NORTH EAST SCOTLAND COLLEGE

FINANCIAL STATEMENTS
for the year to 31 July 2020

Charity Number: SC021174

Index

1. PERFORMANCE REPORT

OVERVIEW

This overview provides the reader with highlights of the College's performance for the year to 31 July 2020. 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

Undoubtedly the Academic Year 2019-20 can be one characterised as unique and challenging, not only for North East Scotland College (NESCol) but for the entire college sector and the communities we serve. The advent of the Covid-19 global pandemic has meant that for the College, and many of its regional partners, business as usual - from the second half of the calendar year onwards - was not a model that could be followed. In addition, the global oil and gas price downturn has also had a particularly detrimental impact on our region thus adding even greater challenge for the College and many of its partner employers and stakeholders.

The pandemic has had a significant impact on the College's financial projections and plans. Pre-Covid-19, the College had expected to deliver surpluses over the three period of its current Strategic Plan (AY 2018-21). Post-Covid-19 the position has changed significantly with reductions in tuition fees, commercial income, leisure class income and gift aid from the College's wholly-owned subsidiary ASET all impacting negatively on the College's in-year financial position.

Since February 2020 three key and influential reports relating to the role of colleges in economic reform and recovery have been published. They are:

- The Cumberford-Little Report: One Tertiary System: agile, collaborative and inclusive;
- The Enterprise & Skills Strategic Board sub-group report on measures to mitigate Labour Market impacts from Covid-19; and
- Towards a robust and resilient wellbeing economy for Scotland – The report of the Advisory Group on Economic Recovery.

These reports highlight what colleges have to offer and what contribution they can make, particularly in economically challenging times. In identifying how colleges will need to be at the heart of the post-Covid-19 recovery effort these reports also highlight key priorities for economic recovery including:

- Providing assistance to support employee retention;
- Providing assistance for those facing redundancy;
- Providing training to enable unemployed people to transition into employment;
- Providing help to vulnerable people to secure employment;
- Supporting key and vulnerable sectors such as oil, gas, retail, creative, care, tourism and hospitality;
- Supporting critical apprenticeship training;
- Skilling, upskilling and reskilling individuals for a changing labour market;
- Supporting workplace innovation including digital upskilling;
- Delivering economic and environmental sustainability through a Green economy; and finally,
- Developing regionally-focused partnership approaches to economic recovery;

The work that NESCol has undertaken over this year and recent years has positioned the College very favourably to deal with the challenges both it and its stakeholders face in terms of financial sustainability and economic recovery.

For example, the success of the College's long-established Bring Your Own Device (BYOD) initiative, along with its ability to respond rapidly to the challenges of lockdown meant that the College and its staff were extremely well-placed to adapt quickly to the coronavirus crisis by implementing innovative and successful approaches for blended learning and remote working.

Further, an adaptive and progressive culture of collective leadership has also stood the College in good stead as its Leadership Team has managed and led NESCol well throughout this year by adopting an effective, cohesive and shared approach to crisis management and business continuity planning.

Further, the pre-COVID activities undertaken by the College in terms of regional partnership working have meant that NESCol - as the Regions' College - remains central to the economic recovery and reform ambitions of the North East of Scotland. This is particularly evident in the work that the College has undertaken within the Regional Economic Strategy Group (RESG), of which the College is a key member.

This influential group has identified several priority ambitions and drivers that it wishes to focus on in order to begin the process of economic recovery and reform. These include:

- Becoming a global leader in the development of energy transition projects and net zero carbon solutions;
- Transforming seafood, food, drink and agriculture by adapting to new consumer trends and global markets;
- Developing, through scientific and care-based means, therapeutic and tech solutions for global, regional and local health and social care challenges;
- Creating a thriving visitor economy that plays to the strengths of the North-East; and
- Diversifying the economy to become one of the most productive, innovative, entrepreneurial and tech-enabled in the UK.

In addition, the College has been recognised as a key delivery partner within the Aberdeen City Council's Socio-Economic Rescue Plan 2020-21. Thanks to the strong and long-established relationships with the City Council, the College has been specifically identified as a lead or participant agency against several key areas within the Plan including:

- A workstream which is focusing on the City's employability pipeline and which aims to develop a clear and shared understanding of the skills required, in the short, medium and longer term, for the local economy;
- The development and piloting of an accredited course for young parents to aid them back into education or employment using online means of support;
- The development of a joint campaign promoting the learning and training opportunities available to ensure that the immediate skills, reskilling and upskilling requirements of the local economy are fully met;
- The development of a new Energy Transition Skills Academy which aims to ensure that local people gain the skills required to guarantee delivery of the Net Zero and Energy Transition
- The creation of a City Centre Apprentice Scheme;
- The formation of internships for care experienced young people;
- The development of employability schemes for former office-based individuals who've been displaced as a consequence of Covid-19;
- A contribution to the City's digital skills challenge.

The positioning of the College centrally in all of this has come about through the very careful development and nurturing of professional relationships formed between College Leaders, Aberdeen City Council, the Regional Economic Strategy Group and Community Planning Partners. Consequently this, despite this year's less favourable financial position, remains a great opportunity for the College to respond to emerging economic challenges and to build its reputation, activity and business with key regional 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 purposed 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 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 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 second year of operation under the College's new Strategic Plan 2018-21. 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 2018-2021 is focused on five Strategic Themes and their accompanying Strategic Goals.

Being Responsive
Deliver high quality, accessible and inclusive learning and training opportunities, which transform lives and which support the economic and social development of our region.

Developing People
Develop the skills, talents and potential of all the people who come to college either to learn or to work.

Working in Partnership
Work with our partners to deliver positive and sustainable change for individuals, communities and businesses in our region.

Delivering Quality
Deliver an excellent learning environment and experience leading to successful outcomes for all learners.

Building Sustainability
Optimise the use of our available resources to deliver financial and environmental sustainability.

Key Issues and Risks

The Regional Board has established a Strategic Risk Register, 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 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 "medium" or "high", as being: -

Strategic Goal 1: Being Responsive

- 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 region continues to experience economic shocks and challenges due to the Covid-19 pandemic and oil & gas downturn 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 and scenario planning.

Strategic Goal 2: Developing People

- 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 national collective bargaining agreements do not provide required flexibility THEN the College may not be able to meet delivery requirements in AY2020-21.
- IF Scottish Government guidance continues to advise for an extended period of time that staff should work from home where possible THEN staff morale, productivity and the quality of the learner experience may be negatively affected.
- IF there is increased uncertainty and stress due to remote working and teaching, and worries about job security THEN the College may have insufficient staffing levels impacting negatively on the learner experience.
- IF teaching staff are lacking in knowledge/experience/confidence to facilitate blended education for a prolonged duration THEN leaner engagement and outcomes will be negatively affected.
- IF students do not engage with formal representation processes and activities THEN the learner voice will not be considered as part of the College's quality improvement agenda.

- IF the Students' Association (SA) does not continue to be pro-active in engaging with the College, THEN the learner experience will likely be diminished.

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, and the provision of staff health and wellbeing support and initiatives.

Strategic Goal 3: Working in Partnership

- 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.
- IF the impact of Brexit decreases the number of international students in the region THEN the College may face increased competition with the two local Universities and experience a decrease in ESOL and nautical applications.
- IF national agencies seek to strengthen their influence over regional development priorities THEN the College may face increased bureaucracy, capacity pressures related to partnership working and requirements to respond to conflicting priorities.

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: Delivering Quality

- 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 student outcomes do not improve as planned THEN the College's ability to achieve its SFC activity target will be reduced.
- 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 an emergency/disaster/significant systems failure occurs THEN the learner experience, learner outcomes, and the generation of credits will be negatively impacted upon.
- 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.
- IF the College's blended delivery model is unattractive to some learners THEN a decrease in student retention and applications may be experienced.
- IF Scottish Government guidance does not enable on campus delivery of School Links provision THEN the College is unlikely to achieve its credits target and future enrolment pipelines may be adversely affected.

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: Building Sustainability

- IF the College receives insufficient SFC income THEN the College's ability to achieve a balanced budget will be adversely affected and future credits targets may be reduced.
- IF staff pay awards require to be implemented for AY2020-21 THEN the College is unlikely to achieve a balanced budget.
- 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 regional demand reduces, THEN the credit target may not be achieved resulting in clawback and reduced funding in future years.
- IF candidate numbers are insufficient to meet SDS targets in relation to Modern Apprenticeships (MAs) and Foundation Apprenticeships (FAs), THEN the allocation of future places may be reduced.

- IF challenges arise around the delivery of undelivered AY2019-20 FWDF activity THEN the College may be unable to retain FWDF funding and experience reputational damage with employers.
- IF the Flexible Workforce Development Fund is extended to private training providers THEN the College will face increased competition for securing employers and related funding.

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

The College has also considered specific risks in connection with cyber security. 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, and staff training.

Withdrawal of the United Kingdom from the European Union (BREXIT)
The College has considered the implications of BREXIT for its business activities and has taken a number of measures to mitigate these. These include: -

- The College has created a checklist, based on guidance from SFC, to identify potential areas of impact. This has been considered by the Regional Board and Executive Team and further actions have been assigned to managers.
- The College's financial plans have included the loss of European-funded activity, as advised by SFC, and actions to mitigate the impact of this.
- The College liaises closely with SFC and considers emerging issues or actions.
- The College has published information for both staff and students who may be affected by BREXIT because of their nationality.
- The College has considered its supply chain, and has taken cognisance of best practice identified by Advanced Procurement for Universities and Colleges (APUC) with regard to framework agreements. The College has also sought direct assurance of actions taken by direct suppliers such as catering and waste disposal contractors.

Going Concern

The Group Balance Sheet at 31 July 2020 shows Net Current Assets of £1.6m (FY 2018/19 £3.6m) and Total Net Assets of £26.0m (FY 2018/19 £29.2m). The SFC has advised the College of expected funding levels for the period to 2023-24 and the Regional Board has approved a 3-year financial plan up to 2022/23 on that basis. The financial plan sees the College operate to a break even position over that period.

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 performed well against its targets and performance indicators. While the College fell short of its original activity target, student success was again strong, especially with the blended learning model being adopted from March 2020 onwards. There is further analysis of the College's performance during the year in the next section.

Excluding pension fund changes, the College met its budgeted position for the year.

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

The College aims to respond to the regional priorities and skills needs as identified through the Regional Economic Strategy, Regional Skills Strategy, and in response to the priorities for the development of the Region as identified by Community Planning Aberdeen, and the Aberdeenshire Community Planning Partnership, as follows: -

Regional Economic Strategy		
Priorities: • Inclusive economic growth ('A skilled workforce for the future') • Repositioning the skills system	College Contribution: NESCol's wide portfolio of courses, vocational training opportunities and apprenticeships aligned to the region's key sectors and areas of skills shortages is central to encouraging economic growth across the region.	Strategic Objective(s): 1.1, 1.3, 2.7, 3.2, 3.3, 4.7.

Regional Skills Strategy		
Priorities: • Realigning the skills system • Expansion of workbased learning • Enhancing links to employer-education	College Contribution: The College is well placed to respond to the Strategy though the delivery and expansion of its Apprenticeship Family offer, through partnership working for workforce development planning, and its commitment to enhanced levels of employer engagement.	Strategic Objective(s): 1.3, 3.3, 3.8, 4.7

Community Planning Aberdeen		
Priorities: • Aberdeen Prospers: Inclusive Economic Growth • Prosperous People: Children are respected, included and achieving • Digital City: Digital Skills and Education	College Contribution: As a lead partner with the two local CPPs the College is working with others to target, through various Local Outcome Improvement Plans and Locality Plans the best way to reach those who are more socially and economically marginalized. It is hoped that this work will improve access to educational opportunity to many who traditionally have found themselves to be educationally excluded.	Strategic Objective(s): 1.1, 2.6, 3.1, 3.4, 3.5

Aberdeenshire Community Planning Partnership		
Priorities: • Changing Aberdeenshire's Relationship with Alcohol • Reducing Child Poverty • Connected and cohesive Communities	College Contribution: As a lead partner with the two local CPP's the College is working with others to target, through various Local Outcome Improvement Plans and Locality Plans the best way to reach those who improve access to educational opportunity to many who traditionally have found themselves to be educationally excluded.	Strategic Objective(s): 1.1, 3.1

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)
Widening Access	The College will provide access to further and higher education for people of all ages from the widest range of backgrounds.	1.1, 1.2, 1.3, 3.6, 3.7, 4.4
Gender Balance	The College will address gender inequality at all levels from course choices to boards and senior staff.	1.1, 4.10
Attainment	The College will raise attainment levels and increase the numbers of students who successfully complete courses and achieve the qualifications they are studying.	1.1, 4.1, 4.2, 4.4, 4.5, 4.10
Employability	The College will improve employment outcomes for young people and provide for support aimed at addressing youth unemployment, in particular, those with barriers to work.	1.2, 2.7, 4.5
Enterprise	The College will contribute to driving up levels of business innovation in Scotland by ensuring that its learners are exposed to entrepreneurial thinking.	2.7, 3.7, 3.8
Developing the Young Workforce	The College will play a key role in ensuring that a regional approach is undertaken to growing senior phase vocational pathways by working closely with partners on planning and delivery.	3.4, 3.5
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.	1.1, 3.5
Flexible Workforce Development Fund	The College will help employers to increase productivity and address skills gaps by supporting in-work training of their workforce.	1.1, 1.3, 3.8, 4.7
STEM	The College will contribute to the development of Scotland's STEM talent and capability to generate inclusive and sustainable economic growth by equipping young people with skills for the future.	1.3
Digital	The College will help to address the widening digital skills gap in Scotland through improved digital skills development across all subject areas for both learners and staff.	1.1, 2.6, 4.9, 5.4

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 2018-2021

KEY STRATEGIC INDICATOR TABLE

		2016/17		2017/18		2018/19		2019/20	
No.	Key Strategic Indicator	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Activity Levels									
1	The total number of credits delivered	137,153	138,195	138,161	136,266	132,530	132,715	133,490	133,730
2	The volume of core credits delivered	134,118	134,991	135,126*	135,126	130,070	130,561	131,070	131,312
3	The volume of ESF credits delivered	3,035	3,204	3,035	1,140	2,460	2,154	2,420	2,418
Learner Success									
Overall learner success rate (Incorporate level, mode, withdrawal and partial success measures)									
		2016/17		2017/18		2018/19		2019/20	
4	FE Full Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Learner Success	69%	66%	70%	67%	68%	65%	73%	64%
	Partial Success	10%	10%	9%	10%	-	11%	-	14%
	Early Withdrawal	8%	8%	7%	8%	5%	9%	-	9%
	Further Withdrawal	13%	15%	14%	14%	-	16%	-	13%
5	FE Part Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Learner Success	84%	71%	74%	69%	74%	57%	73%	81%
	Partial Success	11%	22%	15%	22%	-	28%	-	14%
	Early Withdrawal	2%	2%	5%	3%	-	8%	-	2%
	Further Withdrawal	3%	4%	6%	4%	-	7%	-	3%
6	HE Full Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Learner Success	77%	75%	77%	74%	77%	72%	78%	71%
	Partial Success	8%	10%	8%	10%	-	10%	-	15%
	Early Withdrawal	4%	3%	4%	4%	5%	5%	-	5%
	Further Withdrawal	11%	12%	12%	11%	-	13%	-	9%
7	HE Part Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Learner Success	80%	80%	83%	79%	83%	81%	83%	61%
	Partial Success	18%	18%	15%	16%	-	12%	-	37%
	Early Withdrawal	1%	1%	1%	1%	-	2%	-	1%
	Further Withdrawal	1%	1%	1%	4%	-	5%	-	1%
Sustainability									
		2016/17		2017/18		2018/19		2019/20	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
26	Non-SFC income as a percentage of turnover	34%	33%	32%	27%	27%	25%	23%	23%
27	Staff costs as a percentage of turnover	61%	60%	61%	57%	63%	51%	66%	58%

Please note that in some instances, targets were not set due to the Covid-19 outbreak. That explains the jump from Indicator 7 to 26 for the year. However, it is also worth noting that in spite of the virus, the College met its adjusted credit target (SFC and ESF) for the year.

*** 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 2019-20

Throughout 2019-20 NESCol's academic teams planned and delivered a range of activities and step-change initiatives aimed at creating positive improvement across the range of courses offered by each team and the performance of students enrolled on these programmes.

The planned delivery was significantly impacted in March 2020 as a result of the Covid-19 pandemic and associated closure of College Campuses. Staff responded admirably by adapting programmes for remote delivery and enabling almost all students to complete their programmes of study. Some courses could not be completed in the planned timeframe as a result of regulatory requirements or need for access to practical spaces. These students were provided with the opportunity to complete once access to Campuses was enabled in August 2020.

Whilst the lockdown as a result of the pandemic was imposed without warning and precedent, business continuity plans were quickly instigated across the College. Staff in all areas were proactive and innovative in adapting their processes, making use of the existing robust IT infrastructure to enable the continuation of delivery of services.

College Curriculum
Curriculum teams continue to revise and update programmes according to demand and regional economic need. Major revisions to non-advanced Social Science and Travel and Tourism courses were approved for offer in 2020-21, as well as consolidation of the Business Enterprise offer at Fraserburgh Campus following a Business Provision review. The Science team also developed new programmes in Industrial Biotechnology and Forensic science. The Computing team added new programmes and revised others to include more units on cybersecurity and Engineering developed their Engineering Systems offer to allow more students to develop skills across the engineering disciplines.

Revised Business Processes
Project groups were set up to modernise and improve the Business processes for curriculum review and self-evaluation. The groups were composed of Heads of Faculty and good progress was made in developing more collaborative processes, including input from a wider range of colleagues and using professional discussion more effectively. This work has been delayed due to lockdown but will be continued into 2020-21.

STEM Activity
The College has continued to lead the Regional STEM Partnership in accordance with the Scottish Government STEM Strategy. A regional strategy has been developed, although this will need some revision following the impact of Covid-19 on the ability to partners to deliver experiences and on the regional economy need.

Equalities
The Equalities Committee was engaged this year in reviewing progress with the College's Gender Action Plan and developing an Equalities report looking at representation and outcomes across a range of protected characteristics. This work will continue into 2020-21 but will now also be heavily influenced by the impact of Covid-19. Equality impact assessments of major policy changes and decisions have been ongoing but a review of impact will be undertaken. The Committee will also consider new Equality Outcomes for the College as part of the Public Sector Equality Duty in 2020-21.

Student Information Portal
Teaching staff now have access to the College's new Student Information Portal (SIP) which gives staff access to all the essential information they require about their students in one place via a new online

dashboard. This includes personal details, enrolment information, student progress status and absence information.

The need for the portal emerged during consultation with staff as part of the Student Support review. Previously, staff had to access multiple websites to access student information and there was no facility to RAG rate student progress for Academic Tutors and Managers. The new SIP tool allows managers to get more robust oversight of the course-level progress of their students and enables the funding team to more effectively manage the bursary payment process, reducing the administrative burden on curriculum staff.

Further iterations of the portal will enable the Student Advice & Support Team to upload supporting information, including needs assessments and learner support plans, to each student's dashboard, and teaching staff to comment on student progress and create online action plans to manage student progress.
Initial feedback from staff has been very positive and work is ongoing to complete and implement Phase 2 of the project.

Refinement of Whole-College Support Model
A review of the Whole-College Support Model was undertaken to confirm whether the changes made had impacted positively on the experience of students. Feedback from both students and staff, gathered through focus groups, surveys, peer led reviews and anecdotally indicate that support services are more visible and efficient now that they are located within dedicated Student Advice Centres. It will be difficult to take any judgement from KPIs this year due to the additional challenges encountered during the ongoing pandemic. Provision has been made available at each of the main campuses to ensure all full-time students are reached. Services continued to be delivered remotely during lockdown. It is recognised that provision to part-time students is not at the desired level and this will be reviewed in AY2020-21.

Student Wellbeing
Student wellbeing has been at the forefront of our minds during the Covid-19 pandemic and we have introduced two important developments during the academic year in support of this:

Mental Health Toolkit
A new Mental Health Toolkit is now available to students via the MyNESCol Student App. Promoted by staff during academic tutoring sessions, the Toolkit provides students with information, advice and guidance about:

- maintaining positive mental health and wellbeing
- the range of support services available to them at College
- where and how to get help if and when they need it
- the key warning signs of poor mental health and wellbeing to look out for.

The Toolkit also provides links to a range of excellent external resources and Apps aimed at supporting positive mental health including 'Headspace' and 'Stop Breath Think'.

Togetherall (formerly Big White Wall)
Togetherall was officially launched at NESCol on 20 April – providing students and staff with access to free online support through a 24/7 online global community and advice from trained professionals.
Togetherall provides a safe space online to allow users to explore their feelings, get creative and learn how to self-manage mental health and wellbeing.
Users are totally anonymous to other members in the community. The College will not be informed if an individual has signed up to Togetherall or know of the activity of students or staff unless there are serious concerns about a user.
Most members report feeling better and more able to cope with their workloads as a result of using the service and nearly 90% use Togetherall outside of normal College hours.

Curriculum Support Frameworks
To support effective curriculum management, several new frameworks were developed which provided Curriculum Managers and Lecturers with clear instructions and resources to help support a range of key processes:

- Framework for Supporting Successful Learners
- Academic Tutoring Framework
- Framework for Working with Schools
- Framework & Toolkit to Advance Student Engagement
- Framework for Managing Faculties

To support curriculum planning and delivery for AY2020-21 within the current context of Covid-19, a new Framework for Curriculum Planning and Delivery was launched in June 2020.

Commercialisation

In the early part of the year, commercial interest was strong with good growth in Modern Apprenticeships and growing interest in Foundation Apprenticeships. Our commercial delivery reached across most industry areas through the use of Flexible Workforce Development Fund (FWDF) and we were able to complete the full delivery of our 2018-19 FWDF activity. At the same time, we managed to generate 2019-20 FWDF applications worth almost £750k. Delivery of this activity was often by NESCol Associate Trainers, but also included college teaching staff in different curriculum areas. This was very much in line with the roll out of NESCol's Business Development Strategy. However once the Covid Pandemic struck, employers in a short space of time, began to postpone training and were reluctant to admit college staff on to their premises.

The Covid-19 pandemic has impacted all industries in the North East region. None more so than the oil and gas industry where worldwide consumption fell dramatically resulting in a significant oil price drop affecting the dominant industry in the region.

With remote working and significant swathes of the local workforce furloughed, commercial training all but ceased from March 2020. Some distance learning within organisations has been able to continue but most employers viewed it as low priority.

New Website

The new NESCol website (www.nescol.ac.uk) went live on 05 November 2019 following an extensive programme of work by staff from the College's Marketing and Communications and IT and Technical Services teams, in conjunction with the appointed agency BLUE2Digital. The deadline coincided with full-time applications opening for AY2020-21 and formed part of an integrated marketing launch to support online applications.

The development of the site will continue on an iterative basis to support NESCol's digital ambitions. Improving the user experience and the introduction of rich multi-media content to the College's main online channel have been two of the key benefits of the project.

The following activities are planned for delivery during AY2020-21:

Social and Economic Recovery

The immediate future looks challenging for the North East region with anticipated redundancies greater than the rest of the country. NESCol has refocused its commercial offering to support those at risk of redundancy either through reskilling and through the provision of basic support programmes (confidence building, CV surgeries, interview techniques, etc.). We also recognise the importance of supporting our agency partners including local authorities, Skills Development Scotland and third sector organisations. The collective support of all regional partners in the year ahead will be critical.

Energy Transition

The Moray East windfarm project is proceeding apace with turbine jacket installation well underway and a new Operation and Maintenance hub under construction in Fraserburgh. This has led to the recruitment of a group of Offshore Wind Technicians who will undertake a bespoke modern apprenticeship programme over a two-year period. This is the first material benefit we have seen from the Moray East project and is an exciting start to what promises to be an important project for NESCol.

At the same time NESCol's Leadership Team is investigating opportunities for the College's involvement in 'Hydrogen Aberdeen' which will see Hydrogen becoming a key component of the Energy Transition strategy. NESCol has also been involved with Pale Blue Dot – an organisation championing the decarbonisation of the north east corridor from St Fergus to Grangemouth. Hydrogen production and Carbon Capture lie at the heart of the project and we hope to play a significant role in this opportunity.

Further development of the Fujitsu Innovation Hub

The college worked with Fujitsu two years ago to develop a high-tech learning space at our Campus in Fraserburgh which is used by a wide range of staff and students to deliver exciting and innovative learning and teaching, projects, seminars and events, such as First Lego League.

Following a very generous donation, more of the space is being opened up and fitted out to enhance the flexibility and use of the space to develop more opportunities to engage with primary and secondary schools, local community groups and industry, as well as enhancing delivery for our students.

Further Development of Curriculum Support Frameworks
For AY2020-21 two Frameworks have been updated/revised:

1. Framework for Supporting Successful Students (Consolidation of Academic Tutoring Framework, Framework for Supporting Students, Framework for Attendance Monitoring and Engagement and the Framework for Attendance Monitoring and Funding)
2. Framework for Faculty & Team Meetings.

Student Support
In addition to the remote delivery approach and updates to SIP to improve recording and monitoring of student support, a new counselling service is being launched. In partnership with Mental Health Aberdeen the service will be delivered by ACIS Student, offering counselling sessions to students following a referral to and triage by the Student Advice and Support Team.

Counselling can be an effective source of support for students who may be experiencing emotional difficulties due to a range of experiences, including: family breakdown, bereavement, loss, gender based violence, difficult family or peer relationships, anxiety, depression or bullying. Counselling enables these students to gain an understanding of themselves and their situations and can help them develop strategies to cope with these difficulties.

Academic and Personal Skills Development Units
Recognising the potential challenges and risks associated with the blended delivery model it was agreed that a new 3 credit Academic and Personal Skills Development unit will be developed for inclusion on all FE courses at levels 4, 5 and 6. Two subject credits and the previous Academic Tutoring credit have been removed from programmes of study to accommodate this new unit.

The unit focuses on the development of transferrable skills which include core skills, meta-skills such as self-management, social intelligence and innovation, and the four capacities of the Curriculum for Excellence. It has been designed to encourage learners to take responsibility for their own learning and skills development, focusing on their own personal, educational and career goals.

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, 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 decided to integrate the Sustainable Development Goals with the College's International management systems, the Environmental Management System ISO14001 and Energy Management System ISO50001. 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 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 and in May 2020 was accredited to the new Energy Management System ISO50001:2018 standard which replaces the 2011 Standard. The College is now fully accredited to the most up to date standards through bsi. Both are audited twice a year by an external auditor from the British Standards Institution (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's Carbon Management Plan has been updated and continues to complement existing strategies and policies whilst focussing on the management of the opportunities associated with the reduction of carbon emissions. The College is committed to reducing our carbon emissions whilst continuously improving the learning experience for our students and the working environment for staff.
The Carbon Management Plan will allow the College to build on successes and ensure that we continue to deliver the benefits of this programme over the years. North East Scotland College will aim to reduce the CO2 emissions from its activities by 50% from the 2018/19 baseline by 2025. The plan will run from August 2020 to July 2025.

Compliance with the Climate Change (Scotland) Act 2009

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 5-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 expenditure on staff costs is maintained at a level of no more than 60% of turnover.

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; and
- Retain adequate cash reserves, at a level of not less than 10 days trading activity, while meeting Scottish Government cash flow requirements.

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
- Maximise funding from sources other than the SFC, with such funding to be at a level of not less than 28%.

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 (SOCI) for the year showed a deficit on the continuing operations after disposals of assets and taxation of £2,308,000 (FY2018-19: £1,702,000 deficit). After adjusting for the effect of the loss on the revaluation of the Asset Held for Resale, the gain on the revaluation of Land and Buildings, and the pension deficit on the revaluation of the funds, the deficit for the year was £3,211,000 (FY2018-19: £13,748,000 deficit). Of the total income of the Group, 23% (FY2018-19: 25%) was received from non-SFC sources. This figure for 2019/20 has moved further from our stated target, but this has been entirely due to the effects of Covid-19 on non SFC income.

Impact of the Covid-19 Pandemic on Financial Performance

In line with almost every public and private business, North East Scotland College suffered 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 2020. The most significant impacts were in terms of reduced commercial income, totaling some £980k and in increased operating costs of some £430k.

Restated 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:-

		2019-20 £'000	Restated 2018-19 £'000
(Deficit)/Surplus before other gains and losses		**(2,408)**	**(1,812)**
Add back:	**Note:**		
Depreciation (net of deferred capital grant release)	**5 &13**	918	894
Pension adjustment – Net Service Cost	**33**	1,544	1,326
Pension adjustment – Net Interest Cost	**33**	530	235
Adjusted operating Surplus		**584**	**643**

The prior year adjusted operating position has been restated in line with the changes outlined on page 50.

The underlying position for 2019/20 has been approved by SFC.

The accumulated deficit on the Income and Expenditure reserve at 31 July 2020 was £13,533,000 (31 July 2019 deficit £6,348,000). 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 2020 was £6,459,000 (31 July 2019: £6,817,000) whilst the FRS102 provision for the College's share of the North East Scotland Pension Fund (NESPF) deficit was £31,880,000 (31 July 2019: £24,890,000).

The College has net assets of £26,024,000 (31 July 2019: £29,236,000). The current asset to current liabilities ratio is 1.2:1 (31 July 2019: 1.6:1), with the gearing on long term liabilities being 3.0:1 (31 July 2019: 2.5:1).

During 2019-20, 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 increased by £690,000 in the year (2018-19 – increase of £170,000)

Liquidity

During the financial reporting period, the College maintained its reserves in accordance with its Reserves Policy, which is to maintain 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 £3,341,000 (31 July 2019: £2,651,000), this equates to the College having 23 days of cash on hand (FY2018-19: 18 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 for priorities 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	**2019-20 £'000**	**2018-19 £'000**
Student Support	0	0
2015-16 Pay Award	328	328
Restructuring costs – Voluntary Severance Costs	0	0
Estates Costs	550	550
Other – Equipment Replacement	283	283
Total Impact on operating position	**1,161**	**1,161**
Capital Priorities		
Loan repayments	0	0
Estates Costs	0	0
Provisions pre 1 April 2014	0	0
Total Capital	**0**	**0**
Total cash budget for priorities spend.	**1,161**	**1,161**

Future Developments

In negotiating the College's Regional Outcome Agreement for 2020-21 with SFC, the College has agreed to teaching funding totaling £33.6M (2018-19 £32.9M). The College has set its budget for 2020-21 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 recognizes 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 2019-20 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 16 days in the year to 31 July 2020 (16 days in the year to 31 July 2019).

Interest paid under the Late Payments of Commercial Debts (Interest) Act amounts to £0 during this period (£0 during period to 31 July 2019).

PROFESSIONAL ADVISERS

External auditor:	Ernst & Young LLP Atria One 144 Morrison Street Edinburgh EH3 8EX
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 16th December, 2020.

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
A. Bell
S. Brydon (student member)
A. Calderon (student member – term ended 30 June 2020)
N. Cowie (Principal and Chief Executive – appointed 20 December 2019)
M. Dear (staff member)
A. Elghedafi
S. Elston
J. Henderson
A. Maheshwari
J. Mcginley (student member)
E. McIntyre (Principal and Chief Executive - retired 31 December 2019)
N. McLennan
K. Milroy (Regional Chair)
S. Ross
A. Russell
A. Simpson
A. Smith (resigned 31 December 2019)
E. Watt (student member - term ended 30 June 2020)
G. Watt (staff member)

Secretary to the Board: P. May

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 (appointed 20 December 2019)
P. Smith – Vice Principal Finance and Resources

Details of transactions with members of the Board are given in Notes 30 and 31 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) 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 that disclose with reasonable accuracy at any time the financial position if 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 the 2019-20 Government Financial Reporting Manual (FReM) issued by the Scottish Government and other relevant accounting standards. 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.
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, efficient, and 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 Standing Orders, Scheme of Delegation, Code of Conduct and detailed Terms of Reference for the Board and each of its Committees.

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 met four times during AY2019-20, the Curriculum and Quality Committee and the Finance and Resources Committee three times, and the Human Resources Committee twice.

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.

- Selection and Appointments Committee – the remit of this committee is to:
  - support the process by which Regional Board Members are recruited, selected, and recommended for appointment;
  - advise the Regional Board on matters relating to the appointment of the Chairs, Vice Chairs and membership of the Board's Committees;
  - 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 Impact of Covid-19

The Covid-19 pandemic has impacted on the governance structure and operation of the Board and its Committees as follows:

- Facilitation of online Board and Committee Meetings and a Board Strategy Event through the use of Microsoft Office Teams and the provision of training on the use of Teams for all Board Members;
- Rescheduling of a Board Meeting from 13 March 2020 to 08 April 2020 due to the need for the Executive Team to reallocate focus to responding to the emerging pandemic;
- Temporary establishment of a Chairs Committee as of 08 April 2020 to act on behalf of the Regional Board in any matter which, in the judgement of the Regional Chair, requires urgent attention or decision;
- Provision of two online Board Updates provided by members of the Executive and Leadership Teams to share key information with Members regarding the impact of Covid-19 on the operation of the College and the approaches being undertaken to continuity of service and scenario planning – 02 April 2020 and 07 May 2020;
- Convening of two meeting of the Chairs Committee – 29 April 2020 and 10 August 2020;
- Adoption of the Chairs Committee as a permanent aspect of the Board's governance arrangements by the Board at its meeting on 07 October 2020;
- Increased engagement, sometimes daily, between the Regional Chair and Principal & Chief Executive regarding Covid-19 related matters;

- Inclusion of additional items of business related to impacts of Covid-19 at Board and Committee Meetings;
- A significant revision of the College's Strategic Risk Register, owned by the Board and monitored by the Audit and Risk Committee;
- An increase to the number of apologies recorded at Board and Committee Meetings;
- Increased provision of information out with Meetings to ensure Members are fully appraised of key day-to-day operations and risks.

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 2020 is as follows:

Key Committees:

- **Audit and Risk Committee**
  Members – D. Anderson, A. Bell, A. Elghedafi, A. Russell, A. Simpson, A Smith, S. Ross.

- **Curriculum and Quality Committee**
  Members – A. Calderon, N. Cowie, M. Dear, S. Elston, A. Maheshwari, N. McLennan, A. Russell, A. Simpson, E. Watt, G. Watt. Co-opted Member – G. Mutch.

- **Finance and Resources Committee**
  Members – D. Anderson, N. Cowie, M. Dear, S Elston, A. Elghedafi, J. Henderson, N. McLennan, K. Milroy, A. Smith, E Watt, S. Ross.

- **Human Resources Committee**
  Members – A. Bell, N. Cowie, A. Calderon, S. Elston, J. Henderson, A. Maheshwari, K. Milroy, G. Watt.

- **Remuneration Committee**
  Members – A. Bell, A. Calderon, M. Dear, J. Henderson, K. Milroy, A Simpson.

- **Selection and Appointments Committee**
  Members – D Anderson, A. Bell, J. Henderson, K. Milroy, A. Simpson.

Board Member attendance at Board and Committee meetings for the year to 31 July 2020 is as follows:

Board Member	Regional Board	Audit & Risk	Curriculum & Quality	Human Resources	Finance & Resources
D. Anderson	5/5	4/4			2/3
A. Bell	5/5	1/4		1/2	
A. Calderon	5/5		3/3	2/2	
N. Cowie	2/2		2/2	1/1	2/2
M. Dear	3/5		2/3		2/3
A. Elghedafi	4/5	3/4			3/3
S. Elston	2/5		2/3	2/2	
J. Henderson	5/5			1/2	3/3
A. Maheshwari	2/5		2/3	0/2	
E. McIntyre	3/3		1/1	1/1	0/1
N. McLennan	5/5		2/3		2/3
K. Milroy	5/5			2/2	3/3
S. Ross	5/5	4/4			3/3
A. Russell	3/5	3/4	3/3		
A. Simpson	4/5	3/4	3/3		
A. Smith	0/3	0/2			0/1
E. Watt	1/3		1/2		0/2
G. Watt	5/5		2/3	1/2	

To demonstrate its commitment to maintaining the highest standards of governance, the Board has also established a Governance Steering Group. The Group is comprised of the Regional Chair, and the Regional Board's two Vice Chairs, and is supported by the Secretary to the Board. The Group undertakes a key role in monitoring compliance with the Code of Good Governance for Scotland's Colleges and considering implications of any legislative changes. The Group 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 Group considers succession planning arrangements for its membership and ensure 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.

In February 2019 the College's Internal Auditors undertook an audit of Corporate Governance. The purpose of the audit was to ensure that the College's governance arrangements were adequate. The audit also sought to provide assurance to the Board, via the Audit and Risk Committee, that the arrangements in place are fit for purpose and in line with the Code of Good Governance for Scottish Colleges. The overall conclusion of the audit was a grading of 'strong', confirming that "controls satisfactory, no major weaknesses found". No recommendations were identified. Seventeen areas where the College is operating effectively and following good practice were highlighted.

At its meeting in May 2020 the Board's Audit and Risk Committee considered a paper providing information on Board activities and behaviours against each of the Code's individual criteria to provide assurance that the College's governance arrangements are fit for purpose and in line with the requirements of the Code. Following this review confirmation can be provided that the College complies with all the principles of the 2016 Code of Good Governance for Scottish Colleges, and it has complied throughout the year ended 31 July 2020.

The Regional Board is required to undertake its next externally facilitated evaluation of its effectiveness by April 2021. At its meeting in October 2020, the Board agreed the appointment of the facilitator of this review, which will commence in December 2020.

Risk Management and Internal Control

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 following risks to its Strategic Goals as currently requiring close monitoring: -

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.

- See the first two Covid-19 related risks noted on page 27, these are currently the only risks recorded against this Strategic Goal.

Strategic Goal 2: Develop the skills, talents and potential of all of 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 national collective bargaining agreements do not provide required flexibility THEN the College may not be able to meet delivery requirements in AY2020-21.
- IF students do not engage with formal representation processes and activities THEN the learner voice will not be considered as part of the College's quality improvement agenda.

Mitigations for the above risks focus on the implementation of strategies, policies and procedures, organisational development activities, effective communication and consultation mechanisms with staff and students, partnership working with local trade union representatives, and participation with the national Employers’ Association.

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 national agencies seek to strengthen their influence over regional development priorities THEN the College may face increased bureaucracy, capacity pressures related to partnership working and requirements to respond to conflicting priorities.

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 outcome 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 student outcomes do not improve as planned THEN the College's ability to achieve its SFC activity target will be reduced.
- 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 an emergency/disaster/significant systems failure occurs THEN the learner experience, learner outcomes, and the generation of credits will be negatively impacted upon.
- IF an individual is harmed or property is damaged THEN the College may face litigation or criminal prosecution and reputational damage.

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 THEN the College's ability to achieve a balanced budget will be adversely affected and future credits targets may be reduced.
- IF staff pay awards require to be implemented for AY2020-21 THEN the College is unlikely to achieve a balanced budget.
- 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 regional demand reduces, THEN the credit target may not be achieved resulting in clawback and reduced funding in future years.
- IF candidate numbers are insufficient to meet SDS targets in relation to Modern Apprenticeships (MAs) and Foundation Apprenticeships (FAs), THEN the allocation of future places may be reduced.
- IF the Flexible Workforce Development Fund is extended to private training providers THEN the College will face increased competition for securing employers and related funding.

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

Other.

- IF staff do not adhere to key statutory obligations and legislative requirements, including the Equality Act 2010, Freedom of Information (Scotland) Act 2002, General Data Protection Regulation (GDPR) THEN the College may face significant financial penalties and/or reputational damage may occur.
- IF the College fails to equality impact assess key decisions and policy changes THEN it may disadvantage those with certain protected characteristics and/or vulnerable groups and individuals and negatively affect the College's reputation regarding access and inclusion.
- 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.
- IF staff do not adhere to required data processing arrangements THEN the College may experience unavailability or loss of personal data, with potential for monetary fines of up to 4% of turnover, reputational damage and normal business processes being negatively impacted or ceasing altogether.

Mitigations for the above risks focus on comprehensive policies and procedures, staff training, external guidance and legal advice, audits and systems monitoring and testing, and employment of a Data Protection Officer.

In addition, the following significant Covid-19 related risks have been included in the Strategic Risk Register. These risks were initially identified through detailed scenario planning undertake by the Executive and Leadership Teams, and are regularly reconsidered as part of the regular review of the Strategic Risk Register to ensure they are updated to reflect any changing circumstances or Government guidance:

- 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 region continues to experience economic shocks and challenges due to the Covid-19 pandemic and oil & gas downturn THEN the College may face detrimental impacts on its functions and services.

- IF Scottish Government guidance continues to advise for an extended period of time that staff should work from home where possible THEN staff morale, productivity and the quality of the learner experience may be negatively affected.
- IF there is increased uncertainty and stress due to remote working and teaching, and worries about job security THEN the College may have insufficient staffing levels impacting negatively on the learner experience.
- IF teaching staff are lacking in knowledge/experience/confidence to facilitate blended education for a prolonged duration THEN leaner engagement and outcomes will be negatively affected.
- IF the region experiences a second wave of the Covid-19 pandemic THEN the College may need to revert to a closed campus operating model negatively impacting on delivery of courses and the overall learner experience.
- IF social distancing requirements are kept in place for an extended period of time THEN the College may not be able to complete delivery for all enrolled students.
- IF capacity limitations dictate that courses require content to be condensed and delivered online THEN this may lead to insufficient delivery time and de-motivated or anxious students
- IF Scottish Government guidance does not enable on campus delivery of School Links provision THEN the College is unlikely to achieve its credits target and future enrolment pipelines may be adversely affected.
- IF challenges arise around the delivery of undelivered AY2019-20 FWDF activity THEN the College may be unable to retain FWDF funding and experience reputational damage with employers.
- IF Covid-19 and the threat of a no-deal Brexit continue to affect supply the supply chain for equipment THEN the College's ability to procure the necessary equipment for successful delivery of services will be impacted.
- IF Scottish Government guidance continues to prevent the holding of on Campus meetings and events e.g. Open Days, Career Events THEN the College's ability to deliver key business as usual activities and the meeting of enrolment targets will be negatively impacted.

The above Covid-19 related risks are being mitigated through a number of controls, with ongoing consideration of any additional actions which could be implemented to further reduce risk as part of the review process for the Strategic Risk Register. Key mitigations for the identified Covid-19 related risks include:

- Increased engagement with key stakeholders, including, Scottish Funding Council, Colleges Scotland, Government officials, Local Authorities, and Skills Development Scotland;
- Horizon scanning and monitoring of guidance from the Scottish Government and key sector bodies and organisations;
- Ongoing scenario and contingency planning and risk identification;
- Development of detailed internal guidance for staff and students relating to remote working and learning and teaching;
- Implementation of social distancing measures and approaches to minimise risks to reduce the potential for community transmission by limiting numbers of staff and students on-campus;
- Increased communication with both staff and students through the issuing of regular 'Updates from the Principal's Office', use of social media, and holding of webinars;
- Increased measures to monitor and support the health and wellbeing of staff and students, including the use of online surveys, the introduction of an Employee Assistance Programme, and the provision of TogetherAll;
- Provision of new staff training to support continued online and blended learning and teaching.

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 period ended 31 July 2020 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 and the results have provided evidence to the Board that there are strong controls in most areas under review. Areas reviewed during AY19-20 were: Business development (Satisfactory); Financial planning (Good), IT operations (Satisfactory). Bring your own device (BYOD) – Value for money (Satisfactory). A follow-up audit of previous recommendations was also undertaken with good progress recorded (17 of 21 recommendations fully implemented. 2 low level recommendations partially implemented, 1 low level recommendation has had little progress and 1 low level recommendation was not due for completion at the time of the audit). A planned audit of performance reporting was postponed until AY2020-21 due to restrictions as a result of the Covid-19 pandemic.

In its report to the Board, the internal auditor highlighted three of its recommendations graded as 'priority two', and seven as 'priority three'. (Priority two - Issue subjecting the organisation to significant risk and which should be addressed by management. Priority three - Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.) Actions have been, or a planned to be, taken to address these matters and strengthen controls in these areas.

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 AY2019-20 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 AY2019-20 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 2020 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

These financial statements have been prepared on a going concern basis which the Regional Board believes to be appropriate for the reasons outlined below.

The activities of NESCOL are over 70% funded by the Scottish Government through the Scottish Funding Council (SFC) 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.

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 within NESCOL.

Following the coronavirus outbreak, the College has updated the financial forecast for the next 12 months in line with the assumptions provided by the Scottish Funding Council which included assuming Colleges taking relevant actions to balance their underlying positions each year. Therefore, based on our latest assumptions, the College will breakeven across the forecast period and sustain the liquidity position. Cashflow projections have been prepared for twelve months from the date of approval of these consolidated financial statements, which demonstrates sufficient cash headroom throughout the going concern period without the need for recourse to additional sources of finance.

Senior management have considered various scenarios when completing future budgets and financial plans, including the position excluding Covid-19, adjustments for the impact of the pandemic and a combined position.

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 financial sustainability.

The Scottish Funding Council have provided a letter of support confirming they will continue to support the College manage cashflow requirements for the period of 12 months from the date of approval of the balance sheet.

Based on the above analysis it remains wholly appropriate to prepare the College financial statements on a going concern basis.

Approved by the Regional Board and signed on its behalf by:

Ken Milroy
Regional Chair
16th December 2020

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 23.

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

The following table provides details of the remuneration and pension interests of senior management:

Actuals	**12 months ended 31 July 2020**			**12 months ended 31 July 2019**		
Name	**Salary £'000**	**Pension Benefit (to nearest £'000)**	**Total £'000**	**Salary £'000**	**Pension Benefit (to nearest £'000)**	**Total £'000**
K Milroy, Regional Chair	25-30	0	25-30	25-30	0	25-30
L McIntyre, Principal & Chief Executive (FYE £145K)	60-65	0	60-65	140-145	36	175-180
N Cowie, Principal & Chief Executive	120-125	113	235-240	95-100	73	165-170
P Smith, Vice Principal Finance	100-105	29	130-135	80-85	875	955-960
R. McGregor, Vice Principal Curriculum and Quality (FYE £104k)	60-65	179	240-245	0	0	0
J Davidson, Vice Principal Curriculum & Quality (FYE £91k)	0	0	0	60-65	0	60-65
R Scott, Vice Principal Finance (FYE £96k)	0	0	0	10-15	45	55-60

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

1. L. McIntyre retired from the College on 31st December 2019.
2. N. Cowie was promoted to Principal & Chief Executive on 20th December 2019. He previously held the position of Vice Principal – Access & Partnerships.
3. P. Smith joined the College on 17th September 2018, and so pension benefit for the previous year reflects a transfer from a different scheme.
4. R. McGregor was promoted to the post of Vice Principal Curriculum and Quality on 20th December, 2019 and figures disclosed in the table above relate to him being in this senior management position.
5. R. Scott retired from the College on 14th September 2018, and J Davidson left the College on 29th March, 2019.
6. There were no payments made for performance, bonuses, in lieu of pension, or non cash.

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 2019/20, as a full year effect due to the change in Principal, was £135,000-£140,000 (2018/19 £140,000-£145,000). This was 3.9 (2018/19 4.2) times the median total remuneration for the College which was £34,695 (2018/19 £34,266).

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 33.

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 2020**	**Accrued Lump Sum at Pension age at 31 July 2020**	**Real Increase in Pension 1 Aug 2019 to 31 July 2020**	**Real Increase in Lump Sum 1 Aug 2019 to 31 July 2020**	**CETV at 31 July 2020**	**CETV at 31 July 2019**	**Real Increase/ (Decrease) in CETV**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
K Milroy, Regional Chair	0	0	0	0	0	0	0
L McIntyre, Principal & Chief Executive	45-50	140-145	(-185)-(-187.5)	(-557.5)-(-560)	1,136	1,115	14
N Cowie, Principal & Chief Executive	30-35	65-70	5-7.5	10-12.5	617	498	119
P Smith, Vice Principal – Finance	45-50	80-85	0-2.5	(-2.5)-0	836	793	30
R. McGregor, Vice Principal Curriculum and Quality (FYE £105k)	5-10	0	7.5-10	0	85	0	85

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

No staff left under voluntary exit terms in 2019/20 (2018/19 NIL).

Total number of exit packages by cost band

Exit package cost band	**2019/20**	**2018/19**
<£10,000	0	0
£10,000 - £25,000	0	0
£25,000 - £50,000	0	0
£50,000 - £100,000	0	0
Total Number of exit packages	0	0
Total cost (£)	**0**	**0**

Staff Numbers

Staff Data as at 31 July 2020	**Total**	**Male**	**Female**
Number of Staff (Headcount)	**589**	263	326
Number of Staff (FTE)	**521**	250	271
Number of Staff (FTE) on permanent contracts	**502**	241	261
Number of Staff (FTE) on temporary contracts	**19**	9	10

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

There were an average of 1.4 FTE agency staff employed each month by the College.

Other information on Staffing Costs is given in Note 8 to these financial statements.

Salaries and Related Costs

During the year, the College incurred staffing costs of £30,697,000 (Restated 2018/19 £27,613,000) and costs of £2,337,000 (2018/19 £2,532,000) on agency staff. The number of days lost to sickness during the year was approximately 3,631 (2018/19 4,906). This represented 2.7% (2018/19 5.3%) as a percentage of days available to work.

The College spent £67,000 on Consultancy during the year (2018/19 £98,000), but there were no off-payment engagements, nor were there any consultancy payments to staff who had left the College's employment.

Equalities, Diversity and Inclusion

The People Services team is committed to equality and diversity throughout the staff employment cycle. This includes ensuring that there is no inadvertent discrimination at any point from the recruitment stage through to retention. People Services is also committed to fostering good relations between staff who have a protected characteristic and those who do not.

The College is a "Disability Confident Employer" which demonstrates its commitment to employing and retaining people with a disability. This means that the College offers, amongst other things, interviews to people with a disability who meet the minimum criteria for the job and reasonable adjustments where required.

The College works with its occupational health service provider to see if it can make reasonable adjustments to support staff with an illness/disability.

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, 2020.

Number of employees who were relevant union officials during the year:	Full-time equivalent employee number:
10	8.9

Percentage of time spent on facility time

Percentage:	Number of employees
0%	-
1% - 50%	10
51% - 99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time	£12,499
Total Pay Bill	£30,614,000
Percentage of the total Pay Bill spent on facility time	0.041%

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 2018/19.

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

Signed:

Ken Milroy
Regional Chair
Date: 16th December, 2020

Neil Cowie
Principal and Chief Executive

2.4 INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of North East Scotland and its group for the year ended 31 July 2020 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheet, and the Consolidated Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college and its group as at 31 July 2020 and of the deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

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

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

We report in a separate Annual Audit Report, available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Regional Board for the financial statements

As explained more fully in the Statement of the 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 deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other information in the annual report and accounts

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

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- We have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

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

December 2020

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

3. FINANCIAL STATEMENTS

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

There is a Prior Year Restatement to the figures in these statements, and this is explained in Note 2 to the accounts, on page 49.

CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE INCOME & EXPENDITURE
For the year end 31 July 2020

	Notes	Year ended 31 July 2020 £'000		Year ended 31 July 2019 (restated) £'000	
INCOME		**Group**	**College**	**Group**	**College**
Tuition fees and education contracts	4	**7,934**	**6,313**	8,483	6,134
Funding body grants	5	**37,862**	**37,862**	37,102	37,102
Other income	6	**3,124**	**3,429**	3,920	5,051
Investment income	7	**8**	**8**	9	8
Total Income		**48,928**	**47,612**	49,514	48,295
EXPENDITURE					
Staff costs	8	**30,697**	**30,040**	27,613	27,297
Restructuring costs	8	**368**	**368**	374	374
Other operating expenses	11	**17,679**	**17,098**	21,064	20,193
Depreciation	13	**2,062**	**2,015**	2,038	1,993
Interest and other finance costs	11	**530**	**530**	237	237
		51,336	**50,051**	51,326	50,094
(Deficit) before other gains, losses and shares of operating surplus/(deficit) of joint ventures and associate.		**(2,408)**	**(2,439)**	(1,812)	(1,799)
Release of negative goodwill	14	**109**	**109**	108	108
(Deficit) before tax		**(2,299)**	**(2,330)**	(1,704)	(1,691)
Taxation	12	**(9)**	**-**	2	-
(Deficit) for the year		**(2,308)**	**(2,330)**	(1,702)	(1,691)
Unrealised surplus on revaluation of Land and Buildings and Asset Held for Resale		**3,654**	**3,654**	2,080	2,080
Actuarial (loss) in respect of pension schemes		**(4,557)**	**(4,557)**	(14,126)	(14,126)
Total comprehensive (deficit) for the year		**(3,211)**	**(3,233)**	(13,748)	(13,737)
Represented by:					
Unrestricted comprehensive (deficit) for the year		**(6,865)**	**(6,887)**	(15,828)	(15,817)
Revaluation reserve comprehensive income for the year		**3,654**	**3,654**	2,080	2,080
		(3,211)	**(3,233)**	(13,748)	(13,737)
(Deficit) for the year attributable to:					
Non-controlling interest		**-**	**-**	-	-
College		**(3,211)**	**(3,233)**	(13,748)	(13,737)
Total Comprehensive Income for the year attributable to:					
Non-controlling interest		**-**	**-**	-	-
College		**48,928**	**47,612**	49,514	48,295

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 3 provides details of the adjusted operating position on a Central Government accounting basis.

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES (restated)

For the year ended 31 July 2020

Group	Income and expenditure account Restricted £'000	Unrestricted £'000	Revaluation £'000	Total excluding Non-controlling Interest £'000	Non-controlling Interest £'000	Total £'000
Balance at 1 August 2018	**5**	**9,800**	**33,178**	**42,983**	**-**	**42,983**
(Deficit)/Surplus from the Comprehensive Statement of Income & Expenditure	-	(15,828)	2,080	(13,748)	-	(13,748)
Transfers between revaluation and income & expenditure reserve	-	(320)	320	-	-	-
Addition for year	1	-	-	1	-	1
Total movement for the year	1	(16,148)	2,400	(13,747)	-	(13,747)
Balance at 1 August 2019	**6**	**(6,348)**	**35,578**	**29,236**	**-**	**29,236**
(Deficit)/Surplus from the Comprehensive Statement of Income & Expenditure	**-**	**(6,865)**	**3,654**	**(3,211)**	**-**	**(3,211)**
Transfers between revaluation and income & expenditure reserve	**-**	**(320)**	**320**	**-**	**-**	**-**
Spend for year	**(1)**	**-**	**-**	**(1)**	**-**	**(1)**
Total movement for the year	**(1)**	**(7,185)**	**3,974**	**(3,212)**	**-**	**(3,212)**
Balance at 31 July 2020	5	**(13,533)**	**39,552**	**26,024**	**-**	**26,024**

College	Income and expenditure account Restricted £'000	Income and expenditure account Unrestricted £'000	Revaluation £'000	Total excluding Non-controlling Interest £'000	Non-controlling Interest £'000	Total £'000
Balance at 1 August 2018	**5**	**9,666**	**33,178**	**42,849**	**-**	**42,849**
(Deficit)/Surplus from the Comprehensive Statement of Income & Expenditure	-	(15,817)	2,080	(13,737)	-	(13,737)
Transfers between revaluation and income & expenditure reserve	-	(320)	320	-	-	-
Addition for year	1	-	-	1	-	1
Total movement for the year	1	(16,137)	2,400	(13,736)	-	(13,736)
Balance at 1 August 2019	6	**(6,471)**	**35,578**	**29,113**	**-**	**29,113**
(Deficit)/Surplus from the Comprehensive Statement of Income & Expenditure	**-**	**(6,887)**	**3,654**	**(3,233)**	**-**	**(3,233)**
Transfers between revaluation and income & expenditure reserve	**-**	**(320)**	**320**	**-**	**-**	**-**
Spend for year	**(1)**			**(1)**	**-**	**(1)**
Total movement for the year	(1)	**(7,207)**	**3,974**	**(3,234)**	**-**	**(3,234)**
Balance at 31 July 2020	5	**(13,678)**	**39,552**	**25,879**	**-**	**25,879**

Balance Sheet as at 31 July 2020

	Notes	Group 31 July 2020 £'000	Group 31 July 2019 (restated) £'000	College 31 July 2020 £'000	College 31 July 2019 (restated) £'000
Non-current assets					
Negative goodwill	14	**-**	(109)	**-**	(109)
Fixed assets	13	**101,727**	97,619	**101,409**	97,269
Investments	15	**-**	-	**30**	30
		101,727	97,510	**101,439**	97,190
Current assets					
Stock	16	**24**	11	**24**	11
Trade and other receivables	17	**2,372**	2,137	**2,434**	2,184
Asset Held for Resale	19	**2,400**	4,900	**2,400**	4,900
Cash and cash equivalents	24	**3,341**	2,651	**3,027**	2,257
		8,137	9,699	**7,885**	9,352
Less: Creditors: amounts falling due within one year	18	**(6,543)**	(6,133)	**(6,426)**	(5,898)
Net current assets		**1,594**	3,566	**1,459**	3,454
Total assets less current liabilities		**103,321**	101,076	**102,898**	100,644
Creditors: amounts falling due after more than one year	21	**(38,927)**	(40,111)	**(38,680)**	(39,824)
Deferred tax (liability)	20	**(31)**	(22)	**-**	-
Provisions					
Pension provisions	22	**(38,339)**	(31,707)	**(38,339)**	(31,707)
TOTAL NET ASSETS		**26,024**	29,236	**25,879**	29,113
Restricted Reserves					
Income & Expenditure reserve – restricted reserve	23	**5**	6	**5**	6
Unrestricted Reserves					
Income and Expenditure reserve – unrestricted		**(13,533)**	(6,348)	**(13,678)**	(6,471)
Revaluation reserve		**39,552**	35,578	**39,552**	35,578
		26,024	29,236	**25,879**	29,113
Non-controlling interest		**-**	-	**-**	-
Total reserves		**26,024**	29,236	**25,879**	29,113

The financial statements on pages 39 to 64 were approved and authorised for issue by the Regional Board on 16th December 2020 and signed on its behalf by:

Ken Milroy
Regional Chair

Neil Cowie
Principal and Chief Executive

Charity Number: SCO21174

Consolidated Cash Flow Statement
For the period ended 31 July 2020

	Notes	Year ended 31 July 2020	Year ended 31 July 2019 (restated)
		£'000	£'000
Cash flow from operating activities			
(Deficit) for the year (before tax)		**(2,299)**	(1,704)
Adjustment for non-cash items			
Depreciation	**13**	**2,062**	2,038
Income	**5**	**(1,144)**	(1,144)
Amortisation of goodwill	**14**	**(109)**	(108)
(Increase)/Decrease in stock	**16**	**(13)**	296
(Increase) in debtors	**17**	**(235)**	(761)
Increase/(Decrease) in creditors	**18**	**410**	(612)
Increase in pension provision		**2,068**	2,334
Adjustment for investing or financing activities			
Investment income	**7**	**(8)**	(9)
Interest payable	**10**	**-**	2
Net cash inflow from operating activities		**732**	332
Payments made to acquire fixed assets		**-**	-
		732	332
Cash flows from financial activities			
Interest Paid	**11**	**-**	(2)
Interest element of finance lease and service concession payments		**-**	4
Repayments of amounts borrowed	**18&21**	**(42)**	(164)
		(42)	(162)
Increase in cash and cash equivalents in the year		**690**	170
Cash and cash equivalents at beginning of year	**24**	**2,651**	2,481
Cash and cash equivalents at end of the year	**24**	**3,341**	2,651

Notes to the accounts
For the year ended 31 July 2020

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 2019/20 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 30 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.

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 is 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 received 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 that 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.

Accounting for Business Combinations
The College merged with Banff and Buchan College on 1 November 2013. Upon transition to FRS 102, the College recognises negative goodwill reflecting the benefit arising as a consequence of no consideration having been paid by the College for the net value of the assets acquired is included in the consolidated balance sheet as negative goodwill as a deduction from tangible and intangible fixed assets.

2. PRIOR YEAR RESTATEMENT

Staff Costs

Two restatements have been made to the prior year comparatives throughout the primary financial statements and supporting notes in these accounts.

1. The prior year SOCIE and balance sheet have been updated to reflect the value of the unfunded benefits obligation in relation to early retirements, which previously had not been accounted for in previous financial statements. The impact of this restatement is to increase pension provisions by £666k, with the College's reserves being reduced by £645k and the College's interest costs for the year increasing by £19k.
2. This College financial statements for the year ended 31st July 2019 accounted for all costs related to the FRS 102 pension charges for the year under actuarial gains and losses. The current and past service cost elements of these have been restated to be accounted for under staff costs, in line with the relevant accounting standards. The 2018/19 comparative figures have been restated to include this prior year adjustment, as shown below, the impact being to increase the prior period deficit, but with no overall impact on the total comprehensive deficit..

	£'000	
	Group	**College**
Staff costs reported at 31 July 2019	25,386	25,070
Adjustment for pension fund figures	2,227	2,227
Restated Staff costs reported at 31 July 2019	27,613	27,297

3. IMPACT OF DEPRECIATION BUDGET ON STATEMENT OF COMPREHENSIVE INCOME

	2019-20 **£'000**	**2018-19 (restated)** **£'000**
(Deficit)/Surplus before other gains and losses (FE/HE SORP basis)	(2,308)	(1,700)
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	1,161	1,161
Operating (deficit)/surplus on Central Government accounting basis.	(1,147)	539

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 £2,308,000 for the year ended 31 July 2020. After adjusting for the non-cash allocation provided under government rules, the college shows an "adjusted" deficit of £1,147,000 on a Central Government accounting basis. This deficit is attributable to the impact of Covid-19 as explained in the performance report on page 17.

4. TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2020 £'000		Year ended 31 July 2019 £'000	
	Group	College	Group	College
Full time home and EU students	**4,822**	**4,822**	5,050	5,050
Full time International students	**176**	**176**	53	53
Total fees paid by or on behalf of individual students	**4,998**	**4,998**	5,103	5,103
Education contracts:				
Skills Development Scotland	**1,315**	**1,315**	1,031	1,031
Other tuition	**1,621**	**-**	2,349	-
	2,936	**1,315**	3,380	1,031
Total	**7,934**	**6,313**	8,483	6,134

5. FUNDING BODY GRANTS

	Year ended 31 July 2020 £'000		Year ended 31 July 2019 £'000	
	Group	College	Group	College
Recurrent grant				
Scottish Funding Council (SFC)	**32,430**	**32,430**	31,417	31,417
Specific grants				
Childcare funds	**572**	**572**	586	586
Release of capital grants	**1,144**	**1,144**	1,144	1,144
Other SFC grants	**3,716**	**3,716**	3,955	3,955
Total	**37,862**	**37,862**	37,102	37,102

6. OTHER INCOME

	Year ended 31 July 2020 £'000		Year ended 31 July 2019 £'000	
	Group	College	Group	College
Residences, catering and conferences	**905**	**905**	1,407	1,407
EU revenue grants	**-**	**-**	25	25
Farming activities	**30**	**30**	33	33
Other income	**1,354**	**1,659**	1,397	2,528
Accommodation recharge	**835**	**835**	939	939
Release of deferred income (Foundation)	**-**	**-**	119	119
Total	**3,124**	**3,429**	3,920	5,051

7. INVESTMENT INCOME

	Year ended 31 July 2020 £'000		Year ended 31 July 2019 £'000	
	Group	College	Group	College
Other investment income	**8**	**8**	9	8
	8	**8**	9	8

8. STAFF COSTS

	Year ended 31 July 2020 £'000		Year ended 31 July 2019 (restated) £'000	
	Group	**College**	**Group**	**College**
Salaries	**22,483**	**22,104**	20,146	20,089
Social security costs	**2,306**	**2,135**	2,122	1,967
Other pension costs	**5,908**	**5,801**	5,345	5,241
Restructuring costs	**368**	**368**	374	374
	31,065	**30,408**	27,987	27,671
Teaching departments	**17,792**	**17,550**	15,146	15,202
Teaching support services	**954**	**954**	825	825
Administration and central services	**11,877**	**11,462**	11,571	11,199
Premises	**74**	**74**	71	71
	30,697	**30,040**	27,613	27,297
Analysed as:				
Staff on permanent contracts	**30,697**	**30,040**	27,613	27,297
Restructuring costs	**368**	**368**	374	374
	31,065	**30,408**	27,987	27,671
Restructuring costs				
Restructuring costs	**368**	**368**	374	374
	368	**368**	374	374

The Other Pension Costs shown above include an amount of £2,031,000 (restated 2018-19 £1,513,000) charged as part of Pension Fund adjustments.

Senior post-holders employed by the College:

	Year ended 31 July 2020		Year ended 31 July 2019	
	Number Senior post-holders	**Number other staff**	**Number Senior post-holders**	**Number other staff**
£60,001 to £70,000	-	10	1	9
£70,001 to £80,000	-	3	-	3
£80,001 to £90,000	-	-	1	-
£90,001 to £100,000	-	-	1	-
£100,001 to £110,000	3	-	-	-
£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 2020	Year ended 31 July 2019
Average staff numbers by major category:		
Teaching departments	**303**	290
Teaching support services	**63**	77
Administration and central services	**152**	138
Premises	**3**	4
	521	509
Analysed as:		
Staff on permanent contracts	**502**	498
Staff on temporary contracts	**19**	11
	521	509

9. BOARD MEMBERS AND SENIOR POST-HOLDER EMOLUMENTS

	Year ended 31 July 2020 No.	Year ended 31 July 2019 No.
The number of senior post-holders including the Principal was:	**3**	3

Neil Cowie replaced the previous Principal in December, 2019. The emoluments paid to Neil Cowie, Principal and Chief Executive, (who is also the highest paid senior post-holder) were £123,000 (2018-19: £96,000) in salary, and £28,000 (2018-19: £17,000) in employer pension contributions to the Local Government Pension Scheme.

Liz McIntyre was the previous Principal, and left the College in December, 2019. The emoluments paid to Liz McIntyre were £61,000 (2018-19: £143,000) in salary, and £13,000 (2018-19: £25,000) 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:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Fees for services as non-executive directors of subsidiary companies	-	-
Expenses paid to board members	-	10
	-	10

10. INTEREST AND OTHER FINANCE COSTS

	Year ended 31 July 2020 £'000		Year ended 31 July 2019 £'000	
	Group	College	Group	College
Interest payable	**-**	**-**	2	2
Social security costs	**530**	**530**	235	235
	530	**530**	237	237

11. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	Staff costs £'000	Other operating expenses £'000	Depreciation £'000	Interest Payable £'000	Year Ended 31 July 2020 £'000	Year Ended 31 July 2019 (restated) £'000
Group						
Teaching activities	**21,490**	**4,408**	**56**	**0**	**25,954**	23,985
Residences and catering	**0**	**898**	**0**	**0**	**898**	1,321
Farm	**0**	**25**	**0**	**0**	**25**	28
Premises	**127**	**7,039**	**1,959**	**0**	**9,125**	10,667
Administration	**8,665**	**3,030**	**0**	**530**	**12,225**	12,054
Other expenses	**415**	**310**	**47**	**0**	**771**	739
Agency costs	**0**	**2,337**	**0**	**0**	**2,337**	2,532
	30,697	**18,047**	**2,062**	**530**	**51,336**	51,326
College						
Teaching activities	**21,247**	**4,594**	**56**	**0**	**25,897**	23,968
Residences and catering	**0**	**898**	**0**	**0**	**898**	1,321
Farm	**0**	**25**	**0**	**0**	**25**	28
Premises	**127**	**7,040**	**1,959**	**0**	**9,126**	10,667
Administration	**8,666**	**2,677**	**0**	**530**	**11,873**	11,627
Other expenses	**0**	**310**	**0**	**0**	**310**	322
Agency costs	**0**	**1,922**	**0**	**0**	**1,922**	2,161
	30,040	**17,466**	**2,015**	**530**	**50,051**	50,094

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Other operating expenses include:		
Auditors' remuneration (including irrecoverable VAT)		
- external audit services	**42**	36
- internal audit services	**15**	31
	57	67

12. TAXATION

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Deferred tax		
Increase/(Decrease) in deferred tax liability	**9**	(2)
Total tax expense	**9**	(2)

13. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Group			
Cost or Valuation			
At 1 August 2019	**95,885**	**5,440**	**101,325**
Additions	**-**	**15**	**15**
Disposals	**-**	**(266)**	**(266)**
Revaluation	**4,365**	**-**	**4,365**
At 31 July 2020	**100,250**	**5,189**	**105,439**
Depreciation			
At 1 August 2019	**-**	**3,706**	**3,706**
Charge for the year	**1,790**	**272**	**2,062**
Disposals	**-**	**(266)**	**(266)**
Revaluation	**(1,790)**	**-**	**(1,790)**
At 31 July 2020	**-**	**3,712**	**3,712**
Net Book Value			
At 31 July 2020	**100,250**	**1,477**	**101,727**
At 31 July 2019	95,885	1,734	97,619
Inherited			
Financed by capital grant	38,265	415	38,680
Other	61,985	1,062	63,047
At 31 July 2020	**100,250**	**1,477**	**101,727**
College			
Cost or Valuation			
At 1 August 2019	**95,885**	**3,441**	**99,326**
Additions	**-**	**-**	**-**
Disposals	**-**	**(15)**	**(15)**
Revaluation	**4,365**	**-**	**4,365**
At 31 July 2020	**100,250**	**3,426**	**103,676**
Depreciation			
At 1 August 2019	**-**	**2,057**	**2,057**
Charge for the year	**1,790**	**225**	**2,015**
Disposals	**-**	**(15)**	**(15)**
Revaluation	**(1,790)**	**-**	**(1,790)**
At 31 July 2020	**-**	**2,267**	**2,267**
Net Book Value			
At 31 July 2020	**100,250**	**1,159**	**101,409**
At 31 July 2019	95,885	1,384	97,269

At 31 July 2020, freehold land and buildings included £7.685m (2019: £6.41m) in respect of freehold land and is not depreciated.
Land and Buildings were revalued at 31st July, 2020 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. Our external valuers have included a material uncertainty paragraph in the report of their valuation of our land and buildings, in line with RICS guidance due to the impact of COVID-19. This does not mean that the valuer was unable to reach an opinion of value, or the value cannot be relied upon, rather that this opinion has been reached in conditions where the extent and availability of evidence is less than would normally be the case.

14. NEGATIVE GOODWILL ARISING FROM THE ACCOUNTING ACQUISITION OF BANFF & BUCHAN COLLEGE

	Group and College 31 July 2020 £'000
At 1 August 2019	**109**
Released to income and expenditure account	**109**
At 31 July 2020	**-**
Net Book Value	
At 31 July 2019	109
At 31 July 2020	**-**

The negative goodwill arising during the period relates to the merger of Aberdeen College and Banff and Buchan College on 1 November 2013. Aberdeen College was the host for the merger and under relevant accounting standard, acquisition accounting was applied. The negative goodwill represents the fair value of the assets acquired for no consideration. The balance was amortised over five years from 1 July 2015.

15. NON-CURRENT INVESTMENTS

	Subsidiary Companies £'000
At 1 August 2019 and 31 July 2020	**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.

16. STOCK

	Group and College 31 July 2020 £'000	**Group and College 31 July 2019 £'000**
Catering Stock	**24**	11
At Year End	**24**	11

17. TRADE AND OTHER RECEIVABLES

	31 July 2020		31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Other trade receivables	**293**	**118**	593	335
Other receivables	**15**	**15**	5	5
Amounts owed by subsidiary undertakings	**-**	**173**	-	147
Prepayments and accrued income	**2,064**	**2,128**	1,539	1,697
	2,372	**2,434**	2,137	2,184

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 July 2020		31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Secured loans – see also Note 21	-	-	42	42
Trade payables	**195**	**79**	979	726
Accruals and deferred income	**6,348**	**6,347**	5,112	5,130
	6,543	**6,426**	6,133	5,898

19. CURRENT ASSET – HELD FOR RESALE

	31 July 2020	31 July 2019
	Group and College	Group and College
	£'000	£'000
Assets held for sale – Balgownie Centre	**2,400**	4,900
	2,400	4,900

20. DEFERRED TAX

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

	31 July 2020		31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Asset/ (Liability) brought forward	**(22)**	**-**	(24)	-
Other movement in balance	**-**	**-**	-	-
Income and Expenditure movement in period	**(9)**	**-**	2	-
Asset/ (Liability) carried forward	**(31)**	**-**	(22)	-

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

	31 July 2020 Group £'000	31 July 2020 College £'000	31 July 2019 Group £'000	31 July 2019 College £'000
Deferred income	**38,927**	**38,680**	40,111	39,824
	38,927	**38,680**	40,111	39,824
Analysis of secured and unsecured loans:				
Due within one year or on demand	**-**	**-**	42	42
Due between one and two years	**-**	**-**	-	-
Due between two and five years	**-**	**-**	-	-
Due after more than one year	**-**	**-**	-	-
Total secured and unsecured loans	**-**	**-**	42	42
Secured loans repayable by 2020	**-**	**-**	42	42
	-	**-**	42	42

Included in loans are the following:

Lender	Amount £	Term	Interest Rate %	Borrower
Bank of Scotland	2,496,831	2019	0.95 above base	College

Loans comprise an original bank loan of £2,496,831 at 0.95% over Bank of England base rate, repayable monthly over 19 years commencing August 2000. The Regional Board with the approval of the former Scottish Office, has granted the Bank of Scotland a standard security over the Gordon Barracks and Balgownie Centre, for the amount of the bank loan. The loan was fully repaid during 2019/20.

The bank facility for ASET is secured by a floating charge over the assets of that company. It is not secured over the assets of the College.

22. PROVISIONS

Group and College	Pension costs arising from early retirement £'000	North East Scotland Pension Fund £'000	2020 Total £'000	Pension costs arising from early retirement £'000	North East Scotland Pension Fund (restated) £'000	2019 Total (restated) £'000
At Beginning of Year	**6,817**	**24,890**	**31,707**	7,160	8,175	15,335
Additional/ (reduced) provision in period	**(358)**	**6,990**	**6,631**	(343)	16,715	16,372
At Year End	**6,459**	**31,880**	**38,339**	6,817	24,890	31,707

An amount of £6,459,000 (2018-19: £6,817,000) represents future pension costs arising from early retirements for those enrolled in the STTS (page 64).
The North East Scotland Pension Fund deficit has increased following a revaluation by actuaries of the net liability attributable to North East Scotland College.
The North East Scotland Pension Fund has disclosed a material uncertainty around the valuation of its Level 2 property assets held at 31st March, 2020.

23. RESTRICTED RESERVES

Reserves with restrictions are as follows:

	2020 Total £'000	2019 Total £'000
Balance at 1 August 2019	**6**	**5**
New Donations		1
Expenditure	**(1)**	
At 31 July 2020	**5**	6

	2020 Total £'000	2019 Total £'000
Analysis of other restricted funds/donations by type of purpose:		
Prize funds	**5**	6
	5	6

24. CASH AND CASH EQUIVALENTS

Group	At 1 August 2019 £'000	Cash Flows £'000	At 31 July 2020 £'000
Cash and Cash Equivalents	2,651	690	3,341
	2,651	690	3,341

College	At 1 August 2019 £'000	Cash Flows £'000	At 31 July 2020 £'000
Cash and Cash Equivalents	2,257	770	3,027
	2,257	770	3,027

25. CAPITAL AND OTHER COMMITMENTS

Provision has not been made for the following capital commitments at 31 July 2020

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
Commitments authorised and not contracted for	**-**	**-**	-	-
Commitments contracted for	**266**	**266**	389	389
	266	**266**	389	389

26. CONTINGENT LIABILITIES

There are no contingent liabilities at 31 July 2020 (2018-19: none)

27. 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 2020			
	Vehicles	Plant & Machinery	Total	31 July 2019
	£'000	£'000	£'000	£'000
Payable during the year	**50**	**44**	**94**	93
Future minimum lease payments due:				
Not later than 1 year	**28**	**11**	**39**	55
Later than 1 year and not later than 5	**24**	**-**	**24**	16
Total lease payments due	**52**	**11**	**63**	71

College	Year ended 31 July 2020			
	Vehicles	Plant & Machinery	Total	31 July 2019
	£'000	£'000	£'000	£'000
Payable during the year	**47**	**44**	**91**	90
Future minimum lease payments due:				
Not later than 1 year	**25**	**11**	**36**	52
Later than 1 year and not later than 5	**24**	**-**	**24**	12
Total lease payments due	**49**	**11**	**60**	64

28. EVENTS AFTER THE REPORTING PERIOD

The only event continuing after the Balance Sheet date to note is the on-going uncertainty over the financial effects of Covid-19. However, the College continues to rely on robust monitoring systems in order to project the possible financial effects of the changing statistics and guidance which the Scottish Government issues from time to time, to combat the effects of this disease.

29. 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

30. 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, Sport Aberdeen, the University of Aberdeen and Inspire PTL Aberdeen.

L. McIntyre was a Board member of Colleges Scotland during the year. The College made payments of £56,100 (2018-19 £55,000) during the year. E. McIntyre was also a Board member of ONE Energy, and the College made payments of £nil (2018-19 - 18 £0) during the year.

N. Cowie is a Board member of ONE Energy, with transactions noted above under E McIntyre.

N. McLennan is Senior Lecturer and Director of Leadership Programmes at University of Aberdeen. The College made payments of £548,118 (2018-19 - £598,365) and received income of £50,719 (2018-19 £38,413) during the year.

K. Milroy is Chair of the Colleges Scotland Board. The College made payments of £56,100 (2018-19 £55,000) during the year. K. Milroy is also a member of the Board of Governors of the Robert Gordon University. The College made payments of £nil (2018-19 - £912) and received income of £216,643 (2018-19 £212,529) during the year.

S. Elston was Chair of Aberdeen Foyer until January 2020. The College made payments of £312,103 (2018-19 - £351,974) and received income of £1,623 (2018-19 £3,319) during the year. During the year, S. Elston joined the Board of Sport Aberdeen. The College made payments of £nil and received income of £20,434 during the year.

M. Dear is a Board member of Inspire PTL Aberdeen. The college made payments of £142,839 (2018-19 - £nil) and received income of £nil (2018-19 £0).

31. TRANSACTIONS WITH MEMBERS OF THE REGIONAL BOARD (CONT'D)

Member	Organisation	Position
N. Cowie	ONE Energy	Board Member
L. McIntyre	Colleges Scotland ONE Energy	Board Member Board Member
N. McLennan	University of Aberdeen	Senior Lecturer and Director of Leadership Programmes
K. Milroy	The Robert Gordon University Colleges Scotland	Member of the Board of Governors Board Chair
Ms. S Elston	Aberdeen Foyer Sport Aberdeen	Chair Board Member

32. STUDENT SUPPORT FUNDS

Bursaries and other student support funds

	Bursary £'000	Hardship £'000	EMA £'000	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
At 1 August 2019	**9**	**183**	**3**	**195**	**-**
Allocation received in period	**7,802**	**479**	**308**	**8,589**	8,555
Repaid to SFC	**(9)**	**(183)**	**-**	**(192)**	-
Expenditure in period	**(7,435)**	**(352)**	**(286)**	**(8,073)**	(8,360)
At 31 July 2020	**367**	**127**	**25**	**516**	195
Represented by:					
Pre received income (incl in accruals and deferred income)	**367**	**127**	**22**	**516**	195
Charged to College Reserves	**-**	**-**	**-**	**-**	-
	367	**127**	**22**	**516**	195

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 2020 £'000	Year ended 31 July 2019 £'000
At 1 August 2019	**274**	**-**
Allocation received in period	**864**	**860**
Repaid to SFC	**(274)**	**-**
Expenditure in period	**(572)**	**(586)**
At 31 July 2020	**292**	**274**
Represented by:		
Pre received income	**292**	**274**
	292	**274**

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

33. 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. This ruling has been included in the financial statements for the year ended 31 July 2020.

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.

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 2017 by Mercers.
The principal actuarial assumptions used by the actuary are as follows:

	31 July 2020 % pa	31 July 2019 % pa
Pension increase rate	**2.4%**	2.3%
Salary increase rate	**3.8%**	3.7%
Discount rate	**1.6%**	2.2%

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

Current pensioners male/(female)	**21.4 (24.1)**	22.9 (25.0)
Future pensioners in 20 years' time	**23.0 (26.2)**	25.8 (28.1)

The employer contributions for year to 31 July 2021 will be approximately £1,725,000

The assets in the scheme are:

	Asset allocation value at 31 July 2020 £'000	Asset allocation value at 31 July 2019 £'000
Equities	**57,103**	52,987
Government Bonds	**7,195**	5,202
Bonds	**5,627**	1,058
Property	**6,365**	6,700
Cash	**2,583**	4,937
Other	**13,376**	17,280
	92,249	88,164

The total pension cost to the College in the period was £3,763,000 (2018-19: £2,995,000). The contribution rate payable was 23.4% for the year (2018-19: 18.3%).

The amounts recognised in the SOCIE are as follows:

	Year ended 31 July 2020 £'000s	Restated Year ended 31 July 2019 £'000s
Charged to staff costs:		
Current Service Costs	(2,886)	(2,220)
Past Service Costs	(318)	(511)
Admin Expenses	(29)	(29)
Total Charged to Staff Costs	**(3,233)**	**(2,760)**
Credit/charge for net return on pension scheme:		
Interest Income	1,941	2,449
Interest Cost	(2,471)	(2,684)
Net Interest Charged	**(530)**	**(235)**
Credit/charge to other comprehensive income:		
Return on assets	2,019	1,571
Other Experience	623	-
Gains and losses arising on changes in financial assumptions	(7,557)	(16,059)
Actuarial Gain/(Loss)	**(4,915)**	**(14,488)**
Total charge to the SOCI	**(8,678)**	**(17,483)**

Analysis of the movement in deficit during the year:		
Deficit in scheme at start of year	(24,890)	(8,841)
Service Costs	(3,233)	(2,760)
Employer contributions	1,688	1,434
Net interest costs	(530)	(235)
Actuarial gain/(loss)	(4,915)	(14,488)
Deficit in scheme at end of year	**(31,880)**	**(24,890)**

Changes in the fair value of scheme assets are as follows:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Opening fair value of scheme assets	**88,164**	84,716
Expected return on assets	**1,941**	2,449
Contribution by members	**489**	473
Contribution by the employer	**1,688**	1,434
Contribution in respect of unfunded benefits	**44**	46
Re-measurement of assets	**2,019**	1,571
Unfunded benefits paid	**(44)**	(46)
Benefits paid	**(2,024)**	(2,450)
Administration expenses	**(29)**	(29)
Closing fair value of scheme assets	**92,248**	88,164

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

	Year ended 31 July 2020 £'000	Restated Year ended 31 July 2019 £'000
Opening defined benefit obligation	**113,054**	93,557
Current service cost	**2,886**	2,220
Interest cost	**2,471**	2,684
Contribution by members	**489**	473
Past Service Cost	**318**	511
Re-measurement of liabilities	**6,934**	16,059
Benefits paid	**(2,024)**	(2,450)
Closing defined benefit obligation	**124,128**	113,054

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
History of experience gains/(losses)		
Scheme assets	**92,248**	88,164
Defined benefit obligation	**(124,128)**	(113,054)
Deficit - Net Liability	**(31,880)**	(24,890)

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 8)

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Current service cost	**2,886**	2,220
Past service costs	**318**	511
Admin Expenses	**29**	29
Total operating charge	**3,233**	2,760

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Movement in deficit during the year:		
Deficit in scheme at beginning of the year	**(24,890)**	(8,841)
Movement in year:		
Total Pension Cost recognized in the CIES	**(3,763)**	(2,995)
Contributions	**1,688**	1,434
Curtailments	**-**	-
Re-measurements	**(4,915)**	(14,488)
Deficit in scheme at end of the year	**(31,880)**	(24,890)

Scottish Teachers Superannuation Scheme (STSS)

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 in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The total STSS pension cost for the College was £2,538,000 (2018-19: £1,783,000). This includes £0 (2018-19: £0) outstanding contributions at the balance sheet date. The contributions rate payable by the college was 23.0% for the year (2018-19: 17.2%).

As the scheme is unfunded, there can be no surplus or shortfall. Pension contribution rates will be set by the scheme actuary, at a level to meet the cost of pensions, as they accrue.

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[1] comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts[2].
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 2019-20 (FReM) where applicable.
4. Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2020.
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
17 July 2020.