *Scotland's Colleges 2019* report, there is no headroom for colleges to develop many of the opportunities that could be available to the sector. The ability to diversify has been acknowledged as requiring additional investment.

Colleges Scotland is requesting an element of the Change Fund to be used by colleges to access resource to stimulate activity within the college sector that will increase commercial activity and generate additional income to the sector.

A Change Fund would enable colleges to invest in long term skills training programmes which would be of benefit to the wider regional deals, as well as assist in further engagement of international work, whilst having the wider human impact of up-skilling and re-training the workforce and the subsequent economic benefits this would bring. The provision of a Change Fund would enable the college sector to continue to achieve the Scottish Government's ambitions.

Summary of the Change Fund

The Change Fund will allow both the continuation of successful existing initiatives and for colleges to develop new diversification initiatives, that will strengthen the delivery of the skilled workforce in line with Scottish Government priorities, against the backdrop of the tight finances within the college sector.

The total amount of the ask for the Change Fund is **£5.5m** each year of the Spending Review period.

Mental Health

Colleges Scotland is pleased to see the Programme for Government's commitment to provide funding to for 80 additional mental health counsellors across the tertiary education sector. Colleges Scotland welcomes the opportunity to utilise this resource to reduce the variation in provision across the college and university sectors and to allow Scotland to move towards equity of access for learners, no matter where they study, as well as acknowledging the greater differentiation of support required by those studying at colleges.

Building on this commitment, the college sector is seeking to begin to address mental health prevention and to build resilience across the whole community, through a range of provisions that will address learners' needs, beyond the provision of counsellors. This will be achieved through a collaborative approach at a regional level, by a co-ordinated plan to ensure there are sufficient arrangements, strategies and resourced services made available through appropriate partnerships. Colleges Scotland will work with other key stakeholders to identify the additional resources required to continue to strengthen the provision of mental health services over the period of the Spending Review, which will provide preventative measures to complement the additional counsellors. This would include, but is not limited to, the use of, and funding levels related to, the Access and Inclusion Fund.

Student Support

Following the recent independent review and the response of the Scottish Government, Colleges Scotland is pleased with the additional resource focused on specific recommendations from the report. Colleges Scotland looks forward to further engagement with Scottish Government and the SFC to discuss the resourcing implications of other recommendations from the review that the Scottish Government is minded to support.

Ayrshire College # 484082
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Widening Access

The contribution of colleges to the Scottish Government's aspirations around widening access is significant, as highlighted by the Sutton Trust report⁵ that identified that 90% of those learners from the most social deprived background that went to university did so through colleges. Colleges Scotland is keen to explore how more activity can be delivered through the college sector in support of this key policy area.

Infrastructure Investment

The future of college infrastructure must be considered in the context of:

- The current level of capital funding was outlined as 'insufficient to address colleges' maintenance requirements' in the Auditor General for Scotland's report *Scotland's Colleges 2019*.
- The National Infrastructure Mission, set out in the Scottish Government's Programme for Government 2018, to enable maximum benefit to Scotland to be gained from the investment and to ensure that the construction and other skilled workers required to deliver the projects are skilled up and in sufficient numbers through a robust and responsive college sector.
- The Infrastructure Commission for Scotland, by investment in college infrastructure that delivers not only inclusive economic growth but maximises the opportunities for innovation and entrepreneurship in Scotland's businesses, as well as skilling up the workforce required to increase industrial competitiveness and underpin wellbeing in society.
- The Scottish Government's Medium-Term Financial Strategy.
- The college sector's and the nation's digital ambitions.

Our Digital Ambition

New forms of service delivery and new and agile forms of learning enabled by digital integration of learning experiences and the creation of new and diverse skills, must be considered alongside the use of digital technologies as part of the planning of the future estate and to support the development of the college of the future. Future strategies for learning and communities should be incorporated into planned investment. Investment in information and digital technologies will be key to achieving the transformational change to teaching and learning needed in the 21st Century.

There are a number of drivers for colleges in relation to developing their digital ambition, and Colleges Scotland will work with the SFC and other key stakeholders in order to ascertain the ICT requirements of the sector and the related resources in order to inform future capital requests. The level of investment in digital technologies required to respond to Industry 4.0 and to provide unbundled flexible work-based learning to those in employment as envisaged by the Enterprise and Skills Strategic Board is currently beyond the technology across the college sector.

There is a need to consider the future role of the sector and link investment appropriately with the flexibility to prioritise needs at a regional level.

Capital Funding

Major Capital Projects

The condition of the college estate is variable, and whilst there has been significant capital investment in the college sector over the last few years, some college campuses are in a very poor state of repair and require urgent attention. Continued investment in the college estate and Information and Communications Technology (ICT) capital is vital in order to ensure learners have the best possible learning experience; to make sure they are being taught in appropriate and safe

⁵ <https://www.suttontrust.com/research-paper/access-in-scotland-university-participation/>

facilities; to bring equity to the learner experience; and to allow colleges to fully contribute to Scottish Government priorities. This investment also supports innovation, new markets and entrepreneurship through investing in college assets to provide state-of-the-art facilities in order to equip learners with the professional and technical skills to be work-ready.

Colleges Scotland and the SFC are preparing detailed inputs to the work of the Infrastructure Commission for Scotland, which will include analysis of the known priority projects requiring capital investment as a result of poor estate conditions.

At this stage it is possible to provide estimates of the broad amounts of such investments required for the five projects of highest current priority and the typical capital value of these major campus redevelopments / replacements is in the range £70m - £100m each.

Colleges Scotland is also aware that there are major capital projects required in the college sector as a result of strategic issues and curriculum change, and the ask is that these are recognised in addition to the capital need for dealing with the poor estate condition.

Colleges Scotland is working with Scottish Government and the SFC to identify the appropriate funding route, for example, through the proposed Mutual Investment Model, as outlined in the Scottish Government's Medium-Term Financial Strategy.

Backlog Maintenance

The SFC published its *Estate Conditions Survey* in December 2017, which provided evidence for the level of backlog maintenance costs required by the college sector. Colleges Scotland is requesting sufficient funding to meet the college sector's backlog maintenance requirements.

The survey demonstrated that the cost to bring college buildings to Level B conditions (backlog maintenance) would be £360 million over a five-year period. The survey highlighted items from very high to low priority items. The very high priorities were addressed through funding that was received in 2018/19. The survey identified approximately £77 million of high priority items, which should be addressed within the two years 2019/20 and 2020/21. Taking into account the resources provided to date, the balance of the resource required to deal with the high priority items in 2020/21 is around **£46m**.

For 2021/22 and 2022/23, the remaining costs identified in the SFC's *Estate Conditions Survey* need to be resourced in order to complete the identified work within the five-year timespan covered by the survey. The costs, taking into account those backlog maintenance costs offset by actual new capital investment, are approximately £212m. Spread evenly over 2021/22 and 2022/23, this equates to **£106m** each year.

These figures will reduce if there is new investment to replace or completely refurbish buildings which are in the poorest condition. The impact of such reduction will depend on the level of investment and its timing.

Lifecycle Maintenance

Lifecycle costs are required across the college sector estate in order to ensure that assets are adequately maintained and therefore continue to provide a good learning environment and protect the investment made.

The college sector is seeking an adequate and sustainable level of funding for life cycle costs. The SFC undertook work to provide a more robust evidence base for such costs. This work demonstrated that the annual lifecycle resource required was **£22m** for the college sector.

This estimate is to try and ensure that there is no deterioration in the teaching and learning environment in the meantime, and avoid increasing the level of backlog maintenance required.

Digital Resource

Previous capital submissions to the Spending Review have not included the costs associated with ICT required to cover the costs of achieving the digital ambition of the sector. An estimate of the costs of maintaining existing provision can be made from the annual ICT equipment purchase through the APUC call off contract. For the last full year available (2014/15) this amounted to approximately **£25m**, which would represent a recurring annual cost of equipment replacement. This does not recognise the significant additional cost required to meet changing demand on the sector. Through the College Strategic Liaison Group, it has been agreed that during 2020/21 the sector will develop an ICT and Digital Strategy which will be used to inform a comprehensive resource and implementation plan, which will inform the Spending Review submission for 2021/22.

The various elements of infrastructure investment are outlined in the following table:

Financial Year	Backlog Maintenance/£m	Lifecycle Maintenance/£m	Digital/£m	Total (excluding major projects)/£m
2020/21	46.0	22.0	25.0	93.0
2021/22	106.0	22.0	25.0	153.0
2022/23	106.0	22.0	25.0	153.0

In addition, resources need to be identified for the following:

- Around five major campus refurbishment / replacement projects, with typical values of between **£70m** and **£100m** each
- Major capital projects required in the college sector as a result of strategic issues and curriculum change
- Investment in developing and extending ICT and digital technologies in the sector.

6. Summary

The vision of both the college sector and Colleges Scotland supports the Scottish Government's policy intentions in relation to:

- achieving the Scottish Government's target of 116,000 FTEs
- providing a positive learner experience
- seamless learning and skills journeys
- improving attainment
- Developing the Young Workforce
- widening access
- tackling inequalities
- expanding opportunities across all socio-economic groups
- providing equality in education
- enhancing the skills of those in the workforce
- strengthening the economy through improving productivity and innovation
- delivering the STEM agenda
- retraining and upskilling of adult learners.

It is evident from this submission that an investment in the college sector brings positive benefits to inclusive sustainable economic growth, communities and people (students, staff and partners), and allows Scotland's colleges to contribute to Scottish Government strategies and policy direction.

Colleges Scotland
October 2019