

**NORTH EAST
SCOTLAND**
COLLEGE



FINANCIAL STATEMENTS
for the year to 31 July 2023

Charity Number: SC021174

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1. PERFORMANCE REPORT

OVERVIEW

This overview provides the reader with highlights of the College's performance for the year to 31 July 2023. It contains a statement from the Principal, background to our purpose, operating environment, business model and objectives, and discusses the principal risks that the College faces.

Introductory Statement by the Principal and Chief Executive

The College continues to operate in a very challenging financial environment and whilst a significant degree of normality has returned, post-pandemic, we and our contemporaries face considerable challenge from a lack of public funding and increasing costs.

Despite this, work continues to ensure that our students gain the best possible experiences and outcomes from their time at NESCol. Consequently, we are seeing an improving position in terms of our student success outcomes, our levels of student satisfaction remain exceptionally high and demand from employers is strong.

In addition, NESCol continues to contribute successfully to the socio-economic ambitions of the region and the nation. The College has responded positively to the needs and demands of local stakeholders and continues to progress its activities and ambitions to become the high-quality educator, progressive employer and partner of choice it seeks and needs to be.

The College remains central to regional partnership working and the economic prosperity plans for Aberdeen City, Aberdeenshire and Scotland. Accordingly, our work continues to evolve through, amongst others, the Regional Economic Strategy Group (RESG), the Regional Learning and Skills Partnership (RLSP), Aberdeen City Council's Multi-Agency Transformation Management Group (MATMG) and the National Energy Skills Accelerator (NESA). These groups continue to focus their plans and activities on priority ambitions and drivers which will ultimately stimulate and sustain regional economic transformation in the North East.

NESCol is also heavily involved with Energy Transition Zone Ltd. and aims to create an advanced manufacturing skills campus which will meet the future skills demands of the region as it seeks to become the energy transition centre for Scotland and the UK. With significant levels of investment from government and industry, the centre - which is to be built alongside the College's existing Altens Campus - is due to open in September 2024.

The College also continues to support the work of the Scottish Funding Council's North East Pathfinder project which will see NESCol - in partnership with the region's two universities, the two local authorities and others - develop and implement initiatives that will complement the work already being undertaken in terms of regional economic transformation. The priority projects being developed through the Pathfinder include the enhancement of the pre-existing NESCol/RGU partnership; skills development opportunities for careers in health and social care; skills acquisition opportunities for energy transition and the redesign of the senior phase.

Despite the financial challenges facing the College and the wider sector, NESCol's Board and Leadership Team remain very positive and optimistic about the College's future and its work within the North East of Scotland. As we head into a new strategic planning cycle, we fully intend to focus our activities on financial sustainability, commercialisation, adaptive curriculum planning, partnership working, learner success and progressive employment practice. And in doing so, we will ensure that we not only become a more agile and responsive organization but one which returns to a balanced budgetary position, generates additional income and, ultimately, ensures ever improving outcomes and experiences for our students, staff and stakeholders.

Neil Cowie
Principal and Chief Executive

Our Purpose and Activities

Legal Status

North East Scotland College (NESCol) was formed on 1st November 2013, as a result of merger between Aberdeen College and Banff and Buchan College.

The College is incorporated under the Further and Higher Education (Scotland) Act 1992 and is funded directly by the Scottish Further and Higher Education Funding Council (SFC). The College is a charity (Scottish Charity Number SC021174) registered with the Office of the Scottish Charity Regulator and is recognised by HM Revenue and Customs as a charity for the purpose of Section 505, Income and Corporation Taxes Act 1988. As such, the College is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

Business Model and Operating Environment

Through its Regional Outcome Agreement with the Scottish Funding Council, the College responds to the Scottish Government's national policy drivers, while also working with regional partners and local businesses in improving opportunities for the people of Aberdeen and Aberdeenshire, in helping the region's young people progress to work or higher education, and in supporting businesses through professional updating and workforce development.

Each year, the College enrolls around 6,500 full-time students and 15,000 part-time students. It employs just short of 600 staff across the range of its business activities.

NESCol is the only further education college located within the North East of Scotland, and provides a wide range of education and training opportunities across the region to meet the needs of individuals, communities and employers. The College's main (College-owned) centres are in Aberdeen (three sites), Fraserburgh and Peterhead with two leased community based training centres across the region. The College's Estates Strategy recognises the need to maintain a regional presence, but also to differentiate provision at each campus to meet the differing needs of learners. The Estates Strategy prioritises the improvement of the current College-owned sites, to meet the changing needs of learners, staff and other stakeholders.

The College operates a wholly-owned subsidiary company, Aberdeen Skills and Enterprise Training Ltd (ASET), delivering specialist support to the Oil and Gas industry.

The College's other wholly-owned subsidiary, Clinterty Estates Ltd, is dormant and has not traded since 30 April 1998.

Vision and Values

This was the third year of operation under the College's Strategic Plan 2021-23. The Strategic Plan clearly defines the College's vision and values.

Vision

North East Scotland College will, through the delivery of high quality education and training:

- drive and support innovation and economic prosperity,
- raise aspiration,
- create success, and
- promote diversity, fairness and opportunity for all

providing individuals, businesses and communities in the North East of Scotland with 21st century skills.

Values

The College's values shape our work, influence our behaviours and apply to everyone who comes to the College to learn or work.

Commitment and Excellence

- Understanding and responding to the needs of our students, staff, key stakeholders and customers
- Being business-like and professional
- Maintaining clear focus on our goals and ensuring these are achieved through effective planning and organisation
- Achieving excellence by continually evaluating and improving our services
- Ensuring our processes are consistent, accessible, effective and efficient.

Empowerment and Engagement

- Creating an environment where innovation and creativity are encouraged and can flourish
- Providing clear direction, information and communication
- Providing development opportunities to ensure we have the skills, knowledge and confidence to perform to the best of our ability
- Giving recognition and praise
- Encouraging and supporting collaboration.

Respect and Diversity

- Valuing the experience and talent of all
- Treating others with dignity and respect
- Creating an accessible, inclusive learning and working environment
- Being fair, open and transparent to ensure a culture of mutual trust and integrity

Strategic Themes

Our Strategic Plan for 2022-2023 is focused on five Strategic Themes and their accompanying Strategic Goals.

Being Agile and Responsive

- Deliver a curriculum and support services that respond to the needs of students.
- Support students to make choices that reflect individual ambitions.
- Build on the unique and distinctive strengths of our campuses.

Empowering People

- Deliver supporting strategies to support mental, physical and social wellbeing of staff and students.
- Provide development opportunities to maximise potential of all staff and students.
- Build creative, confident and highly motivated staff and students.
- Discover and nurture talent in our students and workforce.
- Create a culture that is based on respect, trust, engagement and shared goals.
- Foster digital skills and knowledge whilst investing in infrastructure and resources.

Advancing Partnership Working

- Work with Community Planning Partners to deliver on key priorities, with a focus on reducing inequality and removing barriers to educational attainment.
- Work with regional economic development bodies to support the delivery of the refreshed Regional Economic Strategy to support post-Covid economic recovery.
- Work with the Regional Learning and Skills Partnership to deliver the Regional Skills Strategy, developing individuals with the skills to meet the evolving needs of the region.
- Work with local schools and other partners to develop and deliver effective learning pathways for young people, including the delivery of regional plans for Developing the Young Workforce.
- Work with Higher Education partners to promote learning opportunities, widen access, increase articulation and improve the learner journey.
- Work with employers to ensure provision adapts to meet the needs of industry and supports regional economic recovery and development.
- Embed an enhanced approach to stakeholder engagement which builds greater understanding of the NESCol offer and strengthens regional relationships in support of shared ambitions.
- Work with the Students' Association to ensure all students have the opportunity to shape and influence their College experiences, and to build a successful, resilient, confident and engaged student body.
- Work with local partners to support the health and wellbeing of staff and students.

Delivering Excellence and Innovation

- Be recognised as a college which delivers excellence across all courses and services, building a reputation as the premier provider of employer informed education and skills in the region.
- Deliver outstanding learning and teaching which is exciting, innovative and relevant, and which increases the number of learners achieving successful outcomes and positive destinations.
- Deliver a curriculum and support service which enables students to build resilience, develop essential meta skills and achieve success.
- Deliver a whole-College approach to student support that promotes health and wellbeing alongside effective academic tutoring and personal development.

- Encourage and enable a strong student voice, co-designing and co-delivering sector leading approaches to quality improvement.
- Drive continuous quality improvement through a strong culture of self-evaluation, and the adoption of an evidence-informed approach to decision-making and enhancement planning.
- Provide modern, fit-for-purpose buildings, facilities, and spaces for learning, studying and socialising.
- Maximise the use of digital technology to deliver sector leading student experiences and support services.
- Continue to advance equality of opportunity across the College to ensure success for all students regardless of protected characteristics, background or experience, and to maintain a College-wide culture of respect.

Leading Sustainability

- Through the delivery of our Outcome Agreement seek to achieve sustainable levels of funding in support of our core activities from the Scottish Funding Council (SFC).
- Maximise income from commercialisation and other opportunities.
- Deliver year-on-year operational efficiencies to enable investment in innovation, staff and facilities.
- Fully utilise the financial resources available and produce annually a balanced budget position, within a longer-term sustainable financial plan.
- Implement a Procurement Strategy that ensures the College achieves best value and complies with all regulatory requirements.
- Streamline business processes and systems using technology and digital skills.
- Develop and deliver a Carbon Management Plan for the period 2020–2025, to achieve a further reduction in CO2 emissions of 50%, and supporting the transition to a Net-Zero Economy.
- Implement an Environmental and Social Sustainability Strategy aligned to the United Nations Sustainable Development Goals, embedding the principles and practices of sustainability across the curriculum and support services.

Key Issues and Risks

The Regional Board has established a Strategic Risk Register in September 2023, which considers matters which may impact on the College's ability to deliver on its strategic objectives. Risks and mitigating factors are kept under review by the Executive and Leadership Teams on a monthly basis, and reported to the Board via the Audit and Risk Committee. The Risks are categorised alongside the Strategic Goal they most impact on. The Board identifies the principal risks to the College, currently rated as "significant", "high" or "very high", as being: -

Strategic Goal 1: Deliver high quality, accessible and inclusive learning and training opportunities, which transform lives, and which support the economic and social development of our region.

- IF the future skills needs of the region are not clear, THEN ensuring that the College's curriculum contributes to national and regional economic recovery will be challenging.
- IF the College is required to keep reducing staffing to meet budget savings targets, it must take care to minimise the impact on training provision; quality assurance; assessing.
- IF the College continues to experience economic shocks and challenges due to SFC Flat Cash settlements, continued historic underfunding, but pay demands above public sector pay levels, and high inflation levels, THEN the College may face detrimental impacts on its functions and services.

Mitigations for the above risks focus on engagement with key regional stakeholders, horizon scanning, scenario planning, and regular contact with staff.

Strategic Goal 2: Develop the skills, talents and potential of all the people who come to college either to learn or to work.

- IF the College is not able to recruit, retain and develop appropriately qualified staff, THEN this will adversely impact on the learner experience and the College's ability to deliver the curriculum of the future.
- IF staff are not fully motivated and engaged in delivering the best learner experience, THEN students may not achieve desired outcomes.
- IF staff do not deliver teaching methods that are engaging and effective, THEN students are less likely to achieve a successful outcome.

- IF funding restrictions mean we do not have a sufficient number of experienced curriculum staff in priority areas with spare capacity to create new provision, THEN we will not be able to maximise commercial and external opportunities.

Mitigations for the above risks focus on the implementation of strategies, policies and procedures, organisational development activities, effective communication and consultation mechanisms including the provision of detailed staff guidance, partnership working with local trade union representatives, participation with the national Employers' Association, the provision of staff health and wellbeing support and initiatives, and business planning processes.

Strategic Goal 3: Work with our partners to deliver positive and sustainable change for the individuals, communities and businesses in our region

- IF employers do not successfully engage with NESCol, THEN the College will not be able to identify and meet their needs.
- IF local schools do not work closely with NESCol, THEN effective learner pathways will not be delivered throughout the region.
- IF universities do not work closely with NESCol, THEN improvements to widening access, improving articulation and increasing the efficiency and effectiveness of the learner journey in the region will not be achieved.

Mitigations for the above risks focus on engagement with key regional stakeholders and national agencies, effective communication and consultation mechanisms, operation of agreements including Partnership Agreements, Memorandums of Understanding, Articulation Agreements, and monitoring of external guidance.

Strategic Goal 4: Deliver an excellent learning environment and experience leading to successful outcomes for all learners.

- IF the College does not have sufficient capacity to address the wide-ranging and complex needs of the student body, THEN the health and wellbeing of students will be negatively affected leading to diminished learner experiences and outcomes.
- IF the SFC does not provide sufficient capital maintenance funding to maintain modern fit-for-purpose buildings, infrastructure and equipment, THEN the quality of the student experience will be reduced.
- IF the College cannot guarantee the quality of the learning experience for certain cohorts (e.g., schools, FAs, regulated qualifications), THEN it may not be possible/ethical to deliver some courses.

Mitigations for the above risks focus on effective monitoring and reporting mechanisms, provision of student support services and academic guidance, learning and development activities, ongoing engagement with the SFC and key regional stakeholders, business continuity documentation and arrangements, resource planning, and monitoring of external guidance.

Strategic Goal 5: Optimise the use of our available resources to deliver financial and environmental sustainability.

- IF the College receives insufficient SFC income, flat cash and high inflation and pay awards, THEN the College's ability to achieve a balanced budget will be adversely affected and future credits targets may be reduced.
- IF sufficient non-SFC income levels are not achieved, THEN the College will not be able to financially invest in innovation, staff and facilities.
- IF responsibility for allocating funding for regional FA places moves to NESCol, there may be tensions caused with partners who have disproportionate allocations from Skills Development Scotland this year.

Mitigations for the above risks focus on engagement with national agencies, engagement with key regional stakeholders, data analysis, and effective marketing approaches.

The College has also considered specific risks in connection with legislative requirements, cyber security and IT outages, supply chain and the appointment of a new Chair of the Regional Board. Mitigation measures include IT Strategy, internal audits, robust systems testing, appropriate physical security and use of preventative technologies, resilient architecture of links between sites, monitoring of threat levels through partners, use of cloud-based repository, staff training, and ongoing dialogue with Scottish Government.

Going Concern

The Group Balance Sheet at 31 July 2023 shows Net Current Assets of £1.1m (FY 2021/22 equivalent £1.3m) and Total Net Assets of £65.3m (FY 2021/22 £62.9m). The SFC has indicated to the College expected funding levels for the period to 2023-24 and the Regional Board has approved a financial plan up to 2023/24 on that basis.

The comments on p31 to these financial statements outline the Board's assessment of going concern. Accordingly, the Board considers that it is appropriate to consider that the College is a "going concern" and these financial statements have been prepared on that basis.

Performance Summary

Overall, the College met its activity target for the year, while also exceeding its budgeted position. As can be seen from the Key Performance Indicators noted on p13, performance improved markedly from that recorded in 2021/22. This is a very good result from the College. This has been achieved during a period of exceptionally high inflationary pressures – while the College has faced high increases in fuel costs, anticipated pay awards and generally high inflation, our funding is being held on a 'flat cash' basis, which does not allow for these increase.

There is further analysis of the College's performance during the year in the next section.

PERFORMANCE ANALYSIS

This section of the report provides a more detailed analysis of the College's performance against financial and non-financial indicators, and gives a commentary on the key financial outcomes for the year, with figures extracted from the Balance Sheet as well as the Statement of Comprehensive Income and Expenditure for the year.

It defines the relationships between the College's national and regional drivers, its Strategic Plan, performance measurement framework and risk register. It also discusses the College's wider performance in relation to environmental and social matters.

Regional Priorities and Skills Needs

As the Region's College, NESCol will shape and respond to the immediate and longer term regional priorities and skills needs as identified within the Regional Economic Strategy, Regional Skills Strategy, Regional Skills Assessments and related action plans. Further, the College will shape and response to the priorities identified within the Region's two Community Planning Partnerships. This Plan addresses these priorities as follows:

Regional Economic Strategy		
Priorities: <ul style="list-style-type: none"> Responding to COVID-19 and Brexit Supporting Net Zero and a green recovery Creating a diversified economy based on skills development and acquisition Ensuring inclusive economic recovery, reform and growth 	College Contribution: The College's portfolio of courses, vocational training opportunities and apprenticeship programs aligned to the region's key priorities, sectors and skills needs are critical to the region's future economic recovery, reform and prosperity.	Strategic Objective(s): 1.1, 3.1, 3.2, 5.7, 5.8

Regional Skills Strategy		
Priorities: <ul style="list-style-type: none"> Responding to COVID-19 and Brexit Aligning skills to economic need, Energy 	College Contribution: The College's established and responsive approach to curriculum design and delivery, including Its Apprenticeship Family offer, its Flexible Workforce Development (FWDF) activities and its enhanced engagement with	Strategic Objective(s): 1.1, 3.1, 3.2, 3.4, 3.6, 5.7, 5.8

<p>Transition ambitions and Net Zero intentions</p> <ul style="list-style-type: none"> Expanding work-based learning including employee upskilling and reskilling Improving school-to-work transitions 	<p>partners, employers and schools will ensure that the immediate and future skills needs of the region are met.</p>	
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Community Planning Aberdeen (CPA)		
<p>Priorities:</p> <ul style="list-style-type: none"> Prosperous Economy Prosperous People (Children & Young People) Prosperous People (Adults) Prosperous Place 	<p>College Contribution:</p> <p>The College is a partner of CPA working with partners on locality planning, community empowerment, and improving outcomes for the population of Aberdeen City, especially those who experience poorer outcomes as a result of socio-economic disadvantage. The work of the CPA sees the College contributing to initiatives for priority and at risk neighbourhoods, and priority communities of interest e.g. children and young people, people with disabilities.</p> <p>NESCol is a member of the CPA Board, the CPA Management Group, and two Outcome Improvement Groups:</p> <p><u>Aberdeen Prospers</u>: supports delivery of the Local Outcome Improvement Plan (LOIP) and underpinning locality plans, specifically two Economy Stretch Outcomes in the LOIP:</p> <ol style="list-style-type: none"> Support 400 unemployed Aberdeen City residents into sustained, Fair Work by 2026 Upskill/reskill 500 Aberdeen City residents to enable them to move into, within and between economic opportunities as they arise by 2026. <p><u>Integrated Children's Services</u>: ensures the effective delivery of services for children and young people at all stages of their development and growth. All key agencies that deliver services for children and young people in Aberdeen City are represented, working together to deliver the City's Children's services plan and using the Scottish Government's 'Getting It Right for Every Child' as a common approach to deliver better outcomes for children and to measure success. The College also participates in a number of associated workstreams:</p> <ul style="list-style-type: none"> The Attainment and Progression to Adulthood Group Child Friendly Cities Group Target Operating Model Sub Group ACC Care Experienced Champions Board 	<p>Strategic Objective(s):</p> <p>1.1, 3.1, 3.2</p>

Aberdeenshire Community Planning Partnership (ACPP)		
<p>Priorities:</p> <ul style="list-style-type: none"> Changing Aberdeenshire's relationship with alcohol 	<p>College Contribution:</p> <p>The College is a partner of ACPP which aims to work together for the best quality of life with happy, healthy and fulfilled people, living in a healthy, safe and sustainable environment with</p>	<p>Strategic Objective(s):</p> <p>1.1, 3.1, 3.9</p>

<ul style="list-style-type: none"> Reducing child poverty in Aberdeenshire Connected and Cohesive Communities 	<p>a vibrant local economy. This includes partnership working to deliver more efficient and improved services which meet local needs in Aberdeenshire and to contribute to the delivery of key actions in a number of Locality Plans.</p> <p>NESCol is a member of the CPA Board, and Connected and Cohesive Communities.</p> <p><u>Connected and Cohesive Communities:</u> supports the Planning Partnership in the delivery of locality plans for three areas of Aberdeenshire that experience the most social and economic disadvantage. This includes the delivery of several initiatives around addressing inequalities, employability and health, as well as supporting communities to become more resilient.</p>	
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The College also uses the Regional Skills Assessments for Aberdeen City and Aberdeenshire, to ensure it aligns provision with anticipated demand.

There are a number of key Scottish Government priorities which have particular relevance to the college sector. The College, through the Strategic Plan, will respond as follows:-

Scottish Government Priority	College Contribution	Strategic Objective(s)
Fair Access and Transitions	The College will provide access to further and higher education for people of all ages from the widest range of backgrounds, and ensure that all students are enabled to achieve their full potential as successful learners, ready for transition to future learning, life and work.	1.3, 3.1, 3.5
Health and Wellbeing	The College will provide health and wellbeing services and support, and will work with partners to contribute to positive and sustainable change in the health and wellbeing of staff and students.	2.1, 3.9, 4.4
Net Zero	The College will ensure its activities as an educator, employer and regional leader contribute fully to the delivery of Scottish Government's climate change ambitions.	5.7, 5.8
Economic recovery, reform and prosperity	The College will ensure its contributions, post-COVID-19 and post-Brexit, to the immediate and future regional economic requirements support a revitalised and successful Scottish economy.	1.1, 3.2, 2.4, 3.6, 4.1
Integration of tertiary education and skills system	The College will develop, in conjunction with others, a cohesive and connected tertiary sector offer which delivers a greater educational and skills-based coherence for students, employers and other stakeholders.	3.5
Mainstreaming Equality	The College will continue to advance equality of opportunity through the Public Sector Equality Duty (PSED), ensuring that its operations, activities and decision making processes are impact assessed against the protected characteristics of age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex, and sexual orientation.	1.1, 4.9
Retention and Attainment	The College will raise student retention and attainment levels to ensure that ever-increasing numbers of students successfully fulfil their potential and achieve their ambitions.	4.2
Employability	The College will improve employment outcomes for young people and provide for support aimed at addressing youth unemployment, in particular	1.1, 4.1

	those with barriers to work.	
Innovation and Enterprise	The College will contribute to driving up levels of business innovation in Scotland by ensuring that its learners are exposed to entrepreneurial thinking.	4.2
Senior Phase and Developing the Young Workforce	The College will play a lead role in ensuring that an enhanced regional approach is undertaken to support improved and progressive senior phase pathways by working closely with partners on planning and delivery.	3.4
Apprenticeships	The College will build and strengthen pathways into and across Apprenticeship programmes, particularly in key sectors such as STEM, digital skills and early years workforce expansion.	3.6
Flexible Workforce Development Fund	The College will help employers to increase productivity and address skills gaps by supporting in-work training of their workforce.	3.6
STEM and Energy Transition	The College will contribute to the development of Scotland's STEM and energy transition priorities to generate inclusive and sustainable economic growth by equipping young people with skills for the future.	1.1, 3.2, 3.3, 3.6, 4.1
Digital	The College will support improved digital skills development and acquisition for its students, staff and Stakeholders.	2.6, 4.8, 5.6

The College's Regional Outcome Agreement with SFC, clearly defines how the College contributes to the regional and national outcomes. The Outcome Agreement contains indicators which are used to measure progress against those outcomes and the College's Strategic Plan identifies which of those measures will be used as Key Strategic Indicators (KSIs) in measuring performance against Strategic Themes. Those are:-

STRATEGIC PLAN 2019-2023

KEY STRATEGIC INDICATOR TABLE

		2019/20		2020/21		2021/22		2022/23	
Key Strategic Indicator	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Activity Levels									
The total number of credits delivered	133,490	133,730	132,005	133,127	131,915	128,655	128,812	129,769	
The volume of core credits delivered	131,070	131,312	129,770	130,602	129,280	127,606	128,812	129,769	
The volume of ESF credits delivered	2,420	2,418	2,235	2,525	2,635	1,049	0	0	
Learner Success									
Overall learner success rate (Incorporate level, mode, withdrawal and partial success measures)									
		2019/20		2020/21		2021/22		2022/23	
FE Full Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Learner Success	73%	62%	73%	56%	62%	57%	60%	63%	
Partial Success	-	19%	-	19%	-	20%	-	14%	
Early Withdrawal	-	8%	-	6%	-	9%	-	7%	
Further Withdrawal	-	11%	-	19%	-	14%	-	16%	
FE Part Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Learner Success	73%	82%	73%	72%	72%	68%	78%	89%	
Partial Success	-	14%	-	25%	-	27%	-	7%	
Early Withdrawal	-	2%	-	1%	-	1%	-	2%	
Further Withdrawal	-	2%	-	2%	-	2%	-	2%	
HE Full Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Learner Success	78%	73%	78%	71%	72%	65%	68%	67%	
Partial Success	-	13%	-	14%	-	15%	-	16%	
Early Withdrawal	-	5%	-	3%	-	6%	-	13%	
Further Withdrawal	-	9%	-	12%	-	14%	-	4%	
HE Part Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Learner Success	83%	66%	83%	75%	81%	77%	77%	75%	
Partial Success	-	32%	-	23%	-	20%	-	22%	
Early Withdrawal	-	1%	-	0%	-	1%	-	1%	
Further Withdrawal	-	1%	-	2%	-	2%	-	2%	
Sustainability									
		2019/20		2020/21		2021/22		2022/23	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Non-SFC income as a percentage of turnover	23%	23%	21%	21%	20%	20%	20%	20%	
Staff costs as a percentage of turnover	66%	58%	66%	60%	66%	62%	66%	58%	

* Indicates 1,008 additional childcare credits

Each year, the College agrees a number of Annual Priorities designed to ensure progress against outcomes and strategic indicators. The Strategic Risk Register is structured around the Strategic Themes, with mitigating actions identified to reduce the likelihood and impact of the risks on outcomes and KSIs.

Key curriculum developments of 2022-23

Curriculum Overview

Following nearly three years of continuous COVID-related disruption, academic year 22-23 represented a return to more normal curriculum conditions for staff and students at North East Scotland College.

All campus-related health and safety mitigations, such as social distancing and mask wearing, were removed by the beginning of the new term which enabled campus capacities to be returned to normal levels and full access to teaching spaces reintroduced for all full time and part time students where appropriate.

To help support the return to campus after such a prolonged period of disruption the College Leadership Team decided to launch a “focus on the fundamentals” campaign to help curriculum and support teams re-establish all the key policies, procedures and practices that were paused, modified or removed during COVID. By focusing on getting back to basics all teams were enabled to review and reflect on their core functions and role that they play individually and collectively in supporting students.

We learned through the pandemic that while some students benefited from the flexibility that blended and online learning offered, many students struggled during this period and missed out on the positive pedagogical and social benefits of regularly attending college in person. Our experiences of teaching and supporting students during this time have crystalized our view that whilst digital and online learning do offer many benefits and opportunities in certain contexts, full time college students generally need to physically attend college to derive maximum benefit and ensure optimal attainment.

We are committed to providing our students with exceptional face-to-face teaching, facilitated by experienced and passionate staff in high-quality learning environments. Our approach to post-COVID curriculum design in 22-23 ensured that all our full-time students had the opportunity to come to college regularly so that they could access our excellent facilities and student support services, build effective relationships with their peers and teaching staff, and enjoy the fantastic community that we have created at each of our regional campuses.

But while our commitment to face-to-face teaching is absolute, we are mindful of the fact that many of our students have other commitments beyond college, and that with the current cost-of-living challenges that many people are currently facing, lots of our students will need to balance studying with working and/or caring for family. We also learnt through our experiences of teaching during the COVID-19 pandemic that there are many benefits and opportunities to be derived from using online and blended learning to support student engagement and achievement.

We continued to place a significant focus on supporting positive student health and wellbeing, as feedback from staff and students had indicated that this was becoming an area of particular concern as the COVID pandemic continued to impact people’s day-to-day lives.

Spotlight review process

The Curriculum Spotlight Review process was introduced in academic year 22-23 to provide a formal mechanism for tackling low levels of student retention and/or attainment within specific curriculum areas where performance was identified as being particularly poor.

All students enrolling on a course or qualification at NESCol are entitled to an educational experience that provides them with the best possible opportunity for success, and progression to future-study or meaningful employment. Where we fail to deliver such an experience, and the overall performance of a teaching team is deemed to be unacceptably low, the Curriculum Spotlight Review process is now used to rapidly diagnose the cause of the poor-performance and assign actions to remedy the issues within a designated timeframe.

Curriculum Planning

Each year, curriculum teams continue to revise and update programmes according to demand and regional economic need. This academic session saw further development of Curriculum Planning process, and the introduction of a revised programme of curriculum planning meetings, chaired by the Head of Planning and Academic Partnerships, was introduced to enable teams to discuss planning in conjunction with existing demand and performance.

Curriculum Support Frameworks

To support effective curriculum design, delivery and management during the academic year, the following frameworks were updated and provided to Curriculum Managers and Lecturers with clear instructions and resources to help support a range of key processes:

- Framework for Supporting Successful Students (Consolidation of Academic Tutoring Framework, Framework for Support Students, Framework for Attendance Monitoring and Engagement and the Framework for Attendance Monitoring and Funding)
- Framework for Curriculum Planning and Delivery 2022-23
- Framework for Sector management

These guides help ensure a consistent approach across all college campuses to guarantee that all students receive the same high-quality experience.

Student Support

The College's student support services continued to develop and expand throughout the academic year. The counselling service brought in for 20-21 year has bedded in well and continues to complement and enhance the established well-being and support provision of the College. Funded via the additional SFC Mental health and Wellbeing initiatives, ACIS Student, a Mental Health Aberdeen service, are committed to developing a relational approach in their partnerships to ensure an effective response to the therapeutic needs of children, young people and adults in the community. The demand for this service has increased significantly since its introduction and discussions are currently ongoing between the College Sector and SFC to ensure the long-term financial investment required to sustain the service in the years ahead.

NESCol's Report and Support system continued to provide an excellent platform for sharing support information, signposting external support services, and sharing key messages related to our Respect campaign.

Quality Activity

Education Scotland Progress Visit 22-23

Progress Visits (PV) are planned collaboratively between the College, Education Scotland (ES) and the Scottish Funding Council (SFC). The ES team carrying out the PV engages with staff, learners and other stakeholders and produce a summary report for each college, which is then shared with the principal, and college Regional Board. The three-day Progress Visit for NESCol was completed in March 2023 and the report provided external endorsement of effective practice occurring in the College across both curriculum and support services covering four overarching themes:

1. Recruitment
2. Retention
3. Attainment
4. Progression

During the visit a programme of meetings took place involving students, teaching and support staff, all levels of management and representatives of the Students' Association. Education Scotland identified 36 areas of positive progress and 8 areas of further progress and actions required. The outcome of the progress visit report will inform an action plan to address the further progress identified.

Commercial provision

Commercial demand has been strong during AY2022/23 largely driven by activity in the energy sector. The competing opportunities from an increasing oil price, new renewables projects and areas including decommissioning, have resulted in significant demand for new talent. At the same time, improved relationship management has resulted in construction, automotive and hospitality sectors all collaborating closely with the college for new training provision that was previously delivered from the Central Belt.

Our Flexible Workforce Development Funding was cut by approximately 40% despite being almost fully allocated in AY2021/22 and its announcement was delayed by 6 months until January 2023. Despite this, employer demand saw the fund fully allocated within a matter of weeks and the majority of delivery complete within the academic year. In total, NESCol secured FWDF contractual activity to the value of £1.136m which included an additional £72k as a result of unmet demand.

Modern Apprenticeship training is where we have seen a marked increase in activity with demand far exceeding the initial 151 contract places NESCol was initially awarded by SDS in April 2023. This was subsequently increased to 204 places with 138 expected to be filled in Engineering alone. This has placed significant pressure on academic teams who support the first 3 years of the apprenticeship journey, but we recognise the essential role that apprentices play in the current and future economic landscape in our region.

Our sponsored activity with Shell has also grown with Girls in Energy reaching 155 girls (compared to 140 last year). This forms an important part of Shell's '£100m for 15,000 new jobs' opportunity. Significant growth is anticipated again in AY2023/24.

We have once again benefitted from a £200k donation from a very generous benefactor in Fraserburgh, now taking their contribution to our campus to £500k over three years. This funding is enabling enhancements to our FutureSkills Workshop, replacement gym equipment, a new e-sports studio and improvements to hair and beauty salons.

National Energy Skills Accelerator (NESA) and Energy Transition Zone (ETZ) activity continues to grow with pathfinder funding creating funded places for candidates interested in pursuing renewables opportunities, providing NESCol with approximately £280k of new income. We continue to support and work closely with both bodies in a strategic and operational sense to ensure the maximum mutual benefit.

In all of the above opportunities, relationship management is absolutely fundamental to successfully securing the activity and funding and we recognise the opportunities that continue to present themselves in and around our region. We also understand the capacity limitations within our organization and the business development team in particular. As a result, we are commissioning a review of the Business Development Team and its activities within AY2023/24 with a view to increased capacity driving increased commercial income and look forward to the benefits that this brings.

The following activities are planned for delivery during AY 2023-24

Social and Economic Recovery

NESCol is working with partners including Energy Transition Zone (ETZ) Ltd and the National Energy Skills Accelerator (NESA) on enhancement projects linked to the Scottish Government's Just Transition Fund and the SFC Pathfinder Project Programme. Focusing on Energy Transition and associated skills, these initiatives will play a major role in supporting and developing the economy of the North East of Scotland.

We will continue to be an active partner through PACE (Partnership Action for Continued Employment) which is led by SDS, in supporting organisations and their employees when 20 or more redundancies are announced and have a range of programmes available to help candidates back into employment. Shell UK have generously sponsored an Essential Digital Skills programme for up to 100 candidates for 2022/23 which NESCol will offer across the coming year, preparing candidates for employment or progression to Avado's Fast Futures programme.

NESCol is also a member of employability training providers groups in the Aberdeen City and Aberdeenshire Council areas, working closely with the Local Authorities and third sector organisations in the development of innovative initiatives to help prepare candidates for employment.

Energy Transition

NESCol is actively engaged in major capital projects being planned for the region – notably the Energy Transition Zone (ETZ) adjacent to the Aberdeen South Harbour along with the Aberdeen Hydrogen Hub, offshore wind, and Carbon Capture.

NESCol will also continue to support the National Energy Skills Accelerator (NESA) along with ETZ Ltd., the Robert Gordon University and University of Aberdeen – providing a consultant service for the preparation of the workforce for energy transition and access to new skills and capabilities required for delivering the net zero agenda.

Staff and Student Involvement

The College recognises the benefits of keeping employees informed on performance and encourages suggestions for the improvement of the College's position. In particular, Joint Consultative Committees (JCC), comprising management and members of the recognised trade unions for both teaching and support staff, have been established for this purpose. In addition, periodic core communication sessions are held on all main sites to brief staff on current developments and receive information. The College publishes news via its intranet, available to all staff. Staff consultation is also a key part of the College's strategic planning process with workshops taking place for all academic faculties and support departments to contribute to the process.

The College has a wide range of approaches to gaining feedback from student representatives on the governing body. The College supports an active Students' Association and has entered into a partnership agreement with the Association.

Employer Engagement

As an organisation which has always been principally in the business of vocational education and skills training it has been relatively easy for the College to respond positively to the Government's renewed emphasis on skills (the 'skills agenda'). Our service to individuals in employment and to employers in the private, public and third sectors consists of a wide range of training opportunities provided in the College's own premises (where the service is subsumed in the wider work of the organisation), an extensive work-based training and assessment service provided by the College's Business and Community Development Team. Programmes were delivered mainly in the North-East of Scotland in partnership with local and national employers and private providers.

Environmental and Social Sustainability

North East Scotland College fully recognises its responsibilities with regard to Environmental and Social Sustainability as an education and training provider, but also as a business, an employer and role model for other public and private organisations.

The College is a signatory to the Environmental Association of Universities and Colleges' (EAUC) Sustainable Development Goal (SDG) Accord, committing to measure and report on its activities in line with the seventeen Sustainable Development Goals, as set by the United Nations General Assembly in September 2015. The College recently submitted its annual SDG Accord report addressing all seventeen goals. North East Scotland College has integrated the Sustainable Development Goals with the College's International management system, the Environmental Management System ISO14001. Through doing this we are committed to demonstrating continual improvement throughout the year through a process of externally verified audits. The SDG's are also integrated into Support and Faculty team self-evaluations. As part of their Enhancement Plans, an Environmental and Social Sustainability Summary is now produced each academic year for Support and Faculty Teams. The Faculty Team summary highlights where sustainability is integrated into the curriculum. This will be built on year on year and will highlight both areas for improvement and good practice within the curriculum. Full integration of the SDG's are now very much at the forefront of our planning processes and overall objectives going forward. Integrating them in this way rather than addressing them as a separate entity will ensure progress and raised awareness which are our key goals.

The College is accredited to the International Organisation for Standardisation (ISO) Environmental Management System ISO14001:2015. The College is now fully accredited to the most up to date standards through BSI (British Standards Institution) and are audited twice a year by an external auditor from the BSI. At each audit, the College is required to demonstrate continual improvement and maintenance of previous actions.

The College has considered and evaluated the risks and issues that need to be addressed in meeting ISO14001, and has carried out an impact assessment to identify and prioritise those risks as well as the subsequent actions that can be taken to mitigate them. A Stakeholders Register also forms part of this.

Overall, the environmental impact of the Colleges business is fully managed through both standards, and associated policies and procedures, and therefore minimised due to the practices we have in place.

North East Scotland College believes that every learning institution must be a leader in tackling the climate emergency, both in terms of its own direct actions but also in how it influences others. The College was an early signatory to the Universities and Colleges Climate Change Commitment for Scotland (UCCCFs) and developed its first Carbon Management Plan which delivered a 33% reduction in our Greenhouse Gas emissions over the period 2015-2020. Our new Carbon Management Plan is designed to deliver a further 50% reduction from 3382 tCO₂e, the 2018/19 baseline year, by the end of financial year 2025. Building on these measures, North East Scotland College has now committed to achieving Net Zero Greenhouse Gas Emissions by 2035.

In line with Zero Waste Scotland we will also apply 5 key principles to help us work out the most effective ways to reduce our emissions by doing things differently. The five principles, used by zero waste Scotland, plan to guide us to net-zero are:

1. All net-zero strategies must be evidence-led;
2. They must achieve absolute emissions reduction;
3. They must prioritise emissions reductions over offsets;
4. Organisations need to go beyond net-zero to tackle their whole carbon footprint;
5. To accelerate change, we must share our successes and failures.

Strategic themes and principles:

- To continue to take a whole business approach so that carbon management is adopted as a key objective. Key stakeholders will continue to be appointed to ensure that carbon reduction is fully integrated into the college's culture.
- To adopt revised targets for the measurable reduction of carbon emissions and to deliver these reductions.

The College will continue to focus on increasing the energy efficiency of the estate by installing up-to-date technologies, including renewables where practicable, and engaging with staff and other stakeholders.

Compliance with the Climate Change (Scotland) Act 2009

As an early signatory to the Universities and Colleges Climate Change Commitment for Scotland (UCCCfS), North East Scotland College continues to fully comply with all aspects of the Climate Change (Scotland) Act 2009 and the reporting requirements of the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015. The College submits reports on an annual basis in line with requirements.

North East Scotland College fully complies with all aspects of the Climate Change (Scotland) Act 2009 and the reporting requirements of the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015. The College submits reports on an annual basis in line with requirements.

Modern Slavery and Human Trafficking

The Regional Board has considered its responsibilities with regard to the Modern Slavery Act 2015 and has published its annual Modern Slavery and Human Trafficking Statement here: -

<https://www.nescol.ac.uk/about-nescol/corporate-information/>

Anti-Bribery and Corruption

The Regional Board has considered its obligations under the Bribery Act 2010 and has published its Anti-Bribery and Corruption Policy here: -

<https://nescol.interactgo.com/Interact/Pages/Content/Document.aspx?id=1159>

The following statement is extracted from the Policy:-

“The Regional Board of North East Scotland College prohibits: the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement to or from any person or company, wherever they are situated and whether they are a public official or body or private person or company by any individual employee, agent or other person or body acting on North East Scotland College’s behalf in order to gain any commercial, contractual or regulatory advantage for North East Scotland College in a way which is unethical or in order to gain any personal advantage, financial or otherwise, for the individual or anyone connected with the individual.”

Financial Planning and Performance

Financial Objectives

The College's Financial Strategy has been developed to support its Strategic Plan and other supporting strategies. The Strategy also addresses the requirements and restrictions placed on the College by both the Financial Memorandum with the Scottish Funding Council and the wider requirements of public sector accounting and accountability. Specifically, the Strategy identifies: -

With regard to **Financial Sustainability**, the College will strive to:

- Prioritise ongoing Outcome Agreement negotiations with the SFC to ensure the needs of North East Scotland are recognised and that the College receives a resource allocation to meet demand and deliver on national and local priority areas;
- Manage its financial resources to allow it to fund the maintenance of its estate and IT infrastructure, together with future identified estates developments; and
- Ensure all costs are identified, accounted and planned for over a five-year planning period.

With regard to **Resource Deployment**, the College will strive to:

- Allocate resources through a budgeting cycle which considers external economic influence and utilises scenario planning techniques;
- Fully utilise its allocation from SFC on both an academic and financial year basis;
- Ensure that strategic priorities, including estates, IT and curriculum planning are fully integrated into the budget cycle; and
- Ensure workforce planning and future curriculum delivery are considered when budgeting for staff costs and that close monitoring and control is deployed to ensure efficient delivery.

With regard to **Liquidity**, the College will ensure that it uses the facilities available to it to:

- Maximise returns against agreed risk profiles and within the constraints of the public sector regulatory framework;
- Retain adequate cash reserves, at a level of not less than 10 days trading activity, while meeting Scottish Government cash flow requirements; and
- Balance cash released through net depreciation and the Cash Budget for Priorities over a five-year planning period.

With regard to **Innovation and Flexibility**, the College will seek to:

- Optimise the use of SFC income to support innovation in learning and teaching while continuing to deliver against our core performance indicators; and
- Exploit income opportunities from sources other than the SFC, seeking to increase such funding year-on-year.

The financial planning cycle takes cognisance of the learning and teaching planning cycle to ensure that resources are targeted to the Colleges priority development areas.

Financial Results

The Consolidated Statement of Comprehensive Income and Expenditure (SOI) for the year showed a deficit on the continuing operations after disposals of assets and taxation of £1,157,000 (FY2021-22: £2,680,000 deficit). After adjusting for the pension deficit on the revaluation of the funds as well as a surplus on the revaluation of property, the surplus for the year was £2,342,000 (FY2021-22: £20,626,000). Of the total income of the Group, 19.7% (FY2021-22: 20%) was received from non-SFC sources.

Impact of the Covid-19 Pandemic on Financial Performance

In line with almost every public and private business, North East Scotland College has continued to suffer significant adverse effects as a result of the Covid-19 pandemic. In addition to changes to the delivery of teaching and learning, there was a major impact on the College's financial performance and resultant out-turn for the year to 31 July 2023. The most significant impact was in terms of reduced commercial income.

Model Adjusted Operating Position (AOP) note

The SOCI presents the financial performance during the accounting period in accordance with the SORP. The AOP is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items outwith the control of the College. The AOP is therefore designed to smooth any volatility in reported results arising from FRS102 and also to recognise that some of the reported costs do not have an immediate cash impact on the College. The College's Underlying Operating Position can be illustrated as:-

		2022-23 £'000	2021-22 £'000
(Deficit) before other gains and losses		(1,186)	(2,689)
Add back:	Note:		
Depreciation (net of deferred capital grant release)	4 & 10	989	983
Pension adjustment – Net Service (Income)/Cost	30	(161)	1,510
Pension adjustment – Net Interest (Income)/Cost	30	(72)	258
Loss on revaluation of Investment Property		250	-
Payment to the Foundation		-	400
Adjusted operating (Deficit)/Surplus		(180)	462

The underlying position for 2022/23 has been approved by SFC.

The accumulated surplus on the Income and Expenditure reserve at 31 July 2023 was £18,698,000 (31 July 2022 £18,520,000). The provision for future pension costs arising from early retirement of former staff and the equalization of pension contributions under the Local Government Pension Scheme and the Scottish Teachers Superannuation Scheme at 31 July 2023 was £3,982,000 (31 July 2022: £5,788,000) whilst the FRS102 provision for the College's share of the North East Scotland Pension Fund (NESPF) was nil (31 July 2022: £nil).

The College has net assets of £65,280,000 (31 July 2022: £62,905,000). The current asset to current liabilities ratio is 1.1:1 (31 July 2022 adjusted: 1.1:1) – and shows the College has capital on hand to meet short term obligations, with a ratio over 1 indicating short term solvency. The gearing on long term liabilities is 0.7:1 (31 July 2022: 0.7:1) and a ratio of 0.25-0.5 to 1 is considered optimal. This shows the College is reliant on SFC funding to meet its long term liabilities.

During 2022-23, the College retained two subsidiary companies, Aberdeen Skills and Enterprise Training Ltd (ASET), and Clinterty Estates Ltd. The principal activity of ASET is the delivery of commercial training to the Oil and Gas and Engineering sectors. Clinterty Estates Ltd is dormant.

Taxation Status

The College has been entered into the Scottish Charity Register, and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue and Customs as a charity for the purposes of section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on its charitable activities. The College receives no similar redemption in respect of Value Added Tax.

Treasury Policies and Objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College's treasury management arrangements are governed by the College's financial regulations, which are compliant with the Financial Memorandum with the SFC, as are the College's borrowing arrangements.

Cash Flows

The Group cash flow balance decreased by £523,000 in the year (2021-22 – increase of £2,681,000)

Liquidity

During the financial reporting period, the College maintained its cash balances at a level which maintains sufficient resources to fund the operation of the College. The Regional Board acknowledges the prohibition set out in the Scottish Public Finance Manual on the accumulation of reserves.

The College's cash and liquid resources position at the end of the year was £8,675,000 (31 July 2022: £9,198,000), this equates to the College having 44 days of cash on hand (FY2021-22: 69 days).

Cash Budget for Priorities

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

Colleges have now each been given a fixed cash budget which must be spent on agreed government priorities as outlined in the table below. Spend of the College's cash budget for priorities, and impact on the operating position for the academic year, is detailed below.

Table of cash budget for priorities spend		
Revenue Priorities	2022-23 £'000	2021-22 £'000
Student Support	-	-
2015-16 Pay Award	328	328
Restructuring costs – Voluntary Severance Costs	-	-
Estates Costs	550	550
Other – Equipment Replacement	283	283
Total Impact on operating position	1,161	1,161
Capital Priorities		
Loan repayments	-	-
Estates Costs	-	-
Provisions pre 1 April 2014	-	-
Total Capital	-	-
Total cash budget for priorities spend.	1,161	1,161

Future Developments

In negotiating the College's Regional Outcome Agreement for 2023-24 with SFC, the College has agreed to teaching funding totalling £35.7M (2021-22 £35.7M). The College has set its budget for 2023-24 based on this level of funding and the College is confident it can achieve its budgeted position for the year.

In line with advice on overall budget for the college sector, the College is planning for the level of SFC teaching grant for activity levels to remain relatively static in future years. While recognising the SFC intention to provide medium-term support for the impact of national pay harmonisation, the College also recognises that significant future efficiencies will be required. In negotiating future Outcome Agreements, we will continue to review activity levels to ensure we meet demand. The College also plans to reduce dependency on the Scottish Funding Council grant and is seeking opportunities in the areas where it currently performs well, while also targeting increased contributions to training costs from employers. The College continues to seek best value in its activities through the use of collaborative procurement and framework agreements.

The condition survey of Scotland's colleges undertaken by the Scottish Funding Council in summer 2017 has shown that the College, in particular the Aberdeen City Campus, has a pressing need for investment to maintain its operations. In order to address this and also meet the needs and aspirations of all the College's learners and other stakeholders, the College had developed a masterplan for consideration by the Scottish Funding Council. However, as the Scottish Funding Council advised the College that it was unable to provide the grant funding necessary to support this masterplan, the College has prioritised the backlog and is using additional maintenance funding to address the more pressing items in 2023-24 and beyond.

The above notwithstanding, the College has continued to address immediate backlog maintenance needs, and work has continued during the year to improve the physical learning environment of the College estate to provide a better service to support learning and teaching. This work will continue in the next financial year in line with funding levels and agreed priorities.

Supplier Payment Policy

The College complies with the CBI prompt payment code and has a policy of paying its suppliers within 30 days of invoice unless the invoice is contested. At the time of writing, no interest has been paid under the late Payments of Commercial Debts (Interest) Act. All disputes are handled as quickly as possible. Suppliers' invoices were paid in 7 days in the year to 31 July 2023 (7 days in the year to 31 July 2022).

Interest paid under the Late Payments of Commercial Debts (Interest) Act amounts to £0 during this period (£0 during period to 31 July 2022).

PROFESSIONAL ADVISERS

External auditor:

Audit Scotland
Woodhill House Annexe
Westburn Road
Aberdeen
AB16 5GB

Bankers:

The Royal Bank of Scotland
1 Albyn Place
Aberdeen
AB10 1BR

Solicitors:

Burness Paull
Union Plaza
1 Union Wynd
Aberdeen
AB10 1DQ

Approved by the Principal and Chief Executive on 13th December, 2023.

**Neil Cowie
Principal and Chief Executive**

2. ACCOUNTABILITY REPORT

2.1 CORPORATE GOVERNANCE REPORT

Directors' Report

The undernoted individuals were Members of the Regional Board during the period of these financial statements, and up to the date of signing the accounts:

D Anderson (until 28.02.23)
D Anderson (Co-opted Committee member) (from 31.03.23)
N. Cowie (Principal and Chief Executive)
S. Elston – Regional Board Vice Chair (from 03.03.22 until 31.10.22), Regional Chair from 01.11.22
N Matthew (student member until 01.07.23)
C Beatton (student member)
J. Henderson - Vice Chair/Interim Regional Chair (from 03.03.22 till 31.10.22)
N. McLennan
K Koss (student member from 01.04.22)
S. Ross
A. Russell Regional Board Vice Chair (until 31.05.23)
G. Watt (support staff member until 27.03.23)
C Dempster (support staff member from 28.03.23)
D Blackhall (teaching staff member)
A Rodden
J Gifford
L McDermid
I Watt (since 31.01.23)
B Hutcheson (since 15.08.22)
D Cockburn (since 31.01.23)
M Fotheringham (since 31.03.23)

Secretary to the Board: S Lawrance

In addition to the Principal and Chief Executive, other members of the Executive Team who are in a position to influence the decisions made by the College as a whole are:

R McGregor – Vice Principal Curriculum and Quality
P. Smith – Vice Principal Finance and Resources (left 02.09.22)
J Kirkwood & S Matthew – Acting Vice Principal Finance and Resource (03.09.22 - 23.04.23)
S Thompson – Vice Principal Finance and Resources (since 24.04.23)

Details of transactions with members of the Board are given in Note 28 to the financial statements.

Statement of Regional Board's Responsibilities

The Regional Board is required to present audited financial statements for each financial year. In accordance with the Further and Higher Education (Scotland) Act 1992 (the Act), as well as the 2019 Statement of Recommended Practice on Accounting for Further and Higher Education, the Regional Board is responsible for the administration and management of the College's affairs, including ensuring an effective system of financial control, and is required to present audited financial statements for each financial year.

The Regional Board is responsible for keeping proper accounting records in accordance with the 2019-20 Government Financial Reporting Manual (FReM) issued by the Scottish Government. The accounting records also comply with other relevant accounting standards that disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and 2005. In addition, within the terms and conditions of the Financial Memorandum agreed between the Scottish Funding Council and the College's Regional Board, the Regional Board, through its designated office holder, is required to prepare financial statements for each financial period that give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that period.

The financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by the Scottish Government. They are also prepared in accordance with the Accounts Direction issued by the Scottish Funding Council, which brings together the provisions of the Financial

Memorandum with other formal disclosures that the Scottish Funding Council require the Regional Board to make in the financial statements and related notes.

The Accounting Officer of the College is required to confirm that, as far as they are aware, there is no relevant audit information of which the College's auditors are unaware, and the Accounting Officer has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the College's auditors are aware of that information.

In preparing the financial statements, the Regional Board is required to:

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

- Ensure that funds from the Scottish Funding Council (SFC) are used only for the purposes that they have been given and in accordance with the Financial Memorandum with the SFC 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 safe guard public funds and funds from other sources;
- Safeguard the assets of the College and prevent and detect fraud;
- Secure the economical and efficient management of the College's resources and expenditure.

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

- Clear definitions of responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- 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 monthly 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 Regional Board;
- Comprehensive Financial Regulations, detailing financial controls and procedures approved by the Audit and Risk Committee and the Finance and Resources Committee;
- A professional internal audit service whose annual programme is established by the Audit and Risk Committee and endorsed by the Regional Board and whose head provides the Regional Board 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.

Governance Statement

Introduction

The College is committed to exhibiting best practice in all areas of corporate governance. The following summarises the corporate governance principles which have been applied during the reporting period.

Governing Body

The Regional Board has responsibility for overseeing the business of the College, determining its future direction and fostering an environment in which the College vision and values are achieved, and the potential of all learners is maximised. The Regional Board must also ensure compliance with the statutes, ordinances and provisions regulating the College and its framework of governance and, subject to these, take all final decisions on matters of fundamental concern to the College.

The operation of the Regional Board is defined in a Governance Manual which includes its Constitution and Standing Orders, Scheme of Delegation, Code of Conduct and detailed Terms of Reference for the Board

and each of its Committees. The Governance Manual is regularly reviewed by both the Governance and Nominations Committee and the Regional Board.

The Regional Board meets a minimum of four times during each academic year. In addition to Regional Board Meetings, the following Standing Committees have also been established:

- **Audit and Risk Committee**
The Committee has overall responsibility for monitoring the College's internal control, internal and external audit, value for money, and risk management processes.
- **Curriculum and Quality Committee**
The Committee has overall responsibility for maintaining a strategic overview of the College's curriculum offer and its development and monitoring the quality of the student experience.
- **Finance and Resources Committee**
The Committee has overall responsibility (within the Financial Memorandum between the College and the Scottish Funding Council (SFC)) for the direction and oversight of the College's financial affairs.
- **Human Resources Committee**
The Committee has overall responsibility for the direction and oversight of all human resource matters relating to the function of the Regional Board as employer of the College's staff.

The Audit and Risk Committee, Curriculum and Quality, Finance and Resources Committee met three times last year. The Human Resources Committee met twice during AY2022-23.

The following additional Committees are held as required:

Remuneration Committee - the remit of this committee is to:

- advise the Board and make recommendations on matters relating to the pay, conditions of service and structure of the College's Executive Team and such other staff as the Regional Board may from time to time determine;
- seek comparative information on salaries and other emoluments and conditions of service in the FE sector;
- ensure that the performance of the Principal as head of the College is assessed on an annual basis;
- oversee severance arrangements for senior staff and ensure that account is taken of the SFC guidance on Severance Arrangements in respect of senior staff. Where consideration of severance arrangements is delegated, to ensure that boundaries of delegated authority are clear, and to receive formal reports of any severance arrangements.
- The remunerations Committee met once during AY2022/23 (on 12.10.22)

Governance and Nominations Committee – The remit of this relatively new Committee is to support the Regional Board in maintaining high standards of governance, and shall:

- Consider and recommend amendments to the Regional Board's Governance Manual;
- Ensure that the Regional Board complies with the Code of Good Governance for Scotland's Colleges;
- Consider implications of legislative changes and advise the Regional Board accordingly.
- Provide a forum to consider any governance issues that arise centrally or in other college regions and any possible implications or considerations for the Regional Board of North East Scotland College.
- Consider the Board's succession planning arrangements
- Support the process by which Regional Board Members are recruited, selected, and recommended for appointment;
- Support the process by which individuals, including Non-executive Members at the end of their term of office, are co-opted to Board Committees;
- Advise the Regional Board on matters relating to the appointment of the Chairs, Vice Chairs and membership of the Board's Committees and
- Where the Regional Board so determines, provide assistance in identifying, selecting and recommending candidates for appointment to senior staff positions in the College, and to senior positions in College subsidiaries or any other body to which the College is entitled to make appointments.
- The Governance and Nominations Committee met four times in AY2022-23.

Positive changes made following Covid-19

Changes made in light of the Covid-19 pandemic have been reviewed with the following positive operations of the Board and its Committees continuing throughout AY2022/23:

- The Regional Board agreed to continue to hold all Committee Meetings (in agreement with Committee Chairs) through the use of Microsoft Teams, noting if required these can be changed to in person meetings.
- The Regional Board agreed to continue to hold all Regional Board Meetings throughout AY2022/23 in person at various campuses.
- Chairs Committee remain a permanent aspect of the Board's governance arrangements and met twice during AY2022/23
- Weekly engagement has continued between the Regional Chair and Principal & Chief Executive (held through a combination of Microsoft Teams and face to face meetings).
- Inclusion of additional items of business related to impacts of Covid-19 at Board and Committee Meetings; including Staff Wellbeing Report, and Report on increased Student Support and Wellbeing - provided at Committee Meetings.
- The College's Strategic Risk Register, owned by the Board and monitored by the Audit and Risk Committee remains a Standing Item for the Board Meetings.
- A Microsoft Teams area dedicated to Board (and accessible to Board Members) was set up during Covid-19 and continues to be used by Board members where all agendas, papers and key College documents can be found.

Committee Memberships

The Regional Board has formally constituted several committees with terms of reference. These committees act with delegated authority. Membership of key committees during the period to 31 July 2023 is as follows:

Key Committees (noting the changes to Regional Board members in 2.1 above and some changes to Committee membership agreed by the Regional Board throughout AY2022/23:

- **Audit and Risk Committee**
Members – D. Anderson (Chair until end of tenure in March 2023 – then co-opted member), A. Russell (Vice Chair), S. Ross (until taking over as F&R Chair), L McDermid; S Elston; J Gifford (Chair from April 2023); B Hutcheson; I Watt
- **Curriculum and Quality Committee**
Members – D Anderson (until end of tenure), D Blackhall, N. Cowie, L McDermid, N. McLennan, A Rodden (Chair after A. Russell's end of tenure), A. Russell (Chair – until end of tenure), G. Watt (until end of tenure); C Dempster; N Matthews; C Beaton. D Cockburn.
- **Finance and Resources Committee**
Members – A Rodden; D Blackhall, N. Cowie, S. Elston, J Gifford, J. Henderson (Chair until end of tenure – Nov 2022), S Ross (Vice Chair then Chair from Nov 2022); N. McLennan (Vice Chair from Nov 2022), B Hutcheson; I Watt
- **Human Resources Committee**
Members – N. Cowie, S. Elston (Chair until taking up position of Regional Chair), J. Gifford, J. Henderson (Vice Chair until end of tenure), N McLennan; G. Watt (until end of tenure); C Dempster; L McDermid (Chair from Nov 2022), D Cockburn.
- **Remuneration Committee**
Members – N Matthews; J. Henderson (until end of tenure), D Russell (until end of tenure) , G Watt (until end of tenure); C Dempster; S Ross; S Elston; L McDermid
- **Governance and Nominations Committee**
Members - J Henderson (Chair – until end of tenure); D Anderson (until end of tenure); S Elston (Chair from Nov 2022); ; D Russell; L McDermid; S Ross; N Cowie

Board Member attendance at Board and Committee meetings for the year to 31 July 2023 is as follows:

Board Member	Regional Board	Audit & Risk	Curriculum & Quality	Human Resources	Finance & Resources
D. Anderson	3/3	2/2	1/2		
D Blackhall	3/4		2/3		3/3
N. Cowie	4/4		3/3	2/2	3/3
S. Elston	4/4	2/3	2/3	1/2	2/3
J Gifford	4/4	2/3		2/2	3/3
J. Henderson	1/1			1/1	
L McDermid	4/4	3/3	2/2	1/1	
N. McLennan	3/4		1/2		1/1
A Rodden	4/4		1/3		3/3
S. Ross	3/4	2/2			3/3
A. Russell	4/4	3/3	3/3		
B Hutcheson	3/4	0/1	1/3		
D Cockburn	2/2		1/2	1/1	
I Watt	2/2	1/1			1/1
C Dempster	1/1		1/1	1/1	
N Matthews	4/4		2/3		0/3
C Beaton	3/4		3/3	0/3	2/3

The Governance and Nominations Committee continue to undertake a key role in monitoring compliance with the Code of Good Governance for Scotland's Colleges and consider implications of any legislative changes. The Committee also helps to ensure that the Board remains fully effective by considering and recommending the implementation of any guidance or best practice that is issued to the sector. In addition, the Committee considers succession planning arrangements for its membership and ensures that the Board's Governance Manual is reviewed regularly.

The Board has established an annual evaluation process for reviewing its effectiveness. This includes a suite of evaluations – Board, Committees, Regional Chair, Committee Chairs, individual Board Members and Secretary to the Board. The annual process reflects sector guidance issued in "Guidance Notes for Boards in the College Sector: A Board Development Framework".

The Regional Board seeks to comply fully with the Code without exception.

At its meeting in March 2021 the Board considered a paper by MHA Henderson Loggie on its Externally Facilitated Effectiveness Review undertaken in AY2020/21. The Report evidenced a high level of compliance with all aspects of the Code of Good Governance for Scotland's Colleges. MHA Henderson Loggie highlighted the report contained no areas of non-compliance and no recommendations.

MHA Henderson Loggie commented that the External Effectiveness Review carried out should provide Members with assurance that the Nescol Regional Board is strong and committed. The Report was approved by the Regional Board prior to its submission to the SFC and publication on the College's website.

The college continues to comply with all the principles of the 2016 Code of Good Governance for Scottish Colleges, and it has complied throughout the year ended 31 July 2023. The Audit and Risk Committee at its May meeting received a Review of Compliance paper and noted the updated Board member Register of Interests and the planned annual appraisals of Committees, Committee Chairs, Regional Board and Board Secretary.

The Board at its March 2022 meeting, considered and approved the revised Governance Manual which now incorporates the Standards Commission for Scotland Model Code of Conduct, which is available on the College website [Model Code of Conduct for Members of Devolved Public Bodies \(d1ssu070pg2v9i.cloudfront.net\)](https://d1ssu070pg2v9i.cloudfront.net)

Risk Management and Internal Control

The Audit and Risk Committee, during 2022/23 asked that the Strategic Risk Register be reviewed, to reflect the risk appetite at a strategic level, which Members noted at their May meeting would take place over the summer period and include discussions with the Internal Auditors, Henderson Loggie. The intention to

streamline the format, process and framework was highlighted along with intended Executive Team and Leadership team risk awareness and risk management training scheduled for early AY2023/24.

The Leadership Team recently participated in a training session on risk management facilitated by Henderson Loggie. The session covered the principles, objectives, impact and process followed by a detailed review of the College Strategic Risk Register. The strategic risk register was discussed and agreed by the College Leadership Team and subsequently by the Audit and Risk Committee at its meeting in September 2023.

NESCol's Risk Management Policy is owned by the Regional Board and sets out the College's underlying approach to risk management, including the College's overall Risk Appetite Statement, to ensure that appropriate risk management arrangements are in place and that these have been embedded throughout the whole College. The Policy also documents the roles and responsibilities of the Board, the Executive Team, and other key parties, and outlines key aspects of the risk management process, identifying the main reporting procedures.

The Board's Audit and Risk Committee has specific duties in relation to Internal Control and Risk Management:

Internal Control

- Reviewing and advising the Regional Board of the Internal Audit Services (IAS) and the external auditor's assessment of the effectiveness of the College's financial and other internal control systems, including controls specifically to prevent or detect fraud or other irregularities, as well as those for securing economy, efficiency and effectiveness reviewing and advising the Regional Board on its compliance with corporate governance requirements and good practice guidance.

Risk Management

- Reviewing the Risk Management Policy, ahead of its consideration by the Regional Board;
- The Committee will be responsible for satisfying itself that risks are being managed and will seek assurance on the adequacy of their management, including from Internal and External Auditors and the Executive Team.

The Committee also has specific duties in relation to Internal Audit, External Audit, and Value for Money.

The Regional Board, in conjunction with the Executive Team, maintains a Strategic Risk Register. The Register identifies, against each Strategic Theme, actual critical risks that the College is facing. An overall strategic risk appetite is detailed along with a risk appetite for each Strategic Theme. Details of current controls and further actions to be taken to mitigate each risk along with the current level of risk control are also provided alongside risk scorings. The Strategic Risk Register is reviewed regularly by the Executive and Leadership Teams, with the document considered by the Audit and Risk Committee as a standing item at each of its meetings. The Strategic Risk Register is reflected upon during the setting of the College's Annual Internal Audit Programme. The College addresses operational risks through its Team and Faculty Enhancement Plans, which cross reference relevant risks included in the Strategic Risk Register. The Plans are 'live' documents which are key to the College's quality enhancement and improvement planning processes and are referred to and reported on throughout the academic year. Individual risk registers and risk assessments are also completed for significant College projects.

The College's system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the College to respond to a variety of operational, financial, and commercial risks. These elements include: policies and procedures; monthly reporting; business planning and budgeting; strategic themes, goals and objectives; risk registers; internal audit programme; and external audit.

The Regional Board is responsible for reviewing the effectiveness of internal control of the College, based on information provided by the Executive Team. For each significant risk identified, the Board, as part of the strategic planning and review process:

- i) reviews the previous year and examines the College's track record on risk management and internal control; and
- ii) Considers, on a continuous basis, the internal and external risk profile of the coming year and in terms of medium and longer term planning, and considers if current internal control arrangements are likely to be effective.

In making its decision, the Board considers the control environment; on-going identification and evaluation of significant risks; Information and communication; and monitoring and corrective action.

In addition, the remit of the Board's Audit and Risk Committee includes the review of the comprehensiveness, reliability and integrity of assurances, including the College's governance, risk management and internal control frameworks, and making recommendations to the Regional Board as appropriate.

The College has identified the risks to its Strategic Goals as noted on pages 7-8 of this report, as currently requiring close monitoring, because they have all been graded as significant or above. Other, more general risks have been identified which do not so readily attach themselves to individual Strategic Goals. These risks are:

- IF levels of SFC funding do not enable the College to invest in developing and strengthening its IT environment and support capabilities, THEN the College may experience system outages and interruptions to critical IT services that will negatively impact College business.
- IF levels of SFC funding do not enable the College to maintain its estates portfolio and use of properties, THEN the College may require to mothball or reduce delivery in some of its centres and rationalise its delivery locations. This will impact College business. There is a risk that external contractors may not appropriately handle any of their affected staff. Then the College may suffer reputational damage.
- IF levels of SFC funding do not enable the College to maintain its current service levels, it may consider decreasing or outsourcing its marketing provision. This is a high-risk strategy and would affect the College's communication ability as well as the level of student recruitment. Then the College may suffer reputational damage.
- IF the College is the victim of a cyber-attack, THEN the College may experience IT systems outages and/or data security breaches, both resulting in significant business disruption.

Mitigations for the above risks focus on comprehensive policies and procedures, staff training, external guidance and legal advice, audits and systems monitoring and testing, employment of a Data Protection Officer, delivery of the IT project programme, and continuing dialogue with SFC.

The Board Meeting in June 2021 considered and approved the Strategic Plan 2021-23 which is underpinned by a series of supporting strategies each representative of key areas of College activity and priority. All supporting strategies are very closely aligned to the new Strategic Plan. The themes contained within each are woven into the ones contained within the Plan itself and will help support the realisation of the short, medium and longer term aspirations of the College. Additional contextual information, including a mapping of the Plan to regional and national priorities, is also provided within the three appendices of the report. A copy of the College Strategic Plan is available on the College website [NESCol-Strategic-Plan-2021-23-1.pdf \(d1ssu070pg2v9i.cloudfront.net\)](https://www.nescol.ac.uk/d1ssu070pg2v9i.cloudfront.net).

Board's Statement on Internal Control

The College's Regional Board 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 Board's Committees and Executive Team receive 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 College's academic sectors and teams and reinforced by risk awareness training. The Executive Team and the Audit and Risk Committee also receive regular reports from internal audit that include recommendations for improvement and identify areas of good practice.

The Audit and Risk Committee's role in this area is confined to a high level review of the arrangements for internal control.

The Regional Board's agenda includes items relating to the consideration of risk and control at key points of the College's planning and reporting cycle and receives reports thereon from the Executive Team and the Audit and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

The Regional Board 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 2023 and up to the date of approval of the annual report and accounts. The Regional Board regularly review this process, which accords with the Turnbull guidance on internal control, as applicable to the further education sector.

A programme of internal audit work has been undertaken as approved by the Audit and Risk Committee and the results have provided evidence to the Board that there are strong controls in most areas under review. Areas reviewed during AY2022-23 were: Health and Safety (Good) – no recommendations; Debtors/Income (Satisfactory) – 5 low priority recommendations; Cash & Bank (Good) – 1 low priority recommendation; Financial Planning (Good) – no recommendation; IT/Digital Strategy (Good) – 1 low priority recommendation; General Ledger (Satisfactory) – 3 low level recommendations; Follow-up Reviews – with 2 low level recommendations requiring further action; Overall conclusion from the ‘Follow-Up’ reviews is that 12 of 14 recommendations “full implemented”, two “partially implemented”. The management responses to each Internal Audit Report were discussed and approved by the Audit and Risk Committee at its June 2023 meeting.

To ensure that internal audit recommendations are implemented as agreed, each year a follow up review is included as part of the Annual Internal Audit Plan. This provides the Regional Board, via the Audit & Risk Committee, with independent assurance that recommendations have been fully implemented by the College and can therefore be removed from the audit action plan. If any issues remain outstanding beyond the agreed implementation deadline this also highlighted if a recommendation requires to be reviewed due to changed circumstances.

The internal auditor has expressed the opinion that the Regional Board of North East Scotland College has adequate and effective risk management, control and governance processes to manage its achievement of the College’s objectives at the time internal audit work was undertaken and that the College has proper arrangements to promote and secure value for money.

Significant Lapses of Data Security

There were no significant lapses in data security, i.e. reportable to the Information Commissioner’s Office, during AY2022-23 or up to the date of signing of this report.

Conclusion

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

The Audit and Risk Committee agendas during AY2022-23 included consideration of risk and control and reports thereon from the Executive Team and the Internal Auditors. The emphasis was on obtaining the relevant degree of assurance and not merely reporting by exception.

The Regional Board is of the view that there was an on-going process for identifying, evaluating and managing the College’s significant risks, that it had been in place for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts, that it was regularly reviewed by the Regional Board and that it accords with the 2016 Code of Good Governance for Scotland’s Colleges.

Going Concern

In accordance with the FReM, the College has prepared its financial statements on a going concern basis as we have not been informed by the Scottish Government through the Scottish Funding Council of the intention for dissolution without transfer of services or function to another entity of the Higher and Further Education provision.

The College recorded a deficit for the year of £1,186,000 before other gains and losses during the financial year and total comprehensive income of £53 million. The College reported an adjusted operating deficit of £180,000 after accounting for technical pension adjustments of £(233,000), net depreciation adjustments of £989,000 and a loss on revaluation of an Investment Property of £250,000. Cash decreased by £0.5 million during the year to £8.7 million at 31 July 2023. At 31 July 2023, the College held no borrowings and has reported a Group net asset position in these financial statements of £65.3 million (2021/22: £62.9 million). This includes a pension liability of £4 million for the College’s share of the North East Scotland Local Government Pension Scheme (LGPS) at 31 July 2023 (2021/22: £5.8 million).

The activities of NESCOL are 80% funded by the Scottish Government through the Scottish Funding Council to provide Higher and Further Education. The Regional Board and the Executive Team are responsible for ensuring that these funds are used to meet this purpose and the operations within the College to achieve this support ensuring financial sustainability for the College.

The College has in place a 3-year strategic plan outlining its key strategic aims. One of the key strategic themes is leading sustainability, which seeks to achieve sustainable levels of funding in support of our core activities from the Scottish Funding Council and maximise income from commercialisation. This theme is in turn supported by a Finance Strategy.

The College has recently updated the financial forecast out to 2025/26 in line with the assumptions provided by the Scottish Funding Council (SFC) which include assuming colleges taking relevant actions to balance their underlying positions each year. Based on our latest assumptions the College will operate with an Adjusted Operating Position showing a planned deficit in 2023/24 of £436,000, and small surpluses in the two years following up to 2025/26. Over that same period, the forecast cash balance is expected to reduce to £4.5 million at the end of 2025/26.

The Regional Board and the Finance and Resources Committee have had full sight of the financial forecasts as they have progressed. These forecast positions will remain fluid and will be regularly reviewed by the College. Mitigating actions are being established should they be necessary to implement to support, and include:

- Ongoing engagement with SFC and other external agencies within the education landscape to support economic recovery and secure funding sources through the College to provide education and training activities to individuals and businesses.
- Review of staffing structures and the non-staff cost base across the forecast period to align with rising costs and real time funding cuts as indicated within SFC funding assumptions.
- Rigorous budgeting, forecasting and ongoing reporting against budget.
- Ongoing drive for year on year operational efficiencies, including the implementation of a Procurement Strategy.
- Streamlining business processes and systems using technology and digital skills.

Following review of the updated Financial Forecast and mitigating actions, the Regional Board considers that the College has adequate resources to continue in operational existence for the foreseeable future. As a result, the financial statements have been prepared on a going concern basis for the period to 31 July 2023.

2.2 REMUNERATION AND STAFF REPORT

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

Remuneration Policy

The remuneration of the Chair of the Regional Board is set by the Scottish Government.

The College has a Remuneration Committee, which meets as required, with the remit outlined on page 24.

The remuneration policy for the Principal and Executive Team is considered in two ways:

- The roles and responsibilities of each job description; significant changes in responsibilities during the previous period; equal pay; benchmarking data, and the analysis of similar public sector roles within the Scottish public sector
- Cost of living uplifts bearing in mind public sector pay policy guidance, settlements agreed under national collective bargaining arrangements for Scottish colleges, and any formal performance management procedures to which the individual is subject to at the point of the review.

Remuneration (including salary) and Pension entitlements

Single total figure of Remuneration:

Actuals Name	12 months ended 31 July 2023			12 months ended 31 July 2022		
	Salary £'000	Pension Benefit (to nearest £'000)	Total £'000	Salary £'000	Pension Benefit (to nearest £'000)	Total £'000
S Elston, Regional Chair	25-30	-	25-30	-	-	-
N Cowie, Principal & Chief Executive	140-145	(28)	110-115	135-140	4	140-145
P Smith, Vice Principal Finance	5-10	(111)	(100-105)	105-110	2	105-110
J Kirkwood, acting Vice Principal Finance	55-60	102	155-160	-	-	-
S Matthew, acting Vice Principal Resources	55-60	30	85-90	-	-	-
R. McGregor, Vice Principal Curriculum and Quality	105-110	34	140-145	105-110	32	135-140
J Henderson Regional Board, Interim Chair	0-5	-	0-5	0-5	-	0-5
S Thompson Vice Principal Finance	25-30	(3)	25-30	-	-	-

Notes: (these notes also apply to the table on the following page)

1. S Elston was appointed Regional Chair on 31st October, 2022. (FTE salary £25-30k).
2. J. Henderson was Interim Regional Chair from 3rd March, 2022 until 31st October, 2022. (FTE salary £5-10k).
3. P. Smith left the college on 2nd September 2022. (FTE salary £105-110k).
4. J. Kirkwood and S. Matthew were appointed acting Vice Principals for Finance and Resources from 3rd September, 2022 until 23rd April 2023. As their posts were temporary, the pension calculations shown above have been distorted due to the nature of the calculations. (FTE salary £85-90k).
5. Stuart Thompson was appointed Vice Principal of Finance and Resources on 24th April, 2023. (FTE salary £105-110k).
6. There were no payments made for performance, bonuses, in lieu of pension, or non-cash.
7. Only the persons disclosed in the Directors Report who are remunerated are disclosed in the above table.
8. The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contribution made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

Median Remuneration

Colleges are required to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce.

The banded remuneration of the highest paid official in the organisation in the financial year 2022/23, was £140,000-£145,000 (2021/22 £135,000-£140,000). This was 3.9 (2021/22 3.6) times the median total remuneration for the College which was £36,445 (2021/22 £38,229).

Accrued Pension Benefits

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

From 1 April 2015 the STSS and LGPS changed from a final salary scheme to a CARE scheme where pension is based on career average revalued earnings, taking the average earnings over the employee's working life, while member of the scheme, to calculate pension entitlement. Pension on service up to 31 March 2015 is still however calculated on a final salary basis.

The scheme's normal retirement age is 65.

Contribution rates for all employees are determined annually by the respective pension schemes and can be found in note 30.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on a career average earnings basis.

Senior Officials' Pension

Pension Benefits are provided to senior management on the same basis as all other staff. The accrued pension benefits for senior officials are set out in the table below, together with the pension contributions made by the College.

Accrued Pension Benefits for senior staff:

Name	Accrued Pension at Pension age at 31 July 2023 £'000	Accrued Lump Sum at Pension age at 31 July 2023 £'000	Real Increase in Pension 1 Aug 2022 to 31 July 2023 £'000	Real Increase in Lump Sum 1 Aug 2022 to 31 July 2023 £'000	CETV at 31 July 2023 £'000	CETV at 31 July 2022 £'000	Real Increase/ (Decrease) in CETV £'000
S Elston, Regional Chair	-	-	-	-	-	-	-
N Cowie, Principal & Chief Executive	40-45	115-120	(0-2.5)	(7.5-10)	943	948	(5)
P Smith, Vice Principal – Finance	50-55	80-85	(5-7.5)	(7.5-10)	943	952	(106)
J Kirkwood, acting Vice Principal Finance	45-50	75-80	2.5-5	5-7.5	934	741	119
S Matthew, acting Vice Principal Resources	5-10	-	0-2.5	-	95	65	23
R. McGregor, Vice Principal Curriculum and Quality	15-20	-	0-2.5	-	173	135	24
J Henderson Regional Board, Vice Chair	-	-	-	-	-	-	-
S Thompson, Vice Principal – Finance	-	-	-	-	8	-	8

The CETV Pension Benefits shown for acting up Directors/leavers are full year figures – figures for the actual time in office were not available.

Cash Equivalent Transfer Value (CETV)

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

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

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

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

Real Increase in CETV

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

Compensation for loss of office

Twenty employees left under voluntary redundancy terms in 2022/23 (2021/22 One). They did not receive any additional compensation, which includes compensation for an actuarial reduction on their pension rights.

Total number of exit packages by cost band

Exit package cost band	2022/23	2021/22
<£10,000	2	1
£10,000 - £25,000	3	-
£25,000 - £50,000	13	-
£50,000 - £100,000	2	-
£100,000 - £150,000	0	-
Total Number of exit packages	20	-
Total cost (£000s)	636	1

Staff Numbers

Staff Data as at 31 July 2023	Total	Male	Female
Number of Staff (Headcount)	583	247	336
Number of Staff (FTE)	491	222	269
Number of Staff (FTE) on permanent contracts	479	217	262
Number of Staff (FTE) on temporary contracts	12	5	7

Note: FTE figures are rounded to the nearest whole number.

	Year ended 31 July 2023			Year ended 31 July 2022		
	Male	Female	Total	Male	Female	Total
Directors	1	1	2	2	-	2
Senior employees	6	-	6	3	-	3
Other employees	215	268	483	229	273	502
Total	222	269	491	234	273	507

There were an average of 0.33 FTE agency staff employed each month by the College.

ASET's Director's remuneration is not included in this report.

Other information on Staffing Costs is given in Note 7 to these financial statements.

Salaries and Related Costs

During the year, the College incurred staffing costs of £30,974,000 (2021/22 £31,063,000) and costs of £2,382,000 (2021/22 £2,290,000) on agency staff. The number of days lost to sickness during the year was approximately 4,626 days (2021/22 4,488.5). This represented 3.4% (2021/22 3.4%) as a percentage of days available to work. The overall staff turnover for the year was 14.5% (2021/22 7.9%).

The College spent £61,000 on Consultancy during the year (2021/22 £54,000), but there were no off-payment engagements, nor were there any consultancy payments to staff who had left the College's employment.

	2022-23 £'000	2021-22 £'000	Change %
Range of workforce remuneration	(22-24) – (140-145)	(20-22) – (135-140)	
% change in salary and allowances for employees as a whole	45	40	12.5%
Highest paid official remuneration	140-145	135-140	3.6%
Median (total pay and benefits)	45	43	4.2%
Median (salary only)	45	43	4.2%
Ratio	3.15:1	3.17:1	-0.6%
25 th percentile (total pay and benefits)	34	32	5.6%
25 th percentile (salary only)	34	32	5.6%
Ratio*	4.15:1	4.23:1	-1.9%
75 th percentile (total pay and benefits)	45	43	4.2%
75 th percentile (salary only)	45	43	4.2%
Ratio	3.15:1	3.17:1	-0.6%

The figures shown for 2021/22 have been restated to incorporate annualised FTE figures.

In the financial year 2022/23, the highest paid official received a remuneration of £140k-£145k (2021/22 £135k-£140k). This is 3.15 times the median total remuneration of £45,190 (2021/22 3.17 times the median total remuneration of £43,357).

Equalities, Diversity and Inclusion

The College takes equality, diversity and inclusion very seriously. This includes having an Equality & Diversity Policy available to all staff on its intranet.

Every two years, in line with legislation, the College also publishes a number of reports on its website which detail the progress it is making towards meeting the Public Sector Equality Duty (PSED) and how the College is mainstreaming this duty to ensure that everyone who learns or works at NESCol receives the best possible experience. The most recent reports are available at:

Public Sector Equality Duty – Interim Report 2023

<https://d1ssu070pg2v9i.cloudfront.net/pex/nescol/2023/05/11155057/The-Public-Sector-Equality-Duty-2023-Interim-Report.pdf>

Staff Equality Report (covering employee information, including across recruitment and retention, by protected characteristics):

https://d1ssu070pg2v9i.cloudfront.net/pex/nescol/2023/06/16132910/Staff_Equality_Report.pdf

Pay Gap Report – Gender & Ethnicity:

<https://d1ssu070pg2v9i.cloudfront.net/pex/nescol/2021/04/29143230/Appendix-3.pdf>

Learning & Development Equalities Report:

<https://d1ssu070pg2v9i.cloudfront.net/pex/nescol/2023/06/15155300/Learning-and-Development-Report-AY20-21-and-AY21-22.pdf>

People Services has an Equality Action Plan to ensure it delivers on the actions identified its Gender & Ethnicity Pay Gap, Staff Equality, and Learning and Development reports and progress is reported to the Board's Human Resources Committee.

In addition, the College has an Equalities Committee which meets regularly to drive forward equalities initiatives.

The Staff Equality Report details the College's disability profile as follows:

The College disability profile as at 31 December 2022 was:

	Total Number	Total % of overall headcount	Male (Number)	Female (Number)
Disability	67	11.4	23	44
No disability	355	60.4	149	206
Prefer not to say	6	1.0	4	2
Unaware/Blank	160	27.2	77	83
Total	588	100.0	253	335

Note: % Figures have been rounded to one decimal place

This compares with the College disability profile as at 31 December 2021:

	Total Number	Total % of overall headcount	Male (Number)	Female (Number)
Disability	56	10.0	21	35
No disability	392	69.7	168	224
Prefer not to say	3	0.5	3	-
Unaware/Blank	111	19.8	57	54
Total	562	100.0	249	313

Note: % Figures have been rounded to one decimal place

It should be noted the College, which is a Disability Confident Employer, continues to work closely with occupational health to provide support for any member of staff who has or who develops a health condition/disability which may impact on their ability to do their job and also provides support to staff via the College's Employee Assistance Programme.

The College also has a number of policies and procedures, all of which are available on the College's intranet:

- Health & Attendance Policy – which includes a section on disability, including reasonable adjustments as support
- Flexible Working Policy & Procedure – which allows staff to request changes to their working pattern (hours of work, days of work etc)
- Menopause Policy – which identifies support for those going through the menopause
- Recruitment & Selection Strategy & Policy – to ensure fairness and transparency in the recruitment process, across all protected characteristics
- Staff Development Policy – which outlines the College's commitment to staff development and which applies to all staff

Facility Time for Trade Union Activities

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the College provided the following support through paid facility time for union officials working at the College during the year ended 31 July, 2023.

Number of employees who were relevant union officials during the year:	Full-time equivalent employee number:
7	6.5

Percentage of time spent on facility time

Percentage:	Number of employees
0%	-
1% - 50%	7
51% - 99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time	£15,458
Total Pay Bill	£30,974,000
Percentage of the total Pay Bill spent on facility time	0.05%

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

The College does not monitor the time spent on trade union activities as a percentage of total paid facility time hours.

2.3 PARLIAMENTARY ACCOUNTABILITY REPORT

As Scottish government bodies, Colleges are required to disclose under each of the following three headings additional information if that information is deemed to be material. For North East Scotland College, these items are not deemed to be material. This was the same position in 2021/22.

Fees and charges

There are no items to be disclosed under this heading.

Disclosure of contingent liabilities

There are no items to be disclosed under this heading.

Disclosure of total losses and total special payments

There are no items to be disclosed under this heading.

Auditor Scrutiny

In reviewing the Accountability Report for consistency with other information in the financial statements, the auditors will provide an opinion on the following disclosures:

- Regularity of expenditure
- Disclosures on parliamentary accountability
- Single total figure of remuneration for each member of senior management
- CETV disclosures for each member of the senior management
- Payments to past members of senior management
- Payments for loss of office, if relevant
- Fair pay disclosures
- Exit packages (if relevant), and
- Analysis of staff numbers and costs

The Accountability Report on pages 22 to 36 was approved on behalf of the Regional Board and signed on its behalf by:

Signed:

Susan Elston
Regional Chair
Date: 13th December, 2023

Neil Cowie
Principal and Chief Executive

2.4 INDEPENDENT AUDITOR'S REPORT

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

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of North East Scotland College and its group for the year ended 31 July 2023 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheet, and the Consolidated Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the affairs of the college and its group as at 31 July 2023 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the college and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the college. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the college and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the college and its group. However, I report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Regional Board for the financial statements

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

In preparing the financial statements, the Regional Board is responsible for assessing the ability of the college and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the college and its group.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the college sector to identify that the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 are significant in the context of the college;
- inquiring of the Vice Principal Finance and Resources as to other laws or regulations that may be expected to have a fundamental effect on the operations of the college;
- inquiring of the Vice Principal Finance and Resources concerning the college's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the college's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Regional Board is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on the audited parts of the Remuneration and Staff Report

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Other information

The Regional Board is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on the Performance Report and Governance Statement

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

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

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Anne MacDonald
Senior Audit Manager
Audit Scotland
The Annex, Woodhill House
Westburn Road
Aberdeen
AB10 1AB

13 December 2023

Anne MacDonald is eligible to act as an auditor in terms of Section 21 of the Public Finance and Accountability (Scotland) Act 2000.

3. FINANCIAL STATEMENTS

The financial statements and notes to those statements appear in the following pages.

The Statement of Comprehensive Income and Expenditure is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect the non-cash budget for depreciation in the Statement of Comprehensive Income. Note 2 provides details of the adjusted operating position on a Central Government accounting basis.

	Notes	Year ended 31 July 2023 £'000		Year ended 31 July 2022 £'000	
		Group	College	Group	College
INCOME					
Tuition fees and education contracts	3	7,678	5,277	7,849	5,698
Funding body grants	4	42,432	42,432	40,105	40,105
Other income	5	2,526	3,736	2,328	3,240
Investment income	6	191	190	4	4
Total Income		52,827	51,635	50,286	49,047
EXPENDITURE					
Staff costs	7	30,974	30,418	31,063	30,491
Restructuring costs	7	1,211	1,211	369	369
Other operating expenses	10	19,556	18,814	18,642	17,992
Depreciation	13	2,272	2,223	2,243	2,188
Interest and other finance costs	9	-	-	258	258
Payment to Foundation		-	-	400	400
Total Expenditure		54,013	52,666	52,975	51,698
(Deficit) before other gains, losses, taxation and shares of operating surplus/(deficit) of joint ventures and associate		(1,186)	(1,031)	(2,689)	(2,651)
Taxation	11	29	-	9	-
(Deficit) for the year		(1,157)	(1,031)	(2,680)	(2,651)
Unrealised surplus on revaluation of Land and Buildings		1,925	1,925	4,092	4,092
Actuarial gain in respect of pension schemes		1,574	1,574	19,214	19,214
Total comprehensive gain for the year		2,342	2,468	20,626	20,655
Represented by:					
Unrestricted comprehensive surplus for the year		417	543	16,534	16,563
Revaluation reserve comprehensive income for the year		1,925	1,925	4,092	4,092
Surplus for the year attributable to:		2,342	2,468	20,626	20,655
Non-controlling interest		-	-	-	-
College		2,342	2,468	20,626	20,655
Total Comprehensive Income for the year attributable to:					
Non-controlling interest		-	-	-	-
College		52,827	51,635	50,286	49,047

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES

For the year ended 31 July 2023

Group	Income and expenditure account		Revaluation £'000	Total excluding Non-controlling Interest £'000	Non-controlling Interest £'000	Total £'000
	Restricted £'000	Unrestricted £'000				
Balance at 1 August 2021	40	2,296	39,768	42,104	-	42,104
Surplus from the Comprehensive Statement of Income & Expenditure	-	16,534	-	16,534	-	16,534
Transfers between revaluation and income & expenditure reserve	-	(310)	310	-	-	-
Revaluation during year	-	-	4,092	4,092	-	4,092
Addition for the year	200	-	-	200	-	200
Spend for year	(25)	-	-	(25)	-	(25)
Total movement for the year	175	16,224	4,402	20,801	-	20,801
Balance at 1 August 2022	215	18,520	44,170	62,905	-	62,905
Surplus from the Comprehensive Statement of Income & Expenditure	-	417	-	417	-	417
Transfers between revaluation and income & expenditure reserve	-	(239)	239	-	-	-
Revaluation during year	-	-	1,925	1,925	-	1,925
Addition for year	200	-	-	200	-	200
Spend for year	(167)	-	-	(167)	-	(167)
Total movement for the year	33	178	2,164	2,375	-	2,375
Balance at 31 July 2023	248	18,698	46,334	65,280	-	65,280

College	Income and expenditure account		Revaluation £'000	Total excluding Non-controlling Interest £'000	Non-controlling Interest £'000	Total £'000
	Restricted £'000	Unrestricted £'000				
Balance at 1 August 2021	40	2,173	39,768	41,981	-	41,980
Surplus from the Comprehensive Statement of Income & Expenditure	-	16,562	-	16,562	-	16,562
Transfers between revaluation and income & expenditure reserve	-	(310)	310	-	-	-
Revaluation during year	-	-	4,092	4,092	-	4,092
Addition for year	200	-	-	200	-	200
Spend for year	(25)	-	-	(25)	-	(25)
Total movement for the year	175	16,252	4,402	20,829	-	20,829
Balance at 1 August 2022	215	18,425	44,170	62,810	-	62,810
Surplus from the Comprehensive Statement of Income & Expenditure	-	543	-	543	-	543
Transfers between revaluation and income & expenditure reserve	-	(239)	239	-	-	-
Revaluation during year	-	-	1,925	1,925	-	1,925
Addition for year	200	-	-	200	-	200
Spend for year	(167)	-	-	(167)	-	(167)
Total movement for the year	33	304	2,164	2,501	-	2,501
Balance at 31 July 2023	248	18,729	46,334	65,311	-	65,311

Balance Sheet as at 31 July 2023

	Notes	Group 31 July 2023 £'000	Group 31 July 2022 £'000	College 31 July 2023 £'000	College 31 July 2022 £'000
Non-current assets					
Fixed assets	13	106,644	105,268	106,473	105,048
Investment Property	12	2,450	2,700	2,450	2,700
Investments	14	-	-	30	30
		109,094	107,968	108,953	107,778
Current assets					
Stock	15	14	31	14	31
Trade and other receivables	16	4,478	4,126	5,144	4,672
Asset Held for Resale		-	-	-	-
Cash and cash equivalents	22	8,675	9,198	7,887	8,546
		13,167	13,355	13,045	13,249
Less: Creditors: amounts falling due within one year	17	(12,053)	(12,051)	(11,887)	(12,047)
Net current assets		1,114	1,304	1,158	1,202
Total assets less current liabilities		110,208	109,272	110,111	108,980
Creditors: amounts falling due after more than one year	19	(40,946)	(40,550)	(40,818)	(40,382)
Deferred tax (liability)	18	-	(29)	-	-
Provisions					
Pension provisions	20	(3,982)	(5,788)	(3,982)	(5,788)
TOTAL NET ASSETS		65,280	62,905	65,311	62,810
Restricted Reserves					
Income & Expenditure reserve – restricted reserve	21	248	215	248	215
Unrestricted Reserves					
Income and Expenditure reserve – unrestricted		18,698	18,520	18,729	18,425
Revaluation reserve		46,334	44,170	46,334	44,170
		65,280	62,905	65,311	62,810
Non-controlling interest		-	-	-	-
Total reserves		65,280	62,905	65,311	62,810

The financial statements on pages 41 to 65 were approved and authorised for issue by the Regional Board on 13th December 2023 and signed on its behalf by:

Susan Elston
Regional Chair

Neil Cowie
Principal and Chief Executive

Charity Number: SCO21174

Consolidated Cash Flow Statement
For the period ended 31 July 2023

	Notes	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Cash flow from operating activities			
(Deficit) for the year (before tax)		(1,186)	(2,689)
Adjustment for non-cash items			
Depreciation	12&13	2,272	2,243
Income	4	(1,283)	(1,254)
Other Group non-cash income			
(Increase)/Decrease in stock	15	17	(13)
(Increase) in debtors	16	(352)	(586)
Increase in creditors	17	2	3,083
(Decrease)Increase in Deferred Tax	11	(29)	(9)
Pension accounting costs		68	1,768
Other non-cash items		159	142
Adjustment for investing or financing activities			
Investment income	6	(191)	(4)
Interest payable		-	-
Net cash inflow from operating activities		<u>(523)</u>	<u>2,681</u>
Payments made to acquire fixed assets		<u>(1,723)</u>	<u>(3,359)</u>
		<u>(2,246)</u>	<u>(678)</u>
Cash flows from financial activities			
Interest Paid	9	-	-
Interest element of finance lease and service concession payments		-	-
Capital funding used to acquire fixed assets	13	1,723	3,359
Repayments of amounts borrowed		-	-
		<u>1,723</u>	<u>3,359</u>
Increase in cash and cash equivalents in the year		<u>(523)</u>	<u>2,681</u>
Cash and cash equivalents at beginning of year	22	<u>9,198</u>	<u>6,517</u>
Cash and cash equivalents at end of the year	22	<u>8,675</u>	<u>9,198</u>

Notes to the accounts**For the year ended 31 July 2023****1. STATEMENT OF ACCOUNTING POLICIES****Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (SORP) 2019; 'Accounting in Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2022/23 Government Financial Reporting Model (FReM), issued by the Scottish Government and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

These financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets and liabilities to fair value as determined by the relevant accounting standards, and subject to the interpretations and adaptations of those standards in the FReM.

These financial statements have also been prepared on the basis that the College remains a going concern. There are further comments on this issue on Page 31 of these statements, as part of the Governance Statement from the Board.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary undertakings, Aberdeen Skills and Enterprise Training Limited and Clinterty Estates Limited. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the College Student's Association have not been consolidated because the College does not control those activities.

Income recognition

Income from tuition fees is recognised in the year in which it is receivable and includes all fees chargeable to students or their sponsors.

Income from contracts and other services rendered is included to the extent of 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 short term deposits is credited to the income and expenditure account in the period in which it is earned.

Donor imposed restrictions are recognised in income when the College is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Grant funding

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

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

Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Government social fund grants

Capital based Government European Social Fund grants are treated as deferred income in the balance sheet and credited to operating profit over the estimated useful lives of the assets to which they relate.

Maintenance of Premises

The cost of maintenance is charged to the Consolidated Statement of Comprehensive Income and Expenditure.

Foreign Currency Translation

Translations denominated in foreign currencies are recorded using the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in that they arise.

Research and Development

Research and development expenditure is written off as incurred, with the exception of development expenditure incurred on an individual project, which is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Accounting for retirement benefits

Retirement benefits to employees of the College are provided by the North East Scotland Pension Fund (NESPF), which administers the Local Government Pension Scheme (LGPS), and the Scottish Teachers Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA). These are defined benefits schemes, which are externally funded and contracted out of the State Earnings Related Pension Scheme.

North East Scotland Pension Fund (NESPF)

The contributions are determined by an actuary on the basis of periodic valuations using the projected unit method. The amount charged to the Consolidated Statement of Comprehensive Income and Expenditure represents the service cost expected to arise from employee service in the current year.

Scottish Public Pensions Agency (SPPA)

The College participates in the Scottish Teacher's Superannuation Scheme, a defined benefit scheme, which is externally funded and contracted out of State earnings-Related Pension Scheme. The assets of the scheme are held separately from those of the College in a separate trustee-administered fund. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Financial Reporting standard 17 (Retirement Benefits), the scheme is accounted for as if it were a defined contribution scheme. As a result, the amounts charged to the Consolidated Statement of Comprehensive Income and Expenditure represent the contributions payable to the scheme in the year.

In the event of staff taking early retirement, the full liability of the College is calculated and charged to the Consolidated Income and Expenditure Account on the year of retirement, with a corresponding provision being established in the Balance Sheet.

Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the College's obligation is to provide the agreed benefits to current and former employees and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the College. The Group should recognise a liability for its obligations under defined benefit plans net of plan assets. The net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation results in a net asset, recognition of the asset is limited to the extent to which the College is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. According to FRS 102, an asset should be recognised when it is probable that future economic benefits will flow and the cost or value of the asset can be reliably measured. In this case, no asset is recognised due to the level of future service contribution rates.

Employment benefits

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

Finance leases

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by the way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability. The lease that the College entered in to for the facility at Ellon has been recognised over a 5 year period, being to the first break clause of the lease.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Fixed assets

Assets that have physical substance and are held for use in the supply of services, or for administrative purposes, and that are expected to be used during more than one financial year are classified as Tangible Fixed Assets. Classification as a tangible fixed asset is subject to a de minimis level of £10,000 for vehicles, plant and machinery.

Fixed assets are stated at fair value less accumulated depreciation and accumulated impairment losses.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Land and buildings are measured using the revaluation model. Under the revaluation model, and in compliance with the FReM, assets are revalued to fair value. The College has a policy of ensuring a full revaluation takes place every 5 years, supplemented by an interim professional valuation in year 3. Depreciation and impairment losses are subsequently charged on the revalued amount.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives as estimated by the valuer, ranging from 20 years to 60 years.

Leasehold land is depreciated over the life for the lease up to a maximum of 50 years. No depreciation is charged on assets in the course of construction.

Equipment

Equipment, including computers and software, costing less than the de minimis per individual item is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over the useful life of the asset as advised by a suitably qualified officer, ranging from 3 years to 20 years.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Intangible assets and Goodwill

Goodwill arises on consolidation and is based on the difference between the fair value of the consideration given for the undertaking acquired and the fair value of its separable net assets at the date of acquisition.

Goodwill is subject to periodic impairment review as appropriate.

Negative goodwill is amortised over 5 years or the service lives of long life assets to which the goodwill is attributed.

Investments

Non-current asset investments are held on the Balance Sheet at amortised cost less impairment.

Investments in subsidiaries are carried at cost (less impairment) in the College's accounts.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

Stock

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

Cash and cash equivalents

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

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) The College has a present obligation (legal or constructive) as a result of a past event;
- (b) It is probably that an outflow of economic benefits will be required to settle the obligation; and
- (c) A reliable estimate can be made of the amount of the obligation

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence of otherwise uncertain future events not wholly within the control of the College. Contingent liabilities also arise in the circumstances where a provision would otherwise be made but either it is not probably that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Taxation

The College is an exempt Charity within the meaning of the trustee Investment and Charities (Scotland) Act 2005 and, as such, is a charity within the meaning of section 506 (1) of the Income and Corporation Taxes Act 1988. The College is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained by the Office of Scottish Charity regulator. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The College subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystalize based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

Agency Arrangements

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the College 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, those 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.

Subsequent Expenditure on Fixed Assets

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

- Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed asset in excess of the previously assessed standard of performance;
- Where a component of the tangible fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful economic life, is replaced or restored; or
- Where the subsequent expenditure relates to a major inspection or overhaul of tangible fixed asset that restores the economic benefits of the asset that have been consumed by the entity and have already been reflected in depreciation.

2. IMPACT OF DEPRECIATION BUDGET ON STATEMENT OF COMPREHENSIVE INCOME

	2022-23 £'000	2021-22 £'000
(Deficit) before other gains and losses (FE/HE SORP basis)	(671)	(2,689)
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	1,161	1,161
Operating surplus/(deficit) on Central Government accounting basis.	490	(1,528)

Following reclassification, colleges received a non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. Colleges may show a deficit equivalent to net depreciation as a result of having to meet Government accounting rules and the requirement to spend the entire cash allocation.

Under the FE/HE SORP, the college recorded an operating deficit of £671,000 for the year ended 31 July 2023. After adjusting for the non-cash allocation provided under government rules, the college shows an "adjusted" surplus of £490,000 on a Central Government accounting basis.

3. TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2023 £'000		Year ended 31 July 2022 £'000	
	Group	College	Group	College
Full-time home and EU students	4,005	4,005	4,274	4,274
Full-time International students	269	269	158	158
Total fees paid by or on behalf of individual students	4,274	4,274	4,432	4,432
Education contracts:				
Other Tuition	2,401	-	2,151	-
Skills Development Scotland	1,003	1,003	1,266	1,266
	3,404	1,003	3,417	1,266
Total	7,678	5,277	7,849	5,698

4. FUNDING BODY GRANTS

	Year ended 31 July 2023 £'000		Year ended 31 July 2022 £'000	
	Group	College	Group	College
Recurrent gran				
Scottish Funding Council (SFC)	34,952	34,952	33,843	33,843
Specific grants				
Childcare funds	433	433	423	423
Release of capital grants	1,283	1,283	1,254	1,254
Other SFC grants	5,764	5,764	4,585	4,585
Total	42,432	42,432	40,105	40,105

5. OTHER INCOME

	Year ended 31 July 2023 £'000		Year ended 31 July 2022 £'000	
	Group	College	Group	College
Residences, catering and conferences	1,103	1,103	560	560
Farming activities	58	58	40	40
Other income	879	2,089	915	1,854
Accommodation recharge	486	486	694	694
Government Grants	-	-	45	18
Release of deferred income (Foundation)	-	-	74	74
Total	2,526	3,736	2,328	3,240

6. INVESTMENT INCOME

	Year ended 31 July 2023 £'000		Year ended 31 July 2022 £'000	
	Group	College	Group	College
Other investment income	191	190	4	4
	191	190	4	4

7. STAFF COSTS

	Year ended 31 July 2023 £'000		Year ended 31 July 2022 £'000	
	Group	College	Group	College
Salaries	23,633	23,326	22,359	22,054
Social security costs	2,484	2,344	2,421	2,264
Other pension costs	4,857	4,748	6,283	6,173
Restructuring costs	1,211	1,211	369	369
	32,185	31,629	31,432	30,860
Teaching departments	18,184	18,045	17,591	17,431
Teaching support services	1,235	1,235	1,063	1,063
Administration and central services	11,472	11,055	12,331	11,919
Premises	83	83	78	78
	30,974	30,418	31,063	30,491
<i>Analysed as:</i>				
Staff on permanent contracts	30,974	30,418	31,063	30,491
Restructuring costs	1,211	1,211	369	369
	32,185	31,629	31,432	30,860
Restructuring costs				
Restructuring costs	1,211	1,211	369	369
	1,211	1,211	369	369

The Other Pension Costs shown above include an amount of £(161,000) (2021-22 £1,510,000) charged as part of Pension Fund adjustments.

Senior post-holders employed by the College:

	Year ended 31 July 2023		Year ended 31 July 2022	
	Number Senior post-holders	Number other staff	Number Senior post-holders	Number other staff
£60,001 to £70,000		9	-	15
£70,001 to £80,000		8	-	2
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	2	-	2	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	-	1	-
£140,001 to £150,000	1	-	-	-

The number of persons (including senior post-holders) employed by the College as at 31st July, expressed as full-time equivalents, was:

	Year ended 31 July 2023	Year ended 31 July 2022
Average staff numbers by major category:		
Teaching departments	284	295
Teaching support services	62	64
Administration and central services	142	145
Premises	3	3
	491	507
<i>Analysed as:</i>		
Staff on permanent contracts	479	490
Staff on temporary contracts	12	17
	491	507

8. BOARD MEMBERS AND SENIOR POST-HOLDER EMOLUMENTS

	Year ended 31 July 2023 No.	Year ended 31 July 2022 No.
The number of senior post-holders including the Principal was:	3	3

The emoluments paid to Neil Cowie, Principal and Chief Executive, (who is also the highest paid senior post-holder) were £141,000 (2021-22: £137,000) in salary, and £32,000 (2021-22: £32,000) in employer pension contributions to the Local Government Pension Scheme.

The senior post-holders are members of Scottish Teachers Superannuation Scheme or the North East Scotland Pensions Fund Scheme. The College's contributions to the Scheme in respect of senior post-holders' are paid at the same rate as for other members of staff.

Regional Board

The total remuneration of the Regional Board including pension contributions, benefits in kind and bonuses but excluding the salaries of employee Board members for normal staff duties amounted to nil (2021-22: £0).

9. INTEREST AND OTHER FINANCE COSTS

	Year ended 31 July 2023 £'000		Year ended 31 July 2022 £'000	
	Group	College	Group	College
Pension cost allocation	-	-	258	258
	-	-	258	258

10. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	Staff costs £'000	Other operating expenses £'000	Depreciation £'000	Interest Payable £'000	Year Ended 31 July 2023 £'000	Year Ended 31 July 2022 £'000
Group						
Teaching activities	22,907	5,746	54	-	28,707	27,687
Residences and catering	-	1,164	-	-	1,164	669
Farm	-	37	-	-	37	25
Premises	153	7,725	2,095	-	9,973	8,728
Administration	7,497	2,298	74	-	9,869	12,084
Other expenses	417	204	49	-	670	723
Agency costs	-	2,382	-	-	2,382	2,290
	30,974	19,556	2,272	-	52,802	52,206
College						
Teaching activities	22,767	5,369	53	-	28,189	27,244
Residences and catering	-	1,164	-	-	1,164	669
Farm	-	37	-	-	37	25
Premises	153	7,725	2,095	-	9,973	8,727
Administration	7,498	1,955	75	-	9,528	11,751
Other expenses	-	204	-	-	204	257
Agency costs	-	2,360	-	-	2,360	2,256
	30,418	18,814	2,223	-	51,455	50,929

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Other operating expenses include:		
Auditors' remuneration (including irrecoverable VAT)		
- external audit services Annual Accounts	55	38
Other Returns	7	-
- internal audit services	15	6
	77	44
	77	44

11. TAXATION

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Deferred tax		
Increase/(Decrease) in deferred tax liability	(29)	(9)
Total tax expense	(29)	(9)
	(29)	(9)

12. INVESTMENT PROPERTY

	Group and College 31 July 2023 £'000	Group and College 31 July 2022 £'000
Investment Property – Gordon Centre	2,450	2,700
	2,450	2,700
	2,450	2,700

The College's property at Gordon Centre is not currently being used for operational purposes, and the College is looking to increase the actual income streams achievable from this property. This property was revalued, along with the other College properties revalued at 31st July, 2023 as per Note 13.

13. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Group			
Cost or Valuation			
At 1 August 2022	103,895	5,420	109,315
Additions	1,499	224	1,723
Disposals	-	(605)	(605)
Revaluation	(44)	-	(44)
Transfers			
At 31 July 2023	105,350	5,039	110,389
Depreciation			
At 1 August 2022	9	4,038	4,047
Charge for the year	1,960	312	2,272
Disposals	-	(605)	(605)
Revaluation	(1,969)	-	(1,969)
At 31 July 2023	-	3,745	3,745
Net Book Value			
At 31 July 2023	105,350	1,294	106,644
At 31 July 2022	103,886	1,382	105,268
Inherited	-	-	-
Financed by capital grant	40,247	572	40,819
Other	65,103	722	65,825
At 31 July 2023	105,350	1,294	106,644
College			
Cost or Valuation			
At 1 August 2022	103,895	3,678	107,573
Additions	1,499	224	1,723
Disposals	-	(605)	(605)
Revaluation	(44)	-	(44)
Transfers			
At 31 July 2023	105,350	3,297	108,647
Depreciation			
At 1 August 2022	9	2,516	2,525
Charge for the year	1,960	263	2,223
Disposals	-	(605)	(605)
Revaluation	(1,969)	-	(1,969)
At 31 July 2023	-	2,174	2,174
Net Book Value			
At 31 July 2023	105,350	1,123	106,473
At 31 July 2022	103,886	1,162	105,048

At 31 July 2023, freehold land and buildings included £10.085m (2022: £7.685m) in respect of freehold land and is not depreciated.

Land and Buildings were revalued at 31st July, 2023 by FG Burnett, Chartered Surveyors, in the capacity of independent valuer and in accordance with the Royal Institution of Chartered Surveyors' Appraisal and

Valuation Manual. As the majority of the College's buildings are specialised buildings, open market value is not an appropriate basis of valuation. Accordingly, land and buildings are valued on the basis of depreciated replacement cost. Land is not depreciated and buildings are depreciated over their estimated useful life as identified by the valuer. More information is given on the valuation of property in Note 26.

14. NON-CURRENT INVESTMENTS

Subsidiary Companies £'000

At 1 August 2022 and 31 July 2023

30

The College had transactions with a number of agricultural co-operatives. These organisations award shares based on the level of trading activity undertaken. The value of these shares is not considered material and is included in the accounts at nil value.

The Regional Board owns 100% of the issued ordinary £1 shares of Aberdeen Skills and Enterprise Training Limited, a company incorporated in Great Britain and registered in Scotland. The principal business activity of Aberdeen Skills and Enterprise Training Limited is the provision of quality education and training.

The Regional Board owns 100% of the issued ordinary £1 shares of Clinterty Estates Limited, a company incorporated in Great Britain and registered in Scotland. The principal business activity of Clinterty Estates Limited is the management of the College's teaching farms. The company ceased to trade on 30 April 1998. The company's Directors decided upon this course of action in the light of adverse trading conditions facing agricultural sector.

15. STOCK

	Group and College 31 July 2023 £'000	Group and College 31 July 2022 £'000
Catering Stock	14	31
At Year End	14	31

16. TRADE AND OTHER RECEIVABLES

	31 July 2023		31 July 2022	
	Group £'000	College £'000	Group £'000	College £'000
Amounts falling due within one year				
Other trade receivables	216	36	195	100
Other receivables	-	-	-	-
Amounts owed by subsidiary undertakings	-	147	-	147
Prepayments and accrued income	4,262	4,961	3,931	4,425
	4,478	5,144	4,126	4,672

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 July 2023		31 July 2022	
	Group £'000	College £'000	Group £'000	College £'000
Trade payables	109	109	142	142
Accruals and deferred income	11,944	11,778	11,909	11,905
	12,053	11,887	12,051	12,047

18. DEFERRED TAX

The deferred tax liability recognised in the financial statements is as follows:

	31 July 2023		31 July 2022	
	Group £'000	College £'000	Group £'000	College £'000
Asset/ (Liability) brought forward	(29)	-	(38)	-
Other movement in balance	-	-	-	-
Income and Expenditure movement in period	29	-	9	-
Asset/ (Liability) carried forward	-	-	(29)	-

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 July 2023		31 July 2022	
	Group £'000	College £'000	Group £'000	College £'000
Deferred income	40,946	40,819	40,550	40,382
	40,946	40,819	40,550	40,382

20. PROVISIONS

Group and College	Pension costs arising from early retirement	North East Scotland Pension Fund	2023 Total	Pension costs arising from early retirement	North East Scotland Pension Fund	2022 Total
	£'000	£'000	£'000	£'000	£'000	£'000
At Beginning of Year	5,788	-	5,788	6,134	17,100	23,234
Additional/ (reduced) provision in period	(1,806)	-	(1,806)	(346)	(17,100)	(17,446)
At Year End	3,982	-	3,982	5,788	-	5,788

An amount of £3,982,000 (2021-22: £5,788,000) represents future pension costs arising from early retirements.

21. RESTRICTED RESERVES

Reserves with restrictions are as follows:

	2023	2022
	Total	Total
	£'000	£'000
Balance at 1 August 2022	215	40
New Donations	200	200
Expenditure	(167)	(25)
At 31 July 2023	248	215

	2023	2022
	Total	Total
	£'000	£'000
Analysis of other restricted funds/donations by type of purpose:		
Prize funds	5	5
Donation for Fraserburgh	243	210
	248	215

22. CASH AND CASH EQUIVALENTS

Group	At 1 August 2022	Cash Flows	At 31 July 2023
	£'000	£'000	£'000
Cash and Cash Equivalents	9,198	(523)	8,675
	<u>9,198</u>	<u>(523)</u>	<u>8,675</u>

College	At 1 August 2022	Cash Flows	At 31 July 2023
	£'000	£'000	£'000
Cash and Cash Equivalents	8,546	(659)	7,887
	<u>8,546</u>	<u>(659)</u>	<u>7,887</u>

23. CAPITAL AND OTHER COMMITMENTS

Provision has not been made for the following capital commitments at 31 July 2022

	Year ended 31 July		Year ended 31 July	
	2023		2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Capital Commitments authorised and not contracted for	-	-	-	-
Capital Commitments contracted for	3,783	3,783	1,200	1,200
	3,783	3,783	<u>1,200</u>	<u>1,200</u>

24. CONTINGENT LIABILITIES

There are no contingent liabilities at 31 July 2023 (2021-22: none)

25. LEASE OBLIGATIONS

At the period end the Group and College had annual commitments under non-cancellable operating leases as follows:

Group	Year ended 31 July 2023			31 July 2022 £'000
	Vehicles £'000	Plant & Machinery £'000	Total £'000	
Payable during the year	50	26	76	81
Future minimum lease payments due:				
Not later than 1 year	46	-	46	25
Later than 1 year and not later than 5	63	-	63	54
Total lease payments due	109	-	109	79

College	Year ended 31 July 2023			31 July 2022 £'000
	Vehicles £'000	Plant & Machinery £'000	Total £'000	
Payable during the year	47	26	73	79
Future minimum lease payments due:				
Not later than 1 year	43	-	43	22
Later than 1 year and not later than 5	63	-	63	50
Total lease payments due	106	-	106	72

26. ACCOUNTING ESTIMATES AND JUDGEMENTS

The financial statements contain estimated figures that are based on assumptions made by the College about the future or that are otherwise uncertain. Estimates are made taking into consideration historical experience, current trends and other relevant factors based on the information available to the College at the time of preparing the financial statements. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the College's Balance Sheet at 31 July 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

(a) Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns, on pension fund assets. A firm of consulting actuaries is engaged to provide the College with expert advice about the assumptions to be applied by the College in estimating these values at the balance sheet date.

The actuarial inputs into the pension liability valuation are subject to annual review, and have a significant impact on the potential valuation. Historically it is common for small changes in the discount rate, salary assumption rate and pension rate to have material impacts on the yearend valuations on a year to year basis. Given the history of significant changes to liability valuations in the past, the ongoing sensitivity to future changes, and the requirement to update assumptions annually, the College expects future liabilities to continue to change significantly going forward.

More information on the key assumptions used in the actuarial valuation of the estimates is available in note 30 to the accounts, including information on the key assumptions, risks and sensitivities.

(b) Valuation of Property

The valuation of the College's estate which is subject to revaluation are subject to significant estimation due to a number of factors, including ongoing changes to estimates around the costs of replacing existing assets, the market value fluctuation of comparable assets used for valuation, the current condition and future maintenance costs of assets, changes to regulatory standards and the remaining useful economic lives of the assets. Given the material nature of the College's assets, there is a high likelihood that changes in these

estimates will result in material changes in the valuation of assets on the balance sheet. The total value of the College's assets at 31 July 2023 is outlined and broken down by asset category at note 13.

Land and Buildings were independently valued for the purpose of the financial statements by F G Burnett, Property Consultants in 2022/23.

(c) Job Evaluation Scheme

The National Job Evaluation Scheme is an ongoing exercise whereby both roles and salary costs are being reviewed for support staff across the College sector. Any changes to salary costs would be effective from 1 September 2018 and therefore any revisions would be backdated. Colleges Scotland prepared estimated costings of the exercise in February 2019 which the Scottish Funding Council has utilised to inform Colleges of the expected grant award to fund the cost of implementing and costs to be accounted for. In line with SFC guidance, the College has accrued the estimated backdated pay costs and the estimated grant income in the last three financial years. At 31 July 2023, the College had accrued for income and expenditure of just over £3.1 million. Payment of both the grant income and costs will not be made until the exercise has fully concluded.

As the exercise has not yet concluded, the estimated income and costs are subject to change.

27. SUBSIDIARY UNDERTAKINGS

The subsidiary companies (all of which are registered in Scotland), wholly-owned or effectively controlled by the College, are as follows:

Company	Principal Activity	Status
Aberdeen Skills & Enterprise Training Ltd	Provision of quality education and training	100% owned
Clinterty Estates Ltd	Management of College's teaching farms	100% owned

28. RELATED PARTY TRANSACTIONS

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

The College had transactions during the period or worked in partnership with the following publicly funded or representative bodies in which members of the Regional Board hold or held official positions. The bodies that the College had transactions with that were over £5,000 were, Aberdeen Foyer, Colleges Scotland, The Robert Gordon University, the University of Aberdeen, Aberdeenshire Council, Peterhead Engineers Development Limited.

N. McLennan is Senior Lecturer and Director of Leadership Programmes at University of Aberdeen. The College made payments of £65,472 (2021-22 - £358,757) and received income of £54,915 (2021-22 £47,425) during the year.

D. Anderson is a Director of Peterhead Engineers Development Limited. The College received income of £56,248 during the year (2021-22 - £45,736), with no payments made either year.

A Rodden is an Energy Transition Programme Director at Energy Transition Zone Ltd. The College received income of £36,015 during the year (2021-22 - £0).

S Elston is a Board Member of College Scotland. The College made a payment of £68,110 during the year (2021-22 - £63,700).

D Cockburn is a Vice Principal for Strategy and Planning at the Robert Gordon University. The College made a payment of £178,820 (2021-22 - £71,638) and received income of £603 during the year (2021-22 - £0).

J Gifford is a Councillor with Aberdeenshire Council. The College made a payment of £15,010 (2021-22 - £76,322) and received income of £43,721 during the year (2021-22 - £32,540).

L McDermid is Chief Executive of Aberdeen Foyer. The college made payments of £419,888 (2021-22 - £297,418) and received income of £331 during the year (2021-22 - £1,384).

Member	Organisation	Position
N. McLennan	University of Aberdeen	Senior Lecturer and Director of Leadership Programmes
S. Elston	Sport Aberdeen	Board Member
D. Anderson	Peterhead Engineers Development Ltd	Director
J. Gifford	Aberdeenshire Council	Councillor
J. Henderson	North East Scotland FE Foundation	Trustee Board Members
L. McDermid	Aberdeen Foyer	Chief Executive

29. STUDENT SUPPORT FUNDS

Bursaries and other student support funds

	Bursary £'000	Hardship £'000	EMA £'000	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
At 1 August 2022	1,145	898	(8)	2,035	1,308
Allocation received in period	7,704	1,095	264	9,063	8,494
Repaid to SFC	(1,145)	(898)	8	(2,035)	(1,214)
Expenditure in period	(6,442)	(1,095)	(264)	(7,801)	(6,553)
At 31 July 2023	1,262	-	-	1,262	2,035
Represented by:					
Pre received income (to repay) (to be used in 23/24)	1,262	-	-	1,262	2,043 (8)
	1,262	-	-	1,262	2,035

Scottish Funding Council grants are available solely for students, the College acts as paying agent. The Scottish Funding Council has this year accounted for these funds strictly within the allocations per academic and fiscal years.

FE and HE Childcare Funds

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
At 1 August 2022	61	29
Allocation received in period	432	484
Repaid to SFC	(61)	(29)
Expenditure in period	(432)	(423)
At 31 July 2023	-	61
Represented by:		
Pre received income	-	61
	-	61

Childcare Fund transactions are included within the College Income and Expenditure Account in accordance with the Accounts Direction issued by the Scottish Funding Council.

30. PENSION CONTRIBUTIONS

The College's employees belong to one of two principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS) and the North East Scotland Pensions Fund Scheme (NESPF), which are the defined benefit type. The STSS scheme is a notional fund and there are specific regulations regarding the basis on which the actuarial valuation should be carried out. The assets of the NESPF scheme are held in a separate, trustee-administered fund.

Pension Estimates

As a result of a High Court decision on 26 October 2018, pension schemes which have members with Guaranteed Minimum Pensions (GMPs) must take action to address inequalities in those GMPs if they were contracted-out of the State scheme between 1978 and 1997. The High Court ruling on 26 October 2018 creates an obligation on that date for the Trustees to amend the scheme rules to reflect the consequences of the ruling. As the Government believe the judgement itself will not affect benefits, there is no specific allowance for GMP equalization in the accounting liabilities for the year ended 31 July 2023.

In December 2018 the Court of Appeal in England and Wales upheld claims that the transitional protections afforded to older members of public service pension schemes were unlawfully age discriminatory. Transitional protection is the policy which allowed some older workers to stay in the old, unreformed pension schemes, instead of being moved to new career-average schemes with higher pension ages in 2015. In most schemes transitional protection meant that those within 10 years of their schemes' normal pension age as at 1 April 2012 retained membership of their pre-2015 scheme, the majority of which were final-salary schemes. The Employment Tribunal has now to determine how this discrimination should be rectified in those schemes. In an announcement made on 15 July 2019, the Government accepted that the McCloud judgement means discrimination must also be rectified in the wider public service. Our actuaries have included an allowance for this judgement within the figures disclosed in this note.

More general information is given on the estimation of the pension liability in note 26.

North East Scotland Pensions Fund Scheme (NESPF)

The North East Scotland Pension Fund is a statutory multi-employer defined benefit scheme. It is administered by Aberdeen City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 2008, as amended.

A formal triennial valuation of the North East Scotland Pension Fund was last carried out at 31 March 2020 by Mercers.

The principal actuarial assumptions used by the actuary are as follows:

	31 July 2023	31 July 2022
	% pa	% pa
Pension increase rate	2.8%	2.8%
Salary increase rate	4.2%	4.2%
Discount rate	5.2%	3.5%

Average future life expectancies at age 65 are summarised below for a male (female):

Current pensioners male/(female)	20.6 (22.9)	21.5 (24.2)
Future pensioners in 20 years' time	21.9 (24.7)	23.0 (26.3)

The employer contributions for year to 31 July 2024 will be approximately £1,980,000.

The assets in the scheme are:

	Asset allocation value at 31 July 2023 £'000	Asset allocation value at 31 July 2022 £'000
Equities	57,541	61,818
Government Bonds	6,015	8,462
Property	6,516	6,708
Cash	3,509	3,096
Other	26,665	23,117
	100,246	103,201

The total pension cost to the College in the period was £2,000,000 (2021-22: £3,703,000). The contribution rate payable was 23.4% for the year (2021-22: 23.4%).

The amounts recognised in the SOCIE are as follows:

	Year ended 31 July 2023 £'000s	Year ended 31 July 2022 £'000s
Charged to staff costs:		
Current Service Costs	(2,041)	(3,413)
Admin Expenses	(31)	(32)
Total Charged to Staff Costs	(2,072)	(3,445)
Credit/charge for net return on pension scheme:		
Interest Income	3,516	1,823
Interest Cost	(3,444)	(2,081)
Net Interest Earned/(Charged)	72	(258)
Credit/charge to other comprehensive income:		
Return on Assets	981	(12,548)
Other Experience	(3,560)	(7,307)
Gains and losses arising on changes in financial assumptions	28,651	39,650
Actuarial Gain	0	18,868
Total charge to the SOCI	2,000	15,165
Analysis of the movement in deficit during the year		
Surplus/(Deficit) in scheme at start of year*	1,278	(17,100)
Service Costs	(2,072)	(3,445)
Employer contributions	2,191	1,935
Net interest income/(costs)	84	(258)
Actuarial gain/(loss)	24,066	19,795
Surplus in scheme at end of year, but not recognised in accounts	25,547	927

*excludes unfunded benefits

According to IAS 19, a surplus in a defined benefit plan should only be recognised to the extent that the College is able to recover the surplus, either through reduced contributions in the future or through refunds from the plan. In this case, no asset is recognised due to the level of future service contribution rates (24.8%) being greater than the rates used by the actuary for the College's future accounting service costs (15.1%). This ensures that the financial position of the pension scheme accurately reflects the economic benefits that can be obtained from the plan.

Changes in the present value of the defined benefit obligation are as follows:

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Opening defined benefit obligation	101,923	130,989
Current service cost	2,041	3,413
Interest cost	3,432	2,081
Contribution by members	522	512
Re-measurement of liabilities	(25,047)	(32,343)
Benefits paid	(8,172)	(2,378)
Closing defined benefit obligation	74,699	102,274

*excludes unfunded benefits

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
History of experience gains/(losses)		
Scheme assets	100,246	103,201
Defined benefit obligation	(74,699)	(102,274)
Impact of asset ceiling	(25,547)	927
Net Pension Liability	-	-

The transactions in respect of the North East Scotland Pension Fund which are now included in the accounts as required by FRS 102 are as follows:

Analysis of the amount charged to staff costs (Note 7)

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Current service cost	2,041	3,413
Admin Expenses	31	32
Total operating charge	2,072	3,445

Scottish Teachers Superannuation Scheme (STSS)

The College participates in the Scottish Teacher's Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme, with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employee contributions.

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

As the scheme is unfunded, there can be no deficit or surplus to distribute on the winding up of the scheme or withdrawal from that scheme.

The scheme is an unfunded multi-employer defined benefit scheme.

It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the College is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate for the period from 1st April 2023 is 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

While a valuation was carried out as at 31st March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud(Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held the transitional protections provided as part of the 2016 reforms was unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1st April 2024.

Group Personal Pension Plan

In addition, the subsidiary company operates a group personal pension plan for employees providing benefits based on defined levels of contribution. These are accounted through the SOCI as payments to the plan.

Appendix 1: Scottish Funding Council – Accounts Direction

1. It is the Scottish Funding Council's direction that institutions comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2022-23 (FReM) where applicable. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.
4. Incorporated colleges and Glasgow Colleges' Regional Board must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2023.
5. The annual report and accounts should be signed by the chief executive officer/ Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
20 July 2023