

Financial Statements for the Year Ended 31 July 2015

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Operating and Financial Review

Nature, Objectives and Strategies

The members present their report and the audited financial statements for the year ended 31 July 2015.

Legal Status

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

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

The College is registered as a charity with the Inland Revenue (Registered Charity Number - SC021209) and is potentially exempt from corporation tax.

Our Vision for the Future

In June 2007, the Board of Management adopted a 10 year strategy to 2016 and vision for Perth College. This was subsequently updated and is now as follows:

Our Vision is...

To be the college of choice and an inspirational partner in economic and social transformation

Our Mission is...

To change lives through education, providing knowledge and skills to succeed at work, in business and in the community.

Our Values are...

Ambition, Integrity and Respect.

Implementation of Strategic Plan

In June 2014 the College adopted its third strategic plan within the period of the vision with its strategic direction mapped up to 2016. The structure of the plan took a student and stakeholder perspective designed to take the college forward in the future and recognised the contribution of all areas of the College to the 5 underlying aims of:

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- Inspiring and supporting our students to achieve their potential;
- Working in partnership to meet the needs of our local economy and beyond;
- Providing a progressive curriculum which meets economic and social needs and aspirations;
- Developing a successful and sustainable organisation;
- Developing staff to successfully deliver our Vision.

Each underlying aim articulated several supporting aims with specific, aspirational targets to be achieved by July 2016.

The requirements of our Regional Outcome Agreement with SFC and its national performance measures were fully considered when forming our aims, targets and KPI's.

The Board monitors the performance of the College against these targets using a balanced scorecard. The balanced scorecard analyses the measures of the targets (the key performance indicators (KPIs)) into 4 perspectives:

- People;
- Sustainability;
- Core Activity and
- Student Satisfaction.

These perspectives are reviewed by the Board of Management who have also delegated the responsibility for more detailed review of them to the Finance and General Purposes Committee and to the Academic Affairs Committee. The balanced scorecard records and reports past trends and thus includes performance, actual and forecast, over the period from 2011-12 until 2014-15

In June 2015 the Board of Management received the final report on the College's performance for the academic year 2013-14 against the Strategic Plan 2013-2016.

The top achievements were:

- Recruitment targets for both FE and HE students were met and the number of students achieving their qualification has remained at a satisfactory level.
- The number of students on Modern Apprenticeships increased as the take up of apprenticeships rose.
- Student satisfaction ratings continue to be above the baseline set in AY 2011-12.
- The proportion of full time FE students that went on to a positive destination has increased from 83% in 2012-13 to 84% in 2013-14.
- The number of days lost through sickness was an average of 5.71 days which is lower than the national average as was staff turnover at 11.74% compared to a national average of 20.6%.

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Financial Objectives

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

Performance Indicators

The targets set for 2015 in the College Strategic Plan are set in the context of national, regional and local priorities. This integration ensures that we contribute fully to the outcomes of the region as a whole. As explained earlier College performance against these targets is monitored using the balanced scorecard of key performance indicators.

The performance of the College is regularly reviewed by a range of external bodies and agencies. During 2014-15 these reviews have all been complimentary of the services that the College offers to its community and learners and include:

- External verification visits by Awarding Bodies.
- Annual visit by Education Scotland in April 2015.
- Air Service Training receiving the Queens Award for Enterprise.

Financial Position

Financial Results

The Group generated a pre-tax Operating Deficit in the year of £38k (2013-14 deficit of £6,193k) as agreed with the Scottish Funding Council. This amount represents the difference between the amounts paid as student support funds and the applicable funding received from Government. The consolidated historical cost surplus for the year after tax was £240k. During the year the College made no transfer (2013-14 £7,916k) to the Scottish Colleges Foundation, a charity registered in Scotland for the advancement and promotion of further and higher education in Scotland.

The Group has accumulated reserves of £14,967k and cash balances of £1,230k. Since the change in the status of colleges which brings them within the regulations of the National Statistics Office, the College will no longer be allowed to continue to accumulate reserves and cash balances as it previously did as part of its objective to achieve continued financial security.

Total non Scottish Funding Council (SFC) Income as a % of total income for 2014/15 was 44% (2013/14 41%).

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

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The College has a subsidiary company, Air Service Training (Engineering) Limited (AST). The principal activity of AST is the provision of aeronautical engineering courses for both the aviation industry worldwide and individual students. In the current year, AST made an operating loss of £24k after a donation of £242k to the College.

Treasury Policies and Objectives

The College has a separate treasury management policy in place and defines treasury management as the management of the organisation's cash flows, its banking and investment transactions; the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks. The College had short term borrowings at 31 July 2015 of £400k.

Cash Flows

The College maintained a positive cash flow during the year.

Liquidity

During the year the College had long term debt of £1,100k (2013/14 £1,500k) and at the year end the liquidity ratio stands at 0.58:1 (2013/14 0.29:1).

Days ratio of Cash to Total expenditure, at 31 July 2015 was 20 days (2013/14 3 days).

The College's gearing ratio at 31 July 2015 was 0.07:1 (2013/14 0.21:1)

Payment Performance

The College has a policy of paying its suppliers within 30 days of invoice unless other separate terms are in place, and excluding invoices held in dispute. The level of creditors in terms of the year end creditors to the aggregated invoiced amounts during the year was 23 days (2013-14 34 days). No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Current and Future Development and Performance

Student Numbers

In 2014-15 the College has delivered activity that has produced £11,769k in SFC main grant allocation (2013-14 - £11,344k). The College had approximately 3,837 SFC fundable students (expressed as full time equivalents) and 263 non SFC funded students.

Student Achievements

We are extremely proud of our students' achievements. These are wide in range and in level and our formal KPIs for 2014-15 on retention, attainment and

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progression at all levels have reduced very slightly from those of 2013-14, however they remain at a good overall level.

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

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

We exceeded our student recruitment target for 2014-15 at Further Education (FE) and met an ambitious growth target for Higher Education (HE) and our student achievement KPIs have attained a satisfactory level.

Curriculum Developments

The following have been new and successful implementations for 2014-15:

Higher Education

- Introduction of HND Computer Science, allowing a progression route for our HNC cohort.
- Introduction of HND Professional Cookery, allowing a progression route for our HNC cohort.
- Introduction of HND Fitness, Health and Exercise, allowing a progression route for our HNC cohort.
- Introduction of HNC Technical Theatre.
- Introduction of BEng Mechanical Engineering, allowing a progression route for our HND cohort and expanding our degree offering within the engineering area.
- Introduction of Honours year of BA Childhood Practice expanding our degree offering within the early education and childcare area.
- Introduction of BSc(Hons) Air Traffic Management, expanding our degree offering within the engineering area;

Further Education

- Introduction of a new NC level course in the area of horticulture allowing a progression route for our access level cohort.
- Intermediate 2 and Highers were replaced by NAT5's and the new Highers under the Curriculum for Excellence.

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Estates Strategy

During 2014-15 the College Estate was improved by a number of building projects throughout the campus, which encompassed upgrading the teaching facilities and addressing backlog maintenance.

Capital commitments disclosed within the notes to the accounts of £6,597k refers to the construction of the new Academy of Sport and Wellbeing (ASW) building. This is an ambitious project to create new sports facilities and a vibrant addition to the campus providing an academic focus on achieving excellence in the delivery of sport, health and wellbeing courses to degree level. Alongside this academic focus the venue will provide opportunities for students to engage with community groups to provide an inclusive programme of sports and wellbeing initiatives. In particular ASW will concentrate on learning, teaching and professional development of individuals to maximise their potential and provide skilled and talented individuals for the workforce who will bridge the skills gap for these rapidly expanding industries.

Future Developments

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

Future developments within the College estates programme include:

- The building on Campus of an Academy of Sports & Wellbeing with bespoke facilities which will provide an integrated approach to the development and delivery of curriculum, research and wider stakeholder engagement within the areas of sport, health and wellbeing.
- The steady growth in student numbers will require additional accommodation and discussions are ongoing to identify options on campus.

Resources

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

Financial

The College has £23.6 million of net assets after deducting long term liabilities of £1,100k.

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People

The College employs 390 people (expressed as full time equivalents), of whom 171 are teaching staff. Permanent staff turnover for the year to 31 July 2015 expressed as a full time equivalent was 11.7% (15% in 2014). Working days lost through sickness absence expressed as a percentage of lost time against the total available working days was 2.92%, which is below the UK average of 3.3%.

Reputation

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

Principal Risks and Uncertainties

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

The senior management team monitors key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness in operational planning. The senior management team and the Audit Committee also receive regular reports from internal audit and health, safety and environmental monitoring functions which include recommendations for improvement. The internal audit service concentrates on areas of key activities determined by a risk analysis and in accordance with the annual internal audit plan approved and amended by the Audit Committee. The internal auditors have direct access to the Chair of the Audit Committee and issue an annual report with an opinion of the adequacy, reliability and effectiveness of the College's internal control system.

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

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

The Board of Management is of a view that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place throughout the year ended 31 July 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Management and accords with the Turnbull guidance on internal control, as applicable to the further education sector.

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

1 **Government Funding**

The College has considerable reliance on continued Government funding through the SFC and UHI. In 2014-15, 51% of the College's recurrent revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

2 **Unfunded Pension Liabilities**

The financial statements report the provision made for pension costs arising from past early retirements in line with the valuation carried out by an independent firm of actuaries.

3 **Overseas Students**

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

The College has built up a network of overseas agents which is being supplemented by a growing number of partnerships of well-established educational establishments abroad.

We have successfully retained our highly trusted status with the UK Borders Agency.

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

Stakeholder Relationship

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

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

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EQUALITY & DIVERSITY

Equality and Diversity Vision

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

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

Equality Reporting

On 30 April 2013 we published our Equality Report and Mainstreaming Plan 2013-2017 which showed how we were integrating equality into the day-to-day working of the college, having built on good practice from the work already carried out on the previous equalities duties for race, gender and disability and recognising the importance of considering ways to broaden our approach to include the newer protected characteristics.

We continue on our journey of ensuring the student and staff experience at Perth College UHI is excellent. We continue to mainstream equality and diversity into all aspects of our operations and in doing so provide a learning and working environment which is founded on key principles of fairness, opportunities and respect for everyone.

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

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

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

Our Equality Reports are published on our website:

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

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

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

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

Disclosure of Information to Auditors

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

**Approved by order of the member of the Board of Management on
16 December 2015 and signed on its behalf by:**

A handwritten signature in black ink, appearing to read 'Grant Myles', with a long horizontal flourish extending to the right.

**Grant Myles
Chair**

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Professional Advisers

External Auditors:

Wylie & Bisset LLP
Chartered Accountants
168 Bath Street
Glasgow
G2 4TP

Internal Auditors:

Henderson Loggie
Royal Exchange
Panmure Street
Dundee
DD1 1DZ

Bankers:

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

Solicitors:

Thornton Solicitors
17-21 George Street
Perth
PH1 5JY

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Remuneration report

Introduction

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2014-15 Government Financial Reporting Model (FReM) issued by the Scottish Government, which came into force for the period ending 31 March 2015.

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

The report also provides information on the number of College employees (including Senior Management Team members) whose total actual remuneration was £50,000 or more, this information being disclosed in salary bandings of £5,000 above £50,000. The following report has been prepared in accordance with the aforementioned Regulations.

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

Remuneration arrangements

Senior Management Team

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

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

Name	12 months ended 31 July 2015			12 months ended 31 July 2014		
	Salary	Pension Benefit	Total	Salary	Pension Benefit	Total
	£000	£000	£000	£000	£000	£000
M Munckton	112	34	146	103	213	316
P Wilson	76	31	107	68	51	119
S Bald	76	22	98	74	13	87
J Mackenzie	68	18	86	-	-	-

As Perth Colleges financial years for both 13-14 and 14-15 spanned the 12 months from August to July no annual equivalent table has been included.

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The Regulations require information to be published on the total number of College employees (including Senior Management Team members) whose total actual remuneration was £50,000 or more. This information is to be disclosed in salary bandings of £5,000 above £50,000 and is shown in the following table:

Salary Band £000	2014/15 Number of staff
55-60	2
60-65	1
70-75	1
75-80	2
110-115	1

During the year, the College made no payments for compensation on early retirement or for loss of office (2013-14 - £Nil).

During the year, the College made no non-cash benefits available to staff (2013-14 – None).

Median Remuneration:

	2014/15
	£
Median Remuneration	28,674
Mid-Point of Banded Remuneration of Highest Paid Official	112,500

During 2014-15, the mid-point of the banded remuneration of the highest paid official was 3.9 times the median remuneration of the workforce.

Accrued pension benefits

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

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

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

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Contribution rates are set annually for all employees and are based on salary bandings. There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

Senior Management Team Pension

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

Name	Accrued pension at pension age at 31 July 2015	Accrued lump sum at pension age at 31 July 2015	Real increase in pension 1 August 2014 to 31 July 2015	Real increase in lump sum 1 August 2014 to 31 July 2015	CETV at 31 July 2015	CETV at 31 July 2014	Real increase in CETV
	£000	£000	£000	£000	£000	£000	£000
M Munckton	32	97	2	6	732	665	53
P Wilson	16	49	2	5	369	320	40
S Bald	10	7	1	-	120	102	18
J Mackenzie	1	-	1	-	17	-	17

Assumptions and Contextual Information

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

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

- i. 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.

Statement of Corporate Governance and Internal Control

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

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the main principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in September 2012. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the Board of Management, the College complies with all the provisions of the UK Corporate Governance Code in so far as they apply to the Further Education sector, and it has complied throughout the year ended 31 July 2015.

The Board of Management

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

		Date of Appointment	Date of Resignation	Status of Appointment	Committees Served
Penny Brodie	Director of LEAD Scotland	21 September 2004	18 August 2014	Independent Member	Chair: Board; Strategy and Futures; Finance and General Purposes; Nominations; Remuneration
Margaret Munckton	Principal and Chief Executive	1 October 2013		Principal and Chief Executive	Academic Affairs; Strategy & Futures; Finance & General Purposes; Engagement
Ian Mathers	Business Consultant	27 September 2006	31 July 2015	Independent Member	Chair: Finance and General Purposes; AST; Nominations; Remuneration
Alistair Napier	Partner, Commercial Legal Centre	21 September 2005	31 July 2015	Independent Member	Chair: AST; Audit; Nominations; Remuneration
Dolores Garden	International Centre Manager	20 March 2013		Support Staff Member	Engagement
Dr Harold Gillespie	Research & Development Consultant	20 March 2013		Independent member	Academic Affairs; Finance & General Purposes
Norman Wilson	Lecturer	1 April 2005	31 July 2015	Lecturing Staff Member	Strategy and Futures

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Derek Forgan	Retired Financial and Insurance Professional	10 March 2010		Independent Member	Chair: Audit; Strategy and Futures; Nominations; Remuneration
Mark Bell	Organisational Development Consultant	10 March 2010		Independent Member	Chair: Engagement; Finance & General Purposes; Nominations; Remuneration
Ian Jackson	Director Scotland General Dental Council	15 December 2011		Independent Member	Audit; Health and Safety Champion
John McDonald	Executive Director Real Life Options	27 June 2012		Independent Member	Audit; Engagement
Michael Baxter	Forensic Science Management Consultant	18 December 2013		Independent Member	Audit; Strategy & Futures; AST
David Littlejohn	Head of Planning & Regeneration Perth & Kinross Council	18 December 2013		Independent Member	Finance & General Purposes; Engagement
Grant Myles	Business Change Consultant	18 December 2013 Appt to Chair 1 December 2014		Independent Member	Academic Affairs; Engagement
Fiona Shepherd	Business Change Manager – NHS Scotland	18 December 2013	31 July 2015	Independent Member	Finance & General Purposes
Lindsey Farquharson	Careers Consultant	1 August 2015		Independent Member	Audit; Engagement
Xander McDade	Student Convenor	1 July 2014	31 July 2015	Student Member	Engagement
John Dare	PCSA President	1 July 2015		Student Member	Engagement, Capital Project Committee
Sam Finlayson	Student Convenor	1 July 2014		Student Member	Engagement
	PSCA Vice President	1 July 2015			Academic Affairs
Kirstie Graham acted as Clerk to the Board 1 August – 31 December 2014 Jenny Simmonds acts as Clerk to the Board from 9 December 2014					

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

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

The Board conducts its business through a number of committees. Each committee has formally constituted terms of reference. These committees include: Finance and General Purposes Committee; Audit Committee; Academic Affairs Committee; Engagement Committee; Strategy and Futures Committee; Search and Nominations Committee and a Remuneration Committee. In addition the Board of Management holds development planning days and training evenings during the course of the year for the purposes of training, self-evaluation and development. The Board is supported by an Independent Clerk.

The decision to close the Strategy and Futures Committee was taken on 23 July 2015. The work of this Committee will be absorbed by other Committees and the CPD Programme.

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

Perth College
Crieff Road
Perth PH1 2NX

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

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

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

The Board of Management has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board of Management considers that each of its non-executive members is independent of

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management and free from any business or other relationship which could materially interfere with the exercise of independent judgment.

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

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

Appointments to the Board of Management

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

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

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

Remuneration Committee

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

Details of the remuneration of senior post-holders for the year ended 31 July 2015 are set out in note 7 to the financial statements.

Audit Committee

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

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

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

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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 internal audit undertakes periodic follow-up reviews to the Audit Committee to ensure such recommendations have been implemented.

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

Finance and General Purposes Committee

The Finance Committee comprises 6 non-executive members of the Board of Management and includes the Principal. The Committee operates in accordance with written terms of reference approved by the Board of Management.

The Finance Committee meets at least 4 times a year and, among other matters, recommends to the Board of Management the College's annual revenue and capital budgets and monitors performance in relation to approved budgets. It monitors the College's financial and business perspectives. It approves all key financial decisions, approves the annual budget, considers the annual accounts and recommends for approval, oversees the system of financial control and delegated authority. It also considers any other matters relevant to the financial duties of the Board including estates strategy.

Corporate Strategy

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

Risk Management and Internal Control

Scope of Responsibility

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

Perth College

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

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Perth College for the year ended 31 July 2015 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Board of Management has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate these risks. The Board of Management is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2015 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Board of Management.

The Risk and Control Framework

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

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

Perth College appoints an Internal Audit service, which operates in accordance with the requirements of the Scottish Funding Council's mandatory requirements. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board of

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Management on the recommendation of the Audit Committee. The Internal Auditors provide the Board of Management with a report on internal audit activity within the College. These reports include the Internal Auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of Effectiveness

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

- The work of the internal auditors.
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework.
- The comments made by the College's external auditors in their management letters and other reports.

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

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

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. The Senior Management Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Audit Committee considers risk at each Committee meeting and receives a copy of the College Strategic Risk Register which is updated quarterly by the College Senior Management Team. The Board of Management receives reports thereon from the Audit Committee, the emphasis being on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2015 meeting, the Board of Management carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2015.

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Going Concern

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

**Approved by order of the members of the Board of Management on
16 December 2015 and signed on its behalf by:**



Grant Myles
Chair



Margaret Munckton
Principal and Chief
Executive

Statement of Responsibilities of the Members of the Board of Management

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

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

The Board of Management is responsible for ensuring that proper accounting records are maintained which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the relevant Government Financial Reporting Model (FReM) and other relevant accounting standards.

In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Management, the Board, through its Chief Executive, the Principal, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on a going concern basis, unless it is inappropriate to presume that the College will continue in operation. The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:

- ensure that funds from the Scottish Funding Council, including those derived through the Regional Strategic Board, are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and prevent and detect fraud; and

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- secure the economical, efficient and effective management of the College's resources and expenditure.

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative areas;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management;
- Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Finance Committee; and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Management, and whose head provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

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

**Approved by order of the member of the Board of Management on
16 December 2015 and signed on its behalf by:**



Grant Myles
Chair

Perth College

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

We have audited the financial statements of Perth College and its group for the period ended 31 July 2015 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated Income and Expenditure Account, the Statement of Group Historical Cost Surpluses and Deficits, the Statement of Group Total Recognised Gains and Losses, the Balance Sheets, and the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 125 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.

Respective responsibilities of the Board of Management and auditor

As explained more fully in the Statement of Responsibilities of the Members of the Board of Management, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Generic scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the college and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

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 affairs of the college and its group as at 31 July 2015 and of its deficit for the period then ended;

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- 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:

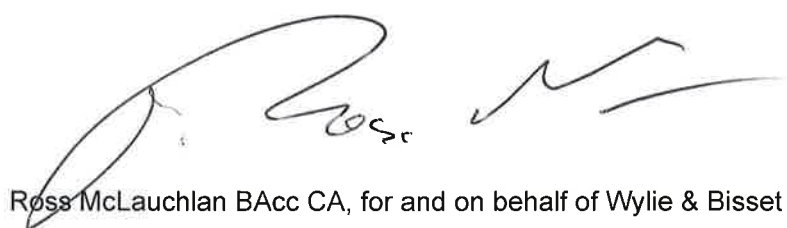
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Ministers; and
- the information given in the Operating and Financial Review for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Corporate Governance Statement does not comply with Scottish Funding Council requirements.

We have nothing to report in respect of these matters.



Ross McLauchlan BAcc CA, for and on behalf of Wylie & Bisset LLP

168 Bath Street
Glasgow
G2 4TP

Date: 16 December 2015

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

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Consolidated Income and Expenditure Account for the year ended 31 July 2015

	Notes	Year ended 31 July 2015	Year ended 31 July 2014
		£000	£000
Income			
Funding council grants	2	12,756	14,128
Tuition fees and education contracts	3	6,184	5,738
Research grants and contracts	4	78	112
Other income	5	3,896	3,823
Investment income	6	11	73
Total Income		22,925	23,874
Expenditure			
Staff costs	7	14,176	13,460
Exceptional restructuring costs	7	-	-
Other operating expenses	9	7,704	7,701
Transfers to Arms Length Foundation		-	7,916
Depreciation	13	1,008	937
Interest payable	10	75	52
Total Expenditure		22,963	30,066
(Deficit) on continuing operations after depreciation of tangible fixed assets at valuation and before tax		(38)	(6,192)
Taxation	11	(1)	(1)
(Deficit) on continuing operations after depreciation of assets at valuation and tax	12	(39)	(6,193)

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

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**Consolidated Statement of Historical Cost Surpluses and Deficits for
the year ended 31 July 2015**

	Notes	Year ended 31 July 2015	Year ended 31 July 2014
		£000	£000
(Deficit) on continuing operations before taxation		(38)	(6,192)
Difference between historical cost depreciation and the actual charge for the year calculated on the re- valued amount	22	279	329
Historical cost Surplus / (Deficit) for the year before taxation		<u>241</u>	<u>(5,863)</u>
Historical cost Surplus / (Deficit) for the year after taxation		<u>240</u>	<u>(5,864)</u>

**Consolidated Statement of Total Recognised Gains
and Losses for the Year ended 31 July 2015**

	Year ended 31 July 2015	Year ended 31 July 2014
	£000	£000
(Deficit) on continuing operations for the year	(39)	(6,193)
Revaluation gains on assets	7,896	-
Total recognised (losses) related to the year	<u>7,857</u>	<u>(6,193)</u>
Reconciliation		
Opening reserves	7,110	13,303
Total recognised (losses) for the year	<u>7,857</u>	<u>(6,193)</u>
Closing reserves	<u>14,967</u>	<u>7,110</u>

Perth College
Balance Sheet as at 31 July 2015

	Notes	Group 2015	College 2015	Group 2014	College 2014
		£000	£000	£000	£000
Fixed assets					
Tangible assets	13	28,371	28,159	20,524	20,293
Investments	14	-	20	-	20
		<u>28,371</u>	<u>28,179</u>	<u>20,524</u>	<u>20,313</u>
Current assets					
Stock		18	14	18	11
Debtors	15	1,711	1,422	1,175	909
Cash at bank and in hand		<u>1,230</u>	<u>650</u>	<u>279</u>	<u>8</u>
		2,959	2,086	1,472	928
Creditors: amounts falling due within one year	17	5,118	4,014	5,089	4,318
Net current (liabilities)		<u>(2,159)</u>	<u>(1,928)</u>	<u>(3,617)</u>	<u>(3,390)</u>
Total assets less current liabilities		26,212	26,251	16,907	16,923
Creditors: amounts falling due after more than one year	18	1,100	1,100	1,500	1,500
Provisions for liabilities and charges	20	1,517	1,517	1,522	1,522
NET ASSETS		<u>23,595</u>	<u>23,634</u>	<u>13,885</u>	<u>13,901</u>
Deferred capital grants					
	21	8,628	8,628	6,775	6,775
Revaluation reserve	22	14,865	14,865	7,248	7,248
Designated reserve	23	500	500	500	500
Income and Expenditure reserve	24	(398)	(359)	(638)	(622)
Total Reserves		<u>14,967</u>	<u>15,006</u>	<u>7,110</u>	<u>7,126</u>
TOTAL		<u>23,595</u>	<u>23,634</u>	<u>13,885</u>	<u>13,901</u>

The financial statements on pages 27 to 51 were approved by the Board of Management on 16 December 2015 and were signed on its behalf by:


G Myles - Chair


M Munckton - Principal and Chief Executive

Perth College

Consolidated Cash Flow Statement for the year ended 31 July 2015

	Notes	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Cash Flow from Operating Activities	25	255	(6,989)
Returns on investments and servicing of finance	26	(66)	54
Capital expenditure and financial investment	27	1,163	(1,097)
Financing	28	(400)	1,333
Increase/(Decrease) in cash in the year	29	<u>952</u>	<u>(6,699)</u>

Reconciliation of net cash flow to movement in net funds

Increase/(Decrease) in cash in the year		952	(6,699)
Change in net debt resulting from cash flows	28	<u>400</u>	<u>(1,333)</u>
Movement in net funds in year	29	1,352	(8,032)
Net funds at 1 August	29	(1,221)	6,811
Net funds at 31 July	29	<u>131</u>	<u>(1,221)</u>

Notes to the Accounts

1 Statement of Principal Accounting Policies

a Basis of Preparation

The financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the Accounts Directions issued thereunder by the Scottish Funding Council which requires compliance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2007) and the relevant Government Financial Reporting Model (FReM) issued by the Scottish Government.

b Basis of Accounting

The financial statements have been prepared under the historic cost convention as modified by the revaluation of certain fixed assets.

c Basis of Consolidation

The consolidated accounts include the financial statements of the College and its subsidiary undertaking made up to 31 July 2015. Intra group sales and profits are eliminated fully on consolidation.

d Tangible Fixed Assets

Land and Buildings

Land and buildings inherited from Tayside Regional Council are stated in the balance sheet at a value based on the depreciated replacement cost basis. Land and Buildings acquired since incorporation are included in the balance sheet at cost. Feuhold land associated with the buildings and undeveloped feuhold land is not depreciated. Buildings are depreciated over their economic life on a straight line basis to the College of between 20 to 50 years.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the Income and Expenditure Account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

On adoption of FRS15, the College followed the transitional provision to retain the book value of land and buildings which were revalued in 1995 but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS11.

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

Notes to the Accounts

1 Statement of Principal Accounting Policies (continued)

Equipment

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

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

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

e Subsequent Expenditure on Existing Fixed Assets

Where significant expenditure is incurred on tangible fixed assets, it is charged to the Income and Expenditure Account in the period in which it is incurred, unless it meets one of the following criteria in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved.
- Asset capacity increases.
- Substantial improvement in the quality of output or reduction in operating costs.
- Significant extension of the asset's life beyond that conferred by repairs and maintenance.

f Leased Assets

Rental costs in respect of operating leases are charged to expenditure at the cost incurred during the year. Leasing arrangements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. 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 held under hire purchase contracts, which have the characteristics of finance leases, are depreciated over their useful economic lives.

Notes to the Accounts

1 Statement of Principal Accounting Policies (continued)

g Investments

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

h Recognition of Income

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Income from tuition fees is recognised in the period for which it is received. Income from donations is included to the extent of the relevant expenditure incurred during the year. Recurrent grants from the SFC are recognised in the period in which they are receivable. Non-recurrent grants from SFC or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

i Pension Schemes

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

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA). Perth College is unable to identify its share of the underlying assets and liabilities of the STSS on a consistent and reasonable basis and therefore, as required by FRS 17 "retirement benefits", accounts for its participation in the STSS as if it were a defined contribution scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations and are recognised in the accounting periods in which they arise.

Administrative and support staff may join the Local Government Pension Scheme (LGPS) which is administered by Dundee City Council. The fund is a defined benefit scheme, providing benefits based on final pensionable pay, which is contracted out of the State Earnings-Related Pension Fund. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method.

Perth College is unable to identify its share of the underlying assets and liabilities of the LGPS on a consistent and reasonable basis and therefore as required by FRS17 "retirement benefits", account for its participation in the LGPS as if it were a defined contribution scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method.

Notes to the Accounts

1 Statement of Principal Accounting Policies (continued)

j Stocks

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

k Taxation

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

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

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

l Deferred Taxation

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

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

m Provisions

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

Perth College

Where the effect of the time value of money is significant, the estimated cash flows are discounted using the discount rate prescribed by the Scottish Funding Council.

Unfunded pensions are accounted for under FRS 12 as required by the Accounts Direction issued by the Scottish Funding Council.

n Revaluation Reserve

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

o Recognition of Income and Expenditure

The accounts have been prepared on an accruals basis, that is income and expenditure are recognised as they are earned or incurred, not as money is received or paid. All material sums payable to or due by the College as at the end of the financial year are brought into account.

p Agency Arrangements

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

q Foreign Currency Translation

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

Perth College
Notes to the Accounts

2 Funding Council Grants

	Year ended 31 July 2015	Year ended 31 July 2014
	£000	£000
SFC FE recurrent grant (including fee waiver)	6,342	6,355
Funding for increased STSS contributions	-	-
University of the Highlands and Islands recurrent grant	5,427	4,989
Financial security funding	-	-
FE Childcare funds (note 37)	512	418
Release of deferred capital grants (note 21)	36	36
Other SFC grants	439	1,472
Other University of the Highlands and Islands grants	-	858
	12,756	14,128

3 Tuition Fees and Education Contracts

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
UK Higher Education students	2,887	2,560
Non-EU students	-	-
UK Further Education students	441	396
	3,328	2,956
Management of Skills Development Scotland contract	260	267
Other contracts	-	-
Tuition fees of subsidiary	2,596	2,515
	6,184	5,738

4 Research Grants and Contracts

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Research grants	78	100
European Commission	-	12
	78	112

Perth College
Notes to the Accounts

5 Other Income

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Residences and catering	1,125	986
Other income generating activities	1,692	1,728
Releases from deferred capital grants (non Funding Council) (note 21)	232	241
Other income	847	868
	3,896	3,823

6 Investment Income

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Interest receivable	11	73
	11	73

7 Staff Costs

	Year ended 31 July 2015	Year ended 31 July 2014
--	----------------------------	----------------------------

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

	Number	Number
Teaching departments - teaching staff	171	154
Teaching departments - other staff	63	58
Teaching support services	44	42
Administration and central services	40	41
Premises	31	30
Subsidiary (AST) staff	28	30
Other	13	13
	390	368

Analysed as:

Staff on indefinite contracts	327	334
Staff on temporary contracts	63	34
	390	368

Perth College
Notes to the Accounts

7 Staff Costs (continued)

Staff costs for these persons:

	Year ended 31 July 2015	Year ended 31 July 2014
	£000	£000
Wages and salaries	11,724	11,233
Social security costs	864	837
Other pension costs	1,588	1,390
Exceptional restructuring costs	-	-
	14,176	13,460
Teaching departments - teaching staff	7,284	6,787
Teaching departments - other staff	1,596	1,275
Teaching departments - AST staff	1,066	973
Teaching support services	1,286	1,198
Administration and central services	1,483	1,817
Premises	663	611
Other income generating activities	798	799
Exceptional restructuring costs	-	-
	14,176	13,460
Analysed as:		
Staff on indefinite contracts	12,620	12,394
Staff on temporary contracts	1,556	1,066
Exceptional restructuring costs	-	-
	14,176	13,460

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

	Year ended 31 July 2015		Year ended 31 July 2014	
	Number Senior post- holders	Number Other Staff	Number Senior Senior post- holders	Number Other Staff
£50,001 to £60,000	-	2	-	3
£60,001 to £70,000	-	1	2	-
£70,001 to £80,000	2	-	1	-
£80,001 to £90,000	1	-	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	-	-	1	-
£110,001 to £120,000	1	-	-	-
	4	3	4	3

A 2% pay award for 2013/14 and a 1.5% pay award for 2014/15 was paid to staff during the year following negotiations with staff representatives. This brought pay awards up to date for the current year.

No pay award for 2014/15 was paid by the subsidiary company to academic staff, management or to support staff during the year. A provision has been made in these accounts in respect of an award for 2014/15.

Perth College
Notes to the Accounts

8 Senior Post-holders' Emoluments

	Number 2015	Number 2014
The number of senior post-holders including the Principal was:	4	4
Senior post-holders' emoluments are made up as follows:	£000	£000
Salaries	355	329
Benefits in kind	-	-
Pension contributions	54	54
	<u>409</u>	<u>383</u>

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

	Year ended 31 July 2015	Year ended 31 July 2014
	£000	£000
Salary	112	102
Benefits in kind	-	-
	<u>112</u>	<u>102</u>
Pension contributions	<u>17</u>	<u>15</u>

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

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

A 2% pay award for 2013/14 and a 1.5% pay award for 2014/15 was paid during the year to senior post holders, including the Principal and other higher paid staff. No bonuses were paid or payable to senior post holders for 2014/15.

Perth College
Notes to the Accounts

9 Other Operating Expenses

	Year ended 31 July 2015	Year ended 31 July 2014
	£000	£000
Teaching departments	1,811	1,877
Teaching support services	573	371
Administration and central services	1,516	9,198
Premises costs	1,768	2,327
Other income generating activities	496	491
Catering and residence operations	1,028	935
Other expenses - Childcare Grant	512	418
	<u>7,704</u>	<u>15,617</u>

Other operating expenses include:

	Year ended 31 July 2015	Year ended 31 July 2014
	£000	£000
Auditors' remuneration:		
external audit	14	14
internal audit	8	8
other services from external or internal audit	14	12
Hire of plant and machinery - operating leases	97	96
Hire of other assets - operating leases	<u>130</u>	<u>204</u>

10 Interest Payable

	Year ended 31 July 2015	Year ended 31 July 2014
	£000	£000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	<u>75</u>	<u>52</u>

11 Taxation

The College is not liable for any corporation tax arising out of its activities during the year (2014 - £nil).
There is a taxation debit arising in its subsidiary of £1k (2014 - £1k debit) (note 16), in relation to deferred taxation.

12 Surplus on continuing operations for the year

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

	Year ended 31 July 2015	Year ended 31 July 2014
	£000	£000
College's Deficit for the year	(16)	(6,194)
(Deficit)/Surplus generated by subsidiary undertaking	(23)	1
	<u>(39)</u>	<u>(6,193)</u>

Perth College
Notes to the Accounts

13 Tangible Fixed Assets (Group)

	Freehold Land and Buildings £000	Equipment £000	Total £000
Cost or Valuation			
At 1 August 2014	30,077	4,781	34,858
Additions	756	202	958
Disposals	-	-	-
Revaluation	(2,491)	-	(2 491)
At 31 July 2015	<u>28,342</u>	<u>4,983</u>	<u>33,325</u>
Depreciation			
At 1 August 2014	10,396	3,937	14,333
Charge for year	742	266	1,008
Disposals	-	-	-
Revaluation	(10,387)	-	(10,387)
At 31 July 2015	<u>751</u>	<u>4,203</u>	<u>4,954</u>
Net book value At 31 July 2015	<u>27,591</u>	<u>780</u>	<u>28,371</u>
Net book value At 1 August 2014	<u>19,681</u>	<u>844</u>	<u>20,525</u>
Inherited	6,735	-	6,735
Financed by capital grant	8,476	152	8,628
Other	12,380	628	13,008
Net book value At 31 July 2015	<u>27,591</u>	<u>780</u>	<u>28,371</u>

Perth College
Notes to the Accounts

13 Tangible Fixed Assets (College only)

	Freehold Land and Buildings £000	Equipment £000	Total £000
Cost or Valuation			
At 1 August 2014	30,077	4,220	34,297
Additions	756	188	944
Disposals	-	-	-
Revaluation	(2,491)	-	(2,491)
At 31 July 2015	<u>28,342</u>	<u>4,408</u>	<u>32,750</u>
Depreciation			
At 1 August 2014	10,396	3,608	14,004
Charge for year	742	232	974
Disposals	-	-	-
Revaluation	(10,387)	-	(10,387)
At 31 July 2015	<u>751</u>	<u>3,840</u>	<u>4,591</u>
Net book value At 31 July 2015	<u>27,591</u>	<u>568</u>	<u>28,159</u>
Net book value At 1 August 2014	<u>19,681</u>	<u>612</u>	<u>20,293</u>
Inherited	6,735	-	6,735
Financed by capital grant	8,476	152	8,628
Other	12,380	416	12,796
Net book value At 31 July 2015	<u>27,591</u>	<u>568</u>	<u>28,159</u>

Land and buildings were valued in the year 2014/15 at depreciated replacement cost by J & E Shepherd (Chartered Surveyors). Other tangible fixed assets inherited from the Local authority at incorporation have not been valued.

Inherited Land and buildings with a net book value of £6.7m have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council to surrender the proceeds.

Land and Buildings include £298k of buildings under construction which have not been depreciated. Depreciation will begin once the buildings have been fully completed and are in use.

Perth College
Notes to the Accounts

13 Tangible Fixed Assets (College only) (continued)

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

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

14 Investments

	College Year ended 31 July 2015 £000	College Year ended 31 July 2014 £000
Investments in subsidiary company	<u>20</u>	<u>20</u>

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

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

In the year to 31st July 2015, the Company made an operating loss before tax of £24k and had a net liability position of £20k at that date.

15 Debtors

	Group Year ended 31 July 2015 £000	College Year ended 31 July 2015 £000	Group Year ended 31 July 2014 £000	College Year ended 31 July 2014 £000
Amounts falling due within one year				
Trade Debtors	955	477	917	392
Deferred Taxation (note 16)	-	-	-	-
Amounts owed by group undertakings:				
Subsidiary undertaking	-	242	-	292
Prepayments and accrued income	756	703	258	225
	<u>1,711</u>	<u>1,422</u>	<u>1,175</u>	<u>909</u>

Perth College
Notes to the Accounts

16 Deferred Taxation

	Group Year ended 31 July 2015 £000	College Year ended 31 July 2015 £000	Group Year ended 31 July 2014 £000	College Year ended 31 July 2014 £000
The deferred tax included in the Balance Sheet is as follows:				
Included in debtors/creditors (Note 15/17)	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
The movement in the deferred taxation account during the year was:				
At 1 August 2014	-	-	(1)	-
Profit and loss account movement arising during the year	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>
At 31 July 2015	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:				
Other timing differences	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>

17 Creditors: Amounts Falling Due Within One Year

	Group Year ended 31 July 2015 £000	College Year ended 31 July 2015 £000	Group Year ended 31 July 2014 £000	College Year ended 31 July 2014 £000
Bank loans and overdrafts	400	400	400	400
Trade creditors	490	459	710	647
Amounts owed to group undertakings:				
Subsidiary undertaking	-	-	-	15
Other creditors	259	252	232	231
Deferred Taxation	-	-	-	-
Other taxation and social security	274	243	251	224
Accruals	3,616	2,581	3,346	2,651
Unspent student support funds	79	79	150	150
	<u>5,118</u>	<u>4,014</u>	<u>5,089</u>	<u>4,318</u>

18 Creditors: Amounts Falling Due After More Than One Year

	Group Year ended 31 July 2015 £000	College Year ended 31 July 2015 £000	Group Year ended 31 July 2014 £000	College Year ended 31 July 2014 £000
Repayable Loans				
Bank of Scotland term loan	<u>1,100</u>	<u>1,100</u>	<u>1,500</u>	<u>1,500</u>
	<u>1,100</u>	<u>1,100</u>	<u>1,500</u>	<u>1,500</u>

19 Borrowings

	Group Year ended 31 July 2015 £000	College Year ended 31 July 2015 £000	Group Year ended 31 July 2014 £000	College Year ended 31 July 2014 £000
Repayable Loans				
The Repayable loans are repayable as follows:				
In one year or less	400	400	400	400
Between one and two years	400	400	400	400
Between two and five years	700	700	1,100	1,100
In five years or more	-	-	-	-
	<u>1,500</u>	<u>1,500</u>	<u>1,900</u>	<u>1,900</u>

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

Perth College
Notes to the Accounts

20 Provisions for Liabilities and Charges

	Group and College	
	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
At 1 August	1,522	1,453
Expenditure in the period	(112)	(110)
Interest charged	107	109
Additional provision required in the year	-	70
At 31 July	<u>1,517</u>	<u>1,522</u>

The provision is solely for Pension costs arising from early retirement. A valuation of the existing pension provision was carried out by Barnett Waddingham, an independent firm of actuaries at 31 July 2015. Interest is charged at 7% per annum (7% 2015).

21 Deferred Capital Grants

	Group and College		
	Funding Council £000	Other grants £000	Total £000
At 1 August			
Land and buildings	682	6,022	6,704
Equipment	60	11	71
Cash received (Note 27)			
Land and buildings	-	2,015	2,015
Equipment	-	106	106
Disposals			
Land and buildings	-	-	-
Equipment	-	-	-
Released to income and expenditure account			
Land and buildings	(31)	(210)	(241)
Equipment	(5)	(22)	(27)
At 31 July			
Land and buildings	651	7,827	8,478
Equipment	55	95	150
	<u>706</u>	<u>7,922</u>	<u>8,628</u>

22 Revaluation Reserve

	Group and College	
	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
At 1 August	7,248	7,577
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on revalued assets	(279)	(329)
Revaluation in year	7,896	-
At 31 July	<u>14,865</u>	<u>7,248</u>

Perth College
Notes to the Accounts

23 Designated Reserve

	Group and College	
	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
At 1 August	500	500
Transfer to/from designated reserve to general reserve	-	-
At 31 July	<u>500</u>	<u>500</u>

24 Movement on General Reserves

	College	College
	Total Year Ended 31 July 2015 £000	Total Year Ended 31 July 2014 £000
Income and Expenditure Account Reserve		
At 1 August	(622)	5,243
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	(16)	(6,194)
Transfer from revaluation reserve	279	329
At 31 July	<u>(359)</u>	<u>(622)</u>
	Group	Group
	Total Year Ended 31 July 2015	Total Year Ended 31 July 2014
Income and Expenditure Account Reserve		
At 1 August	(638)	5,226
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	(39)	(6,193)
Transfer from revaluation reserve	279	329
At 31 July	<u>(398)</u>	<u>(638)</u>

25 Reconciliation of Consolidated Operating Surplus to Net cash inflow / (outflow) from operating activities

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Deficit on continuing operations after depreciation of assets at valuation	(39)	(6,192)
Depreciation (note 13)	1,008	937
Deferred capital grants released to income (note 2 and 5)	(268)	(277)
Interest payable (note 10)	75	52
(Increase) in stocks	-	(1)
(Increase) in debtors	(536)	(279)
Increase/(Decrease) in creditors	31	(1,225)
(Decrease)/Increase in provisions	(5)	69
Interest receivable (note 6)	(11)	(73)
Net cash inflow / (outflow) from operating activities	<u>255</u>	<u>(6,989)</u>

Perth College
Notes to the Accounts

26 Returns on Investments and Servicing of Finance

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Interest received	11	99
Interest paid	(77)	(45)
Net cash (outflow)/inflow from returns on investment and servicing of finance	<u>(66)</u>	<u>54</u>

27 Capital Expenditure and Financial Investment

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Purchase of tangible fixed assets	(958)	(1,097)
Sales of tangible fixed assets	-	-
Deferred capital grants received (note 21)	2,121	-
Net cash inflow / (outflow) from capital expenditure and financial investment	<u>1,163</u>	<u>(1 097)</u>

28 Financing

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Debt due beyond a year:		
Repayment of amounts borrowed		
Repayment of old Term Loan	-	(167)
New Term Loan	-	1,600
Repayment of new Loan	(400)	(100)
Net cash (outflow) / inflow from financing	<u>(400)</u>	<u>1,333</u>

29 Analysis of changes in Net Funds

	31 July 2014 £000	Cashflows £000	Other changes £000	31 July 2015 £000
Cash in hand, and at bank	279	952		1,231
Debt due within 1 year	-	-	-	-
Debt due after 1 year	-	-	-	-
New Loan	(1,500)	400	-	(1,100)
Term Loan	-	-	-	-
Total	<u>(1,221)</u>	<u>1,352</u>	<u>-</u>	<u>131</u>

30 Pension and similar obligations

The College's employees belong to 2 principal pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) and Tayside Superannuation Scheme, the Local Government Pension Scheme (LGPS). The total pension cost for the year was £1,588k (2014 - £1,390k).

Scottish Teachers' Superannuation Scheme

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

Under the definitions set out in Financial Reporting Standard 17: Retirement Benefits, the STSS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has accounted for its contributions as if it were a defined contribution scheme.

The current contribution paid by Perth College for the year was 14.9%

Local Government Pension Scheme (Tayside Superannuation Fund)

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out as at 31 March 2014.

In view of the fact that contributions to the scheme are currently established on a scheme-wide basis and that the College's share of the scheme assets is only derived on a notional basis and has no impact on the College's contribution rates as an employer, the Board of Management is of the view that the scheme should be accounted for as if it was a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account is equal to the contributions payable to the scheme for the year.

The most recent actuarial valuation was carried out at 31 March 2014. The value of the fund was £2,401m, and there was a deficiency of £4.8m. The funding level was 99.8% and an average required contribution rate was 17% of the pensionable pay. The contribution rate for the period 2015 to 2018 will be 17%. The funding objective is to achieve and maintain a funding level of 100%. The contribution rates paid by Perth College over the accounting periods are as follows:

April 2013 to March 2014 18.0% of pensionable pay
April 2014 to March 2015 18.0% of pensionable pay
April 2015 to March 2016 17.0% of pensionable pay

These figures include the part service element of the contribution rate.

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment. The total LGPS pension cost for the College was £734k (2013/14 £663k).

In preparing the Annual Report for the year ended 31 July 2009, the Board of Management took advice in relation to the applicability of the accounting provisions of Financial Reporting Standard 17 (Retirement Benefits) ("FRS17") to the College's participation in the Tayside Superannuation Fund. FRS17 provides that where an entity participates in a multi-employer retirement benefit scheme, that entity should apply the accounting provisions, and recognise its share of the actuarial surplus or deficit on its balance sheet, only where the entity's share of scheme assets and liabilities has been tracked on a consistent and reasonable basis.

Having made enquires of the scheme actuary, the Board of Management have reached the conclusion that the scheme assets have not been tracked on a consistent and reasonable basis and that there is therefore scope within the administration of the scheme for a significant level of cross-subsidisation between participating employers. On that basis, the Board of Management have assessed that the accounting provisions of FRS17 should not be applied in respect of the College's participation in the Tayside Superannuation Fund and that the charge to the income and Expenditure for the year should represent only the value of the contributions made.

Perth College
Notes to the Accounts

31 Post Balance Sheet Events

There are no Post Balance Sheet Events to report.

32 Capital Commitments

	Group and College	
	Year ended	Year ended
	31 July 2015	31 July 2014
	£000	£000
Commitments contracted for at 31 July	<u>6,597</u>	<u>482</u>
The commitments contracted for above relate to the construction of the new Academy of Sport and Wellbeing building.		
Authorised but not contracted for at 31 July	<u>-</u>	<u>-</u>

33 Financial Commitments

At 31 July had annual commitments under non-cancellable operating leases as follows:

	Group	College	Group	College
	Year ended	Year ended	Year ended	Year ended
	31 July 2015	31 July 2015	31 July 2014	31 July 2014
	£000	£000	£000	£000
Land and Buildings				
Expiring within one year	-	-	-	-
Expiring within two and five years inclusive	30	30	30	30
Expiring in over five years	-	-	-	-
Equipment				
Expiring within two and five years inclusive	3	-	3	-
	<u>33</u>	<u>30</u>	<u>33</u>	<u>30</u>

34 Contingent Liability

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

Perth College
Notes to the Accounts

35 Related Party Transactions

Due to the nature of the College's operations and the composition of the Board of Management (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Management may have an interest. All transactions involving organisation in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. Transactions during the year with non-public bodies in which a member of the Board of Management may have a material interest and which in aggregate exceeded £5,000 are noted below:

Company	Member(s)	Contract	Year ended	Year ended
			31 July 2015	31 July 2014
			£000	£000
University of the Highlands and Islands	M Munckton	Supply	301	214
		Sales	156	110
Perth College Development Trust 2004	M Munckton G Myles	*		

*The Perth College Development Trust 2004 was established to provide financial and other assistance for Perth College and its students. There are therefore transactions between the two entities. Perth College nominates Trustees to the board of the Trust and administers the Trust on a day to day basis.

During the year the Trust paid support costs of Nil to the College covering the year to 31 July 2015 and donated £58k to the Centre for Alzheimers Research and £19k towards student scholarships.

Perth College
Notes to the Accounts

36 Bursaries and Other Student Support Funds

					Year ended 31-Jul-15	Year ended 31-Jul-14
	Bursary £000	FE H'ship £000	EMAs £000	Other £000	Total £000	Total £000
Balance brought forward	15	18	-	6	39	24
Allocation received in year	1,782	114	225	98	2,219	2,164
College contribution to funds	42	-	-	(2)	40	-
Expenditure	(1,803)	(112)	(225)	(96)	(2,236)	(2,143)
Repaid to SFC/UHI (Clawback)	(15)	-	-	(6)	(21)	(6)
Virements	2	(2)	-	-	-	-
Balance carried forward	<u>23</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>41</u>	<u>39</u>

Represented by:

Repayable to SFC/UHI as clawback	23	-	-	-
Retained by College for students	-	18	-	-

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

37 Childcare Funds

	Year ended 31-Jul-15	Year ended 31-Jul-14
	Total £000	Total £000
Balance brought forward	35	35
Allocation received in year	560	418
College contribution to funds	-	-
Expenditure	(512)	(418)
Repaid to SFC (Clawback)	-	-
Virements	-	-
Balance carried forward	<u>83</u>	<u>35</u>

Represented by:

Repayable to SFC as clawback	48	-
Retained by College for students	35	35

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

