

**NORTH EAST
SCOTLAND**
COLLEGE



FINANCIAL STATEMENTS
for the year to 31 July 2021

Charity Number: SC021174

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1. PERFORMANCE REPORT

OVERVIEW

This overview provides the reader with highlights of the College's performance for the year to 31 July 2021. It contains a statement from the Principal, background to our purpose, operating environment, business model and objectives, and discusses the principal risks that the College faces.

Introductory Statement by the Principal and Chief Executive

The Academic Year 2020-21 can, like the previous year, be 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 and continuing consequences of the COVID-19 pandemic has meant that for the College, and many of its regional partners, 'business as usual' has not been a model that could be followed. Further, the enduring effects of a global oil price downturn and a declining oil and gas sector continue to have a particular and detrimental impact on the region's economy and many of the College's partners and employers operating in it.

The College has responded positively and progressively to the challenges presented in these 'emergency years' and continues to progress its enhancement plans for the years ahead, beyond the pandemic. This year the College has taken the opportunity to strengthen the membership of its Regional Board in line with ongoing and evolving regional demands. Further, the Regional Board and the College's Leadership Team have worked extensively on its new Strategic Plan; a Plan which aims to address fully the immediate and future needs of local economies and stakeholders.

The collaborative work that the College has undertaken has meant that NESCol - as the Regions' College - remains central to a regional partnership approach which seeks to ensure stability and future prosperity for Aberdeen City and Aberdeenshire. This work has been undertaken within a variety of groups including the Regional Economic Strategy Group (RESG), the Regional Learning and Skills Partnership (RLSP) and the National Energy Skills Accelerator (NESA). These influential groups have identified several priority ambitions and drivers to focus on in order to progress the required economic recovery and reform. They 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.

The positioning of the College centrally in all of this has come about through the very careful development and nurturing of relationships between College Leaders, Local Authorities, the Regional Economic Strategy Group, Community Planning Partners, Scottish Further and Higher Education Funding Council (SFC), Skills Development Scotland (SDS), employers and local schools. Consequently, and despite the continuing challenges, NESCol and its partners are positioned very well to respond to the existing and emerging economic challenges we all face.

Last year saw the publication of three key and influential reports relating to the future role of colleges in Scotland's post-pandemic recovery. They were:

- 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.

In addition to these publications, the SFC has now published, in June 2021, its report "Coherence and Sustainability: A Review of Tertiary Education and Research".

We, at NESCol, believe that our College is very well placed to address the recommendations of all the aforementioned reports. Indeed, the recommendations contained specifically within the SFC report represent

a significant opportunity for NESCol, and the wider tertiary sector, to deliver on its own ambitions, the ambitions of its regional partners and also those of Scottish Government. Consequently, we believe that the activities that we are undertaking presently will enable the College to better support learners, employers and other stakeholders as we continue to play our part in the economic recovery, reform and future resilience of the North East of Scotland.

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 purposes of Section 505, Income and Corporation Taxes Act 1988. As such, the College is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

Business Model and Operating Environment

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

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

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

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

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

Vision and Values

This was the third year of operation under the College's 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.
- IF the College continues to work remotely for a further extended period THEN staff could be reluctant to return to pre-COVID working arrangements

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

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 No-deal Brexit restricts the free movement of the workforce THEN the College may not be able to recruit to key roles.
- 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 and AY2021-22.
- 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 teaching staff are lacking in knowledge/experience/confidence to facilitate blended education for a prolonged duration THEN learner engagement and outcomes will be negatively affected.
- IF staff do not deliver teaching methods that are engaging and effective THEN students are less likely to achieve a successful outcome.
- 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 NESCoI, THEN the College will not be able to identify and meet their needs.
- IF local schools do not work closely with NESCoI, THEN effective learner pathways will not be delivered throughout the region.
- IF universities do not work closely with NESCoI, 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 an individual is harmed or property is damaged THEN the College may face litigation or criminal prosecution and reputational damage.
- IF the region experiences further waves 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 capacity limitations dictate that courses require content to be condensed and delivery online THEN this may lead to insufficient delivery time and de-motivated or anxious students.
- 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 ongoing impacts of the pandemic cause reputational damage to the College's School Links programme THEN there may be a lower uptake for these programmes in future years and enrolments from School Links pipeline may decrease.

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 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 impacting our ability to deliver full FWDF allocation THEN the College may be exposed to clawback and re-allocation of FWDF funding and experience reputational damage with employers as a result.
- IF the opening up of the Flexible Workforce Development Fund to private training providers leads to employers focusing on specialisms rather than general training THEN the College's customer list could diminish leading to increased competition for securing employers and related funding.
- IF the SFC require the College to reduce its credits tariff for full-time FE programmes from 18 to 16 credits from AY2021-22 THEN it may not meet its credits target and programmes may lack sufficient content for students personal development and successful progression.
- IF Foundation Apprenticeship qualifications cannot be completed in AY2020-21 THEN they may lose credibility and appeal for pupils and their parents leading to a decrease in demand for AY2021-22, negatively affecting income streams.
- IF the Oil & Gas industry does not recover to pre COVID-19 levels THEN gift aid received by the College from ASET will be significantly reduced.
- IF the College cannot obtain documentation from sufficient numbers of students to meet ESF requirements THEN income may be subject to SFC clawback.

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

The College has also considered specific risks in connection with cyber security and IT outages. 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 2021 shows Net Current Assets of £3.5m (FY 2019/20 £1.6m) and Total Net Assets of £42.1m (FY 2019/20 £26.0m). 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 2023/24 on that basis. The financial plan sees the College operate to a break even position over that period.

The comments on p30 to these financial statements outline the Board's assessment of going concern. Accordingly, the Board considers that it is appropriate to consider that the College is a "going concern" and these financial statements have been prepared on that basis.

Performance Summary

Overall, the College met its activity target for the year, while also exceeding its budgeted position. However, as can be seen from the Key Performance Indicators noted on p10, performance fell below the targets set. This is entirely due to the complexities and challenges that the College faced during the year due to Covid-19. More information is given on the College's trading conditions under the Introductory Statement by the Principal (p2), and Key Curriculum Developments (p11).

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

PERFORMANCE ANALYSIS

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

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

Regional Priorities and Skills Needs

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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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 through 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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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									
		2017/18		2018/19		2019/20		2020/21	
No	Key Strategic Indicator	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Activity Levels									
1	The total number of credits delivered	138,161	136,266	132,530	132,715	133,490	133,730	132,005	133,127
2	The volume of core credits delivered	135,126*	135,126	130,070	130,561	131,070	131,312	129,770	130,602
3	The volume of ESF credits delivered	3,035	1,140	2,460	2,154	2,420	2,418	2,235	2,525
Learner Success									
Overall learner success rate (Incorporate level, mode, withdrawal and partial success measures)									
		2017/18		2018/19		2019/20		2020/21	
4	FE Full Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Learner Success	70%	67%	68%	65%	73%	62%	73%	50%
	Partial Success	9%	10%	-	11%	-	19%	-	25%
	Early Withdrawal	7%	8%	5%	9%	-	8%	-	6%
	Further Withdrawal	14%	14%	-	16%	-	11%	-	19%
5	FE Part Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Learner Success	74%	69%	74%	57%	73%	82%	73%	69%
	Partial Success	15%	22%	-	28%	-	14%	-	28%
	Early Withdrawal	5%	3%	-	8%	-	2%	-	1%
	Further Withdrawal	6%	4%	-	7%	-	2%	-	2%
6	HE Full Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Learner Success	77%	74%	77%	72%	78%	73%	78%	67%
	Partial Success	8%	10%	-	10%	-	13%	-	18%
	Early Withdrawal	4%	4%	5%	5%	-	5%	-	3%
	Further Withdrawal	12%	11%	-	13%	-	9%	-	12%
7	HE Part Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Learner Success	83%	79%	83%	81%	83%	66%	83%	73%
	Partial Success	15%	16%	-	12%	-	32%	-	25%
	Early Withdrawal	1%	1%	-	2%	-	1%	-	1%
	Further Withdrawal	1%	4%	-	5%	-	1%	-	1%
Sustainability									
		2017/18		2018/19		2019/20		2020/21	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
26	Non-SFC income as a percentage of turnover	32%	27%	27%	25%	23%	23%	21%	21%
27	Staff costs as a percentage of turnover	61%	57%	63%	51%	66%	58%	66%	60%

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 2020-21

Blended Delivery Model

As a consequence of the ongoing disruption caused by the COVID-19 pandemic, NESCol was required to implement a blended model of curriculum delivery for academic year 20-21. Initially this comprised a mix of on-campus and online delivery, with both FE and HE groups accessing campus depending on the requirements of their specific course. However, when the national lockdown was announced in December 2020 all campuses were required to close, and all learning, teaching and assessment and student support was moved online and delivered via a range of institutional digital platforms including Blackboard, MyNESCol and MS TEAMS.

As a consequence of the excellent preparation and curriculum development carried out in Academic Year (AY) 2019-20 NESCol was well-placed to respond to this challenge. Staff reflected on the lessons learned from the previous year and further developed their approaches, teaching materials and digital resources for the blended delivery model in AY 2020-21. Extensive training was delivered by the Learning Technologies team to support teaching staff with engaging and innovative online delivery, and detailed guidance and support relating to the development of effective online teaching strategies was created and shared with all teams.

Despite the huge challenge of lockdown and the associated difficulties of delivering engaging practical and vocational learning online, NESCol's academic teams continued to plan and deliver a range of activities and step change initiatives aimed at creating positive improvements across the range of courses offered by each team and the performance of students enrolled on these programmes.

Curriculum Management Restructure

Early in AY 2020-21, it was identified that a review and possible reorganisation of the College's curriculum management team was required. Following analysis of feedback gathered via a range of formal and informal internal quality processes and professional dialogue with key staff, a number of key drivers for change were identified. These included the need to improve:

- Cross campus teamwork and collaboration.
- Performance and effectiveness of key management roles.
- The approach to campus management and across Aberdeen City, Altens and Fraserburgh campuses.
- Agility and responsiveness of management to the evolving regional economic landscape.
- Delivery and development of a dynamic and responsive curriculum, and associated support functions.
- Financial sustainability and efficient use of the public purse.

An open and transparent review and restructure process was carried out from January to June 2021 which ultimately resulted in the creation of leaner and more regionally focused senior curriculum management team.

To coincide with this review the College offered staff the opportunity to apply for voluntary severance. A number of staff within the Curriculum Management and wider Leadership Teams were successful in their application and the new structure reflects the departure of these individuals.

Curriculum Planning

Each year, curriculum teams continue to revise and update programmes according to demand and regional economic need. This academic session saw the introduction of a revised Business Priority Curriculum Planning process which brought together provision across all modes of delivery, including commercial

delivery. All Curriculum Managers, Business Community Development managers and Heads of Faculty were involved in the process which was led by the Directors of Learning and Director of Business Development.

As a consequence of the curriculum restructure a new Head of Planning and Academic Partnerships role has been created to lead on key aspects of the curriculum planning process. The post holder has responsibility for working with senior colleagues to ensure that our curriculum and course portfolio is data informed and designed to meet the needs of the North East's rapidly changing economy and student demographic.

Student Information Portal

Further work has been done to develop and expand NESCol's Student Information Portal (SIP). This bespoke platform gives staff access to all the essential information they require about their students in one place via an online dashboard. Although the system was set up last academic session, major work was undertaken during AY 2020-21 including the addition of a student support section allowing student support referrals and tracking of these referrals, as well as additional funding tracking information allowing Academic Tutors to see bursary information for FE students.

Curriculum Support Frameworks

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

- Framework for Supporting Successful Students (Consolidation of Academic Tutoring Framework, Framework for Support Students, Framework for Attendance Monitoring and Engagement and the Framework for Attendance Monitoring and Funding)
- Framework for Curriculum Planning and Delivery 2021-22

For AY 2021/22, the Framework For Managing Faculties is being reviewed to further support managers within the curriculum structure.

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

Student Support

A very welcome addition to the College's student support offer was the introduction in March 2020 of the ACIS Student counselling service to complement and enhance the established well-being and support provision of the College. Funded via the additional SFC Mental health and Wellbeing initiatives, ACIS Student, a Mental Health Aberdeen service, are committed to developing a relational approach in their partnerships to ensure an effective response to the therapeutic needs of children, young people and adults in the community.

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.

Because of COVID restrictions, appointments were predominantly offered via Microsoft Teams with minimal issues. ACIS Student have been proactive in offering alternative formats for appointments, for example where students have issues with internet connections or access, or where clients have a preference to carry out session via telephone. In response to demand a third counsellor was recruited for March 2021, allowing ACIS Student to increase their capacity for student client sessions lowering the waiting time from Initial appointment to starting sessions. In addition, the third counsellor saw coverage for the full week with the service running from Monday to Friday.

Further enhancing the support services offer, NESCol's Report and Support platform launched in February 2021 providing a practical mechanism to raise awareness and educate staff, students and visitors about discrimination, harassment, victimisation and other conduct prohibited by the Equalities Act 2010. Reports can be made anonymously, or by contacting an advisor and the process is managed by the Safeguarding team.

Academic and Personal Skills Development Units

Recognising the potential challenges and risks associated with the blended delivery model it was decided in AY2019-20 that, for the new term, a new 3 credit Academic and Personal Skills Development short course be developed for inclusion on all FE courses at levels 4, 5 and 6. Two subject credits and the previous Academic Tutoring credit were removed from programmes of study to accommodate this new unit.

The cluster focuses on the development of transferrable skills which include core skills, meta-skills such as self-management, social intelligence and innovation, employability and enterprise, 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 and initial feedback has indicated that both students and staff found it to be invaluable to supporting progress throughout the academic year.

Commercialisation

Despite the ongoing challenges of the Covid-19 pandemic, NESCol successfully secured some £1.3m worth of Flexible Workforce Development Fund (FWDF) activity. This included for the first time, £267k worth of funding for SMEs which have previously been unable to access the funds. The growth in this area has enabled us to increase our Business Development resources and this has been instrumental in securing the FWDF income.

To support our delivery of FWDF activity, NESCol completed a Public Contracts Scotland tender exercise in January 2021 which has secured Associate Trainers across thirteen of our most in-demand training areas. We have also secured the full time services of an engineering trainer who is able to offer a broad range of subjects which are popular in our energy sector. Curriculum areas will continue to support commercial delivery where possible, but the depth of commercial resources available through our Associate Trainer pool, means we are now in a much stronger position to deliver on commercial opportunities both virtually and face to face as employer demands and circumstances allow.

The scheme has now been confirmed to extend into year 5 with very similar guidelines to 2020/21 and slightly increased opportunity for NESCol with £1.4m available for Apprenticeship Levy paying employers and £494k available for SMEs.

The availability of furlough support in 2020/21 meant that industry in some cases has been slower to open up and this has had a corresponding impact on the recruitment and retention of Modern Apprentices. Our 2020/21 MA contract (which runs from April to March) had remained significantly undersold with the risk of many places being returned to SDS. However an Apprentice Employer Grant scheme introduced by SDS in January proved fruitful and offering a £5k incentive, was enough to stimulate more activity in the market. By the end of March, NESCol secured an additional 53 Modern Apprentice places – which fulfilled almost all of our annual contract allowance. It should be recognised however that this is a short term gain which essentially brings forward recruitment activity that we would otherwise have expected to see leading up to the summer of 2021. The MA contract position in 2021/22 will therefore be challenging and we will continue to lobby for further incentive schemes which support regional economic recovery.

The following activities are planned for delivery during AY 2021-22:

Social and Economic Recovery

£15m worth of funding has been secured by the region with Aberdeen City Council as the lead accountable body for the North East Economic Recovery and Skills Fund, which will see NESCol and other partners deliver 29 projects designed to support Aberdeen and Aberdeenshire in the recovery from the economic impacts of the oil and gas downturn and Covid-19 pandemic. Energy transition, green recovery, inclusion and equalities are the key themes of the programme.

With furlough support due to end in September 2021, the region is braced for significant redundancies. This has already been experienced in retail with the loss of major retailers including John Lewis and Debenhams. Hospitality has also experienced significant losses through the pandemic and is only now beginning to see the green shoots of recovery.

We will continue to be an active partner through PACE (Partnership Action for Continued Employment) which is led by SDS, in supporting organisations and their employees when 20 or more redundancies are announced and have a range of programmes available to help candidates back into employment. Shell UK

have generously sponsored an Essential Digital Skills programme for up to 100 candidates for 2021/22 which NESCol will offer across the coming year, preparing candidates for employment or progression to Avado's Fast Futures programme.

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

Energy Transition

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

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

The Hydrogen Hub programme aims to promote the use of green and blue hydrogen across the transport sector while distribution and supply networks and domestic installation are likely to see the switch from methane to hydrogen. All of these changes will require the development of new skills and the College is well placed to work with industry to exploit these opportunities.

The Moray East windfarm project is nearing completion with much of the infrastructure work now complete. Thoughts are turning to Operations and Maintenance which was the long term goal for NESCol and partners at Fraserburgh Harbour and Aberdeenshire Council working with the Moray East project team.

Vestas, which will be responsible for the O&M activities of the Moray East windfarm, has placed 8 new Modern Apprentices in NESCol's Fraserburgh Campus following an intensive training programme over 2 years to prepare them for careers in offshore wind. A second cohort is due to commence in August 2021. The programmes being developed will also be relevant to the Altens campus in its support of the ETZ and floating wind ambitions.

The Acorn Project Acorn aims to help address climate change by capturing CO₂ in redundant oil and gas pipelines and offshore oil wells. The project also supports the creation of green and blue hydrogen and transporting it to Aberdeen via existing network infrastructure. These projects place the region in an enviable position on the journey to Net Zero.

Further Development of Digital Technologies

AY 2020–21 also saw the roll out of Blackboard Ultra, a new and improved Blackboard user interface. Blackboard Ultra is now used by almost all curriculum teams. This brings many usability improvements, more efficient course management and simpler experience for students aligned to the mobile app interface. In the coming months, more features will become available such as advanced embedding of content and an integration with Microsoft Teams to create & manage a team linked to a Blackboard course.

During this academic year, an integration between Turnitin and Teams will become available to allow plagiarism checking in Teams Assignments. The Sport team will be trialling this integration.

The Digital Futures Toolkit www.nescoldigitalfutures.co.uk will continue to be expanded. This will include more content relating to Ultra Course View, further student guides and expansion of information relating to digital tools. The team will continue to promote improved accessibility of course materials, Blackboard Ally and video subtitling to be compliant with the Public Bodies Web Accessibility Regulations.

A Wakelet space has been created aligning the CDN (College Development Network) Digital Capabilities to link to tools and guides available in the Digital Futures toolkit. This will provide staff (teaching & support) with the support and training needed to match the digital skills outlined by the Scottish landscape review.

It is planned that the PowerBI Blackboard Data Dashboards will be expanded to include data from unit-level courses as well as student grades. Discussions have already taken place with Business Systems about this enhancement.

Staff and Student Involvement

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

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

Employer Engagement

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

Environmental and Social Sustainability

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

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

The College is accredited to the International Organisation for Standardisation (ISO) Environmental Management System ISO14001:2015. The College is now fully accredited to the most up to date standards through bsi and 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 focusing 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 five-year planning period.

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

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

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

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

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

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

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

Financial Results

The Consolidated Statement of Comprehensive Income and Expenditure (SOCI) for the year showed a deficit on the continuing operations after disposals of assets and taxation of £915,000 (FY2019-20: £2,308,000 deficit). After adjusting for the pension surplus on the revaluation of the funds, the surplus for the year was £16,045,000 (FY2019-20: £3,211,000 deficit). Of the total income of the Group, 21% (FY2019-20: 23%) was received from non-SFC sources. This figure for 2020/21 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 has 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 2021. The most significant impact was in terms of reduced commercial income.

During the year, the Scottish Funding Council announced additional support for Colleges which totaled £15.3m. This support was to be used to mitigate the impacts of Covid-19, which will have an ongoing impact on the College's finances well into 2021/22. North East Scotland College's share of that support was £1.035m, and was used to offset the loss in income in catering, as well as the loss in income (and surplus) by ASET, the College's subsidiary. Additional costs were also incurred in signage throughout all campuses, catering costs, and costs incurred in completing students during the pandemic.

The College was also able to lodge claims with the Government's Job Retention Scheme. This scheme brought in a total of £372,000 and involved claims for 229 staff.

Model Adjusted Operating Position (AOP) note

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

		2020-21 £'000	2019-20 £'000
(Deficit) before other gains and losses		(908)	(2,408)
Add back:	Note:		
Depreciation (net of deferred capital grant release)	4 & 12	984	918
Pension adjustment – Net Service Cost	31	1,362	1,544
Pension adjustment – Net Interest Cost	31	494	530
Donation to Arms-Length Foundation (ALF)		400	0
Adjusted operating Surplus		2,332	584

The underlying position for 2020/21 has been approved by SFC.

The accumulated surplus on the Income and Expenditure reserve at 31 July 2021 was £2,296,000 (31 July 2020 deficit £13,533,000). 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 2021 was £6,134,000 (31 July 2020: £6,459,000) whilst the FRS102 provision for the College's share of the North East Scotland Pension Fund (NESPF) deficit was £17,100,000 (31 July 2020: £31,880,000).

The College has net assets of £42,104,000 (31 July 2020: £26,024,000). The current asset to current liabilities ratio is 1.4:1 (31 July 2020: 1.2:1), with the gearing on long term liabilities being 1.5:1 (31 July 2020: 3.0:1).

During 2020-21, 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 £3,176,000 in the year (2019-20 – increase of £690,000)

Liquidity

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

The College's cash and liquid resources position at the end of the year was £6,517,000 (31 July 2020: £3,341,000), this equates to the College having 40 days of cash on hand (FY2019-20: 23 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	2020-21 £'000	2019-20 £'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 2021-22 with SFC, the College has agreed to teaching funding totaling £36.9M (2019-20 £33.6M). The College has set its budget for 2021-22 based on this level of funding and the College is confident it can achieve its budgeted position for the year.

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

The condition survey of Scotland's colleges undertaken by the Scottish Funding Council in summer 2017 has shown that the College, in particular the Aberdeen City Campus, has a pressing need for investment to maintain its operations. In order to address this and also meet the needs and aspirations of all the College's learners and other stakeholders, the College had developed a masterplan for consideration by the Scottish Funding Council. However, as the Scottish Funding Council advised the College that it was unable to provide the grant funding necessary to support this masterplan, the College has prioritised the backlog and is using additional maintenance funding to address the more pressing items in 2021-22 and beyond.

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

Supplier Payment Policy

The College complies with the CBI prompt payment code and has a policy of paying its suppliers within 30 days of invoice unless the invoice is contested. At the time of writing, no interest has been paid under the late Payments of Commercial Debts (Interest) Act. All disputes are handled as quickly as possible. Suppliers' invoices were paid in 7 days in the year to 31 July 2021 (16 days in the year to 31 July 2020).

Interest paid under the Late Payments of Commercial Debts (Interest) Act amounts to £0 during this period (£0 during period to 31 July 2020).

PROFESSIONAL ADVISERS

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Approved by the Principal and Chief Executive on 15th December, 2021.

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 - until 31 August 2021
S. Brydon (student member)
N. Cowie (Principal and Chief Executive)
M. Dear (staff member - until May 2021)
A. Elghedafi
S. Elston
J. Henderson - Vice Chair
A. Maheshwari - resigned in May 2021
J. McGinley (student member - until July 2021)
N. McLennan
K. Milroy (Regional Chair)
S. Ross
A. Russell
A. Simpson (tenure ended during AY2020.21 - now co-opted member of Curriculum and Quality Committee)
G. Watt (staff member)
D Blackhall (staff member from May 2021)
A Rodden (joined May 2021)
J Gifford (joined May 2021)
L McDermid (joined May 2021)

Secretary to the Board: P May (until end April 2021), S Lawrance (from May 2021)

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

R McGregor – Vice Principal Curriculum and Quality
P. Smith – Vice Principal Finance and Resources

Details of transactions with members of the Board are given in Notes 28 and 29 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 of the College and to enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, and 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, Curriculum and Quality, Finance and Resources Committee and the Human Resources Committee met three times during AY2020-21.

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.
 - They met once (on 10 June 2021) within AY2020-21
- 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;
- 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;
- Chairs Committee who met once within AY2020.21
- 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; including Staff Wellbeing Report, and Report on increased Student Support and Wellbeing provided at Committee Meetings.
- The College's Strategic Risk Register, owned by the Board and monitored by the Audit and Risk Committee is now a Standing Item for the Board Meetings.
- Increased provision of information out with Meetings to ensure Members are fully apprised 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 2021 is as follows:

Key Committees (noting the changes to Regional Board members in 2.1 above and some changes to Committee membership agreed by the Regional Board at their June 2021 Meeting):

- **Audit and Risk Committee**
Members – D. Anderson, A. Bell, A. Elghedafi, A. Russell, A. Simpson, S. Ross., L McDermid
- **Curriculum and Quality Committee**
Members – D Anderson, D Blackhall, S Brydon, N. Cowie, M. Dear, A. Maheshwari, J McGinley, L McDermid, N. McLennan, A Rodden, A. Russell, A. Simpson, G. Watt. Co-opted Member – G. Mutch.
- **Finance and Resources Committee**
Members – D Blackhall, S Brydon, N. Cowie, S. Elston, A. Elghedafi, J Gifford, J. Henderson, N. McLennan, K. Milroy, S. Ross.
- **Human Resources Committee**
Members – A. Bell, N. Cowie, S. Elston, J. Gifford, J. Henderson, A. Maheshwari, J McGinley, K. Milroy, G. Watt.
- **Remuneration Committee**
Members – A. Bell, S Brydon, M. Dear, J. Henderson, K. Milroy, A Simpson, D Russell, G Watt.
- **Selection and Appointments Committee**
Members – D Anderson, A. Bell, J. Henderson, K. Milroy, A. Simpson, D Russell, S Elston.

Board Member attendance at Board and Committee meetings for the year to 31 July 2021 is as follows:

Board Member	Regional Board	Audit & Risk	Curriculum & Quality	Human Resources	Finance & Resources
D. Anderson	4/4	4/4			
A. Bell	3/4	1/3		3/3	
D Blackhall	1/1				
S Brydon	4/4		3/3		3/3
N. Cowie	4/4		3/3	3/3	3/3
M. Dear	3/3		2/2		2/2
A. Elghedafi	3/4	2/3			2/3
S. Elston	4/4			3/3	3/3
J Gifford	1/1				
J. Henderson	3/4			2/3	3/3
A. Maheshwari	3/3		2/2	2/2	
L McDermid	1/1				
J McGinlay	1/4		2/3	1/2	
N. McLennan	4/4		3/3		2/3
K. Milroy	4/4	3/3		3/3	3/3
A Rodden	1/1				
S. Ross	4/4	3/3			3/3
A. Russell	4/4	3/3			
A. Simpson	4/50/3	1/2	2/3		
G. Watt	3/4		2/3	3/3	

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.

At its meeting in March 2021 the Board considered a paper by MHA Henderson Loggie on its Externally Facilitated Effectiveness Review undertaken in AY2020/21. The Report evidenced a high level of compliance with all aspects of the Code of Good Governance for Scotland’s Colleges. MHA Henderson Loggie highlighted the report contained no areas of non-compliance and no recommendations. MHA Henderson remarked that no previous Reviews undertaken for other Colleges had never received a report with no areas of non-compliance and no recommendations.

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

The college continues to comply with all the principles of the 2016 Code of Good Governance for Scottish Colleges, and it has complied throughout the year ended 31 July 2021. The Audit and Risk Committee at its June meeting received a Review of Compliance paper and noted the updated Board member Register of Interests and the planned annual appraisals of Committees, Committee Chairs, Regional Board and Board Secretary.

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 analysis, 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 undertaken 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 learner 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.

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

Board's Statement on Internal Control

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

The Board's Committees and Executive Team receive reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the College's academic sectors and teams and reinforced by risk awareness training. The

Executive Team and the Audit and Risk Committee also receive regular reports from internal audit that include recommendations for improvement and identify areas of good practice.

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

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

The Regional Board is of a view that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place throughout the period ended 31 July 2021 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 AY20-21 were: Student Support (Good); Staff Recruitment and Retention (Good); Budgetary Control (Good); Risk Management/Business Continuity (Satisfactory); IT Network Security/Data Protection (requires improvement); Performance Reporting and KPIs (Good); Website Delivery Project – Value for Money (Good). A follow-up Audit of previous recommendations was also undertaken with good progress made with 9 of 14 recommendations fully implemented; one priority 2 and two priority 3 recommendations partially implemented, and two priority 2 recommendation have had little progress.

In its report to the Board, the internal auditor highlighted five of its recommendations graded as 'priority two', and twelve 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, including an updated report on the IT Project/Action plan which will be shared at future Audit and Risk Committee Meetings.

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 AY2020-21 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 AY2020-21 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 2021 and up to the date of approval of the annual report and accounts, that it was regularly reviewed by the Regional Board and that it accords with the 2016 Code of Good Governance for Scotland's Colleges.

Going Concern

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

The College recorded a deficit for the year of £0.9 million before other gains and losses during the financial year and total comprehensive income of £52.4 million. The College reported an adjusted operating surplus of £2.3 million after accounting for technical pension adjustments of £1.8 million, net depreciation adjustments of £0.98 million and a donation to the Arms-Length Foundation of £0.4 million. Cash increased by £3.1 million during the year to £6.5 million at 31 July 2021. At 31 July 2021, the College held no borrowings and has reported a Group net asset position in these financial statements of £42.1 million (2019/20: £26 million). This includes a pension liability of £23.2 million for the College's share of the North East Scotland Local Government Pension Scheme (LGPS) at 31 July 2021 (2019/20: £38.3 million).

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

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

The College has recently updated the financial forecast out to 2023/24 in line with the assumptions provided by the Scottish Funding Council (SFC) which include assuming colleges taking relevant actions to balance their underlying positions each year. Therefore, based on our latest assumptions the College will breakeven across the forecast period to 2023/24 and sustain the liquidity position with a forecast cash balance of £4.0 million at the end of the period. Throughout the going concern assessment period to 31 July 2023, the College forecasts holding cash no lower than £3.3 million.

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

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

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

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

Ken Milroy
Regional Chair

15th December 2021

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 Name	12 months ended 31 July 2021			12 months ended 31 July 2020		
	Salary £'000	Pension Benefit (to nearest £'000)	Total £'000	Salary £'000	Pension Benefit (to nearest £'000)	Total £'000
K Milroy, Regional Chair	15-20	0	15-20	25-30	0	25-30
L McIntyre, Principal & Chief Executive (retired)	0	0	0	60-65	0	60-65
N Cowie, Principal & Chief Executive	135-140	103	235-240	120-125	113	235-240
P Smith, Vice Principal Finance	105-110	50	155-160	100-105	29	130-135
R. McGregor, Vice Principal Curriculum and Quality	105-110	37	140-145	60-65	179	240-245

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.
3. R. McGregor was promoted to the post of Vice Principal Curriculum and Quality on 20th December, 2019.
4. 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 2020/21, was £135,000-£140,000 (2019/20 £135,000-£140,000). This was 3.6 (2019/20 3.9) times the median total remuneration for the College which was £37,756 (2019/20 £34,695).

Accrued Pension Benefits

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

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

The scheme's normal retirement age is 65.

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

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

Senior Officials' Pension

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

Accrued Pension Benefits for senior staff:

Name	Accrued Pension at Pension age at 31 July 2021 £'000	Accrued Lump Sum at Pension age at 31 July 2021 £'000	Real Increase in Pension 1 Aug 2020 to 31 July 2021 £'000	Real Increase in Lump Sum 1 Aug 2020 to 31 July 2021 £'000	CETV at 31 July 2021 £'000	CETV at 31 July 2020 £'000	Real Increase/ (Decrease) in CETV £'000
K Milroy, Regional Chair	0	0	0	0	0	0	0
L McIntyre, Principal & Chief Executive (retired)	0	0	0	0	0	1,136	0
N Cowie, Principal & Chief Executive	35-40	75-80	5-7.5	7.5-10	737	623	114
P Smith, Vice Principal – Finance	50-55	80-85	2.5-5	0-2.5	903	836	63
R. McGregor, Vice Principal Curriculum and Quality	10-15	0	0-2.5	0	110	85	24

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

Five employees left under voluntary redundancy terms in 2020/21 (2019/20 NIL). They did not receive any additional compensation, which includes compensation for an actuarial reduction on their pension rights.

Total number of exit packages by cost band

Exit package cost band	2020/21	2019/20
<£10,000	0	0
£10,000 - £25,000	2	0
£25,000 - £50,000	2	0
£50,000 - £100,000	0	0
£100,000 - £150,000	1	0
Total Number of exit packages	5	0
Total cost (£000s)	231	0

Staff Numbers

Staff Data as at 31 July 2021	Total	Male	Female
Number of Staff (Headcount)	586	258	328
Number of Staff (FTE)	507	244	263
Number of Staff (FTE) on permanent contracts	497	240	257
Number of Staff (FTE) on temporary contracts	10	4	6

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

There were an average of 0 FTE agency staff employed each month by the College.

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

Salaries and Related Costs

During the year, the College incurred staffing costs of £31,548,000 (2019/20 £30,697,000) and costs of £2,304,000 (2019/20 £2,337,000) on agency staff. The number of days lost to sickness during the year was approximately 2,269 (2019/20 3,631). This represented 1.7% (2019/20 2.7%) as a percentage of days available to work. The overall staff turnover for the year was 5.6%.

The College spent £48,000 on Consultancy during the year (2019/20 £67,000), 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 College takes equality, diversity and inclusion very seriously. This includes having an Equality & Diversity Policy available to all staff on its intranet.

The College also has a number of reports available on its website which detail the progress it is making towards meeting the Public Sector Equality Duty (PSED) and how the College is mainstreaming this duty to ensure that everyone who learns or works at NESCol receives the best possible experience:

<https://www.nescol.ac.uk/equality-mainstreaming-and-outcomes/>

People Services has an Equality Action Plan to ensure it delivers on the actions identified its Gender Pay Gap, Occupational Segregation, Staff Equality and Learning and Development reports (which are also available via <https://www.nescol.ac.uk/equality-mainstreaming-and-outcomes/>) and progress is reported to the Board's Human Resources Committee.

In addition, the College has an Equalities Committee which meets regularly to drive forward equalities initiatives. This Committee has a Respect sub-group, which is currently focussing on anti-racism, LGBTQIA+ and sustainability.

The College has also signed up to the Declaration on Anti-Racism, tackling racism on campus: <https://www.advance-he.ac.uk/we-stand-united-against-racism>

Along with the declaration, the College pledged its support on social media (eg <https://twitter.com/NESCollege/status/1298221260024041477>), there has been inclusion in the material that has gone out nationally via third parties, and we have reiterated that through Report + Support (<https://reportplus.nescol.ac.uk/campaigns/tackling-racism-on-campus>)

The College disability profile during the year was:

	Total Number	Total % of overall headcount	Male (Number)	Female (Number)
Disability	37	6.4	15	22
No disability	88	15.2	45	43
Prefer not to say/ Not indicated	454	78.4	196	258
Total	579	100.0	256	323

The full Staff Equality Profile can be found at:

<https://d1ssu070pg2v9i.cloudfront.net/pex/nescol/2021/04/29143228/Appendix-2.pdf>

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, 2021.

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	£13,348
Total Pay Bill	£31,548,000
Percentage of the total Pay Bill spent on facility time	0.042%

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 2019/20.

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: 15th December, 2021

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 College and its group for the year ended 31 July 2021 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 2021 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue to adopt the going concern basis of accounting for a period of at least 20 months from 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 judgements 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.

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

- obtaining an understanding of the applicable legal and regulatory framework and how the college is complying with that framework;
- identifying which laws and regulations are significant in the context of the college;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the 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.

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.

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. In addition to our responsibilities to detect material misstatements in the financial statements in respect of irregularities, we

are responsible for expressing an opinion on the regularity of income and expenditure 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 on audited part of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. 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.

Statutory Other information

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

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

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 2021

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.

The Statement of Comprehensive Income and Expenditure is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect the non-cash budget for depreciation in the Statement of Comprehensive

Income. Note 2 provides details of the adjusted operating position on a Central Government accounting basis.

CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE INCOME & EXPENDITURE
For the year end 31 July 2021

	Notes	Year ended 31 July 2021 £'000		Year ended 31 July 2020 £'000	
		Group	College	Group	College
INCOME					
Tuition fees and education contracts	3	7,796	6,551	7,934	6,313
Funding body grants	4	41,491	41,491	37,862	37,862
Other income	5	3,208	3,859	3,124	3,429
Investment income	6	1	1	8	8
Total Income		52,496	51,902	48,928	47,612
EXPENDITURE					
Staff costs	7	31,548	31,422	30,697	30,040
Restructuring costs	7	598	598	368	368
Other operating expenses	10	18,237	17,804	17,679	17,098
Depreciation	12	2,127	2,078	2,062	2,015
Interest and other finance costs	10	494	494	530	530
Donation to Arms Length Foundation		400	400	-	-
		53,404	52,796	51,336	50,051
(Deficit) before other gains, losses and shares of operating surplus/(deficit) of joint ventures and associate.		(908)	(894)	(2,408)	(2,439)
Release of negative goodwill		-	-	109	109
(Deficit) before tax		(908)	(894)	(2,299)	(2,330)
Taxation	11	(7)	-	(9)	-
(Deficit) for the year		(915)	(894)	(2,308)	(2,330)
Unrealised surplus on revaluation of Land and Buildings and Asset Held for Resale		-	-	3,654	3,654
Actuarial gain/(loss) in respect of pension schemes		16,960	16,960	(4,557)	(4,557)
Total comprehensive gain/(deficit) for the year		16,045	16,066	(3,211)	(3,233)
Represented by:					
Unrestricted comprehensive surplus/(deficit) for the year		16,045	16,066	(6,865)	(6,887)
Revaluation reserve comprehensive income for the year		-	-	3,654	3,654
		16,045	16,066	(3,211)	(3,233)
Surplus/(Deficit) for the year attributable to:					
Non-controlling interest		-	-	-	-
College		16,045	16,066	(3,211)	(3,233)
Total Comprehensive Income for the year attributable to:					
Non-controlling interest		-	-	-	-
College		52,496	51,902	48,928	47,612

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES

For the year ended 31 July 2021

Group	Income and expenditure account		Revaluation £'000	Total excluding Non-controlling Interest £'000	Non-controlling Interest £'000	Total £'000
	Restricted £'000	Unrestricted £'000				
Balance at 1 August 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 1 August 2020	5	(13,533)	39,552	26,024	-	26,024
Surplus from the Comprehensive Statement of Income & Expenditure	-	16,045	-	16,045	-	16,045
Transfers between revaluation and income & expenditure reserve	-	(216)	216	-	-	-
Addition for year	35	-	-	35	-	35
Total movement for the year	35	15,829	216	16,080	-	16,080
Balance at 31 July 2021	40	2,296	39,768	42,104	-	42,104

College	Income and expenditure account		Revaluation £'000	Total excluding Non-controlling	Non-controlling	Total £'000
	Restricted £'000	Unrestricted £'000		Interest £'000	Interest £'000	
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 1 August 2020	5	(13,678)	39,552	25,879	-	25,879
(Deficit)/Surplus from the Comprehensive Statement of Income & Expenditure	-	16,066	-	16,066	-	16,066
Transfers between revaluation and income & expenditure reserve	-	(216)	216	-	-	-
Addition for year	35			35	-	35
Total movement for the year	35	15,850	216	16,101	-	16,101
Balance at 31 July 2021	40	2,172	39,768	41,980	-	41,980

Balance Sheet as at 31 July 2021

	Notes	Group 31 July 2021 £'000	Group 31 July 2020 £'000	College 31 July 2021 £'000	College 31 July 2020 £'000
Non-current assets					
Fixed assets	12	100,353	101,727	100,084	101,409
Investments	13	-	-	30	30
		100,353	101,727	100,114	101,439
Current assets					
Stock	14	18	24	18	24
Trade and other receivables	15	3,540	2,372	3,970	2,434
Asset Held for Resale	17	2,400	2,400	2,400	2,400
Cash and cash equivalents	22	6,517	3,341	5,992	3,027
		12,475	8,137	12,380	7,885
Less: Creditors: amounts falling due within one year	16	(8,968)	(6,543)	(9,003)	(6,426)
Net current assets		3,507	1,594	3,377	1,459
Total assets less current liabilities		103,860	103,321	103,491	102,898
Creditors: amounts falling due after more than one year	19	(38,484)	(38,927)	(38,277)	(38,680)
Deferred tax (liability)	18	(38)	(31)	-	-
Provisions					
Pension provisions	20	(23,234)	(38,339)	(23,234)	(38,339)
TOTAL NET ASSETS		42,104	26,024	41,980	25,879
Restricted Reserves					
Income & Expenditure reserve – restricted reserve	21	40	5	40	5
Unrestricted Reserves					
Income and Expenditure reserve – unrestricted		2,296	(13,533)	2,172	(13,678)
Revaluation reserve		39,768	39,552	39,768	39,552
		42,104	26,024	41,980	25,879
Non-controlling interest		-	-	-	-
Total reserves		42,104	26,024	41,980	25,879

The financial statements on pages 39 to 63 were approved and authorised for issue by the Regional Board on 15th December 2021 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 2021

	Notes	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Cash flow from operating activities			
(Deficit) for the year (before tax)		(908)	(2,299)
Adjustment for non-cash items			
Depreciation	12	2,127	2,062
Income	4	(1,143)	(1,144)
Other Group non-cash income		(40)	-
Amortisation of goodwill		-	(109)
(Increase)/Decrease in stock	14	6	(13)
(Increase) in debtors	15	(1,168)	(235)
Increase in creditors	16	2,460	410
Increase in Deferred Tax	18	7	-
Pension accounting costs		1,856	2,068
Other non-cash items		(20)	-
Adjustment for investing or financing activities			
Investment income	6	(1)	(8)
Interest payable		-	-
Net cash inflow from operating activities		<u>3,176</u>	<u>732</u>
Payments made to acquire fixed assets		<u>(753)</u>	<u>-</u>
		<u>2,423</u>	<u>732</u>
Cash flows from financial activities			
Interest Paid	10	-	-
Interest element of finance lease and service concession payments		-	-
Capital funding used to acquire fixed assets	12	753	-
Repayments of amounts borrowed		-	(42)
		<u>753</u>	<u>(42)</u>
Increase in cash and cash equivalents in the year		<u>3,176</u>	<u>690</u>
Cash and cash equivalents at beginning of year	22	3,341	2,651
Cash and cash equivalents at end of the year	22	<u>6,517</u>	<u>3,341</u>

Notes to the accounts**For the year ended 31 July 2021****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 2020/21 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) 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 in subsidiaries are carried at cost (less impairment) in the College's accounts.

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

Stock

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

Cash and cash equivalents

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

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

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence of otherwise uncertain future events not wholly within the control of the College. Contingent liabilities also arise in the circumstances where a provision would otherwise be made but either it is not probable 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. IMPACT OF DEPRECIATION BUDGET ON STATEMENT OF COMPREHENSIVE INCOME

	2020-21 £'000	2019-20 £'000
(Deficit) before other gains and losses (FE/HE SORP basis)	(908)	(2,308)
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	1,161	1,161
Operating surplus/(deficit) on Central Government accounting basis.	253	(1,147)

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 £908,000 for the year ended 31 July 2021. After adjusting for the non-cash allocation provided under government rules, the college shows an "adjusted" surplus of £253,000 on a Central Government accounting basis. This demonstrates that the College is operating sustainably within its funding allocation.

3. TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2021 £'000		Year ended 31 July 2020 £'000	
	Group	College	Group	College
Full time home and EU students	4,993	4,993	4,822	4,822
Full time International students	146	146	176	176
Total fees paid by or on behalf of individual students	5,139	5,139	4,998	4,998
<i>Education contracts:</i>				
Skills Development Scotland	1,412	1,412	1,315	1,315
Other tuition	1,245	-	1,621	-
	2,657	1,412	2,936	1,315
Total	7,796	6,551	7,934	6,313

4. FUNDING BODY GRANTS

	Year ended 31 July 2021 £'000		Year ended 31 July 2020 £'000	
	Group	College	Group	College
Recurrent grant				
Scottish Funding Council (SFC)	34,722	34,722	32,430	32,430
Specific grants				
Childcare funds	410	410	572	572
Release of capital grants	1,143	1,143	1,144	1,144
Other SFC grants	5,216	5,216	3,716	3,716
Total	41,491	41,491	37,862	37,862

5. OTHER INCOME

	Year ended 31 July 2021 £'000		Year ended 31 July 2020 £'000	
	Group	College	Group	College
Residences, catering and conferences	191	191	905	905
Farming activities	27	27	30	30
Other income	1,257	1,944	1,354	1,659
Accommodation recharge	1,145	1,145	835	835
Government Grants	408	372	-	-
Release of deferred income (Foundation)	180	180	-	-
Total	3,208	3,859	3,124	3,429

6. INVESTMENT INCOME

	Year ended 31 July 2021 £'000		Year ended 31 July 2020 £'000	
	Group	College	Group	College
Other investment income	1	1	8	8
	1	1	8	8

7. STAFF COSTS

	Year ended 31 July 2021 £'000		Year ended 31 July 2020 £'000	
	Group	College	Group	College
Salaries	23,448	23,342	22,483	22,104
Social security costs	2,173	2,161	2,306	2,135
Other pension costs	5,927	5,919	5,908	5,801
Restructuring costs	598	598	368	368
	32,146	32,020	31,065	30,408
Teaching departments	18,382	18,284	17,792	17,550
Teaching support services	1,118	1,118	954	954
Administration and central services	11,974	11,946	11,877	11,462
Premises	74	74	74	74
	31,548	31,422	30,697	30,040
<i>Analysed as:</i>				
Staff on permanent contracts	31,548	31,422	30,697	30,040
Restructuring costs	598	598	368	368
	32,146	32,020	31,065	30,408
Restructuring costs				
Restructuring costs	598	598	368	368
	598	598	368	368

The Other Pension Costs shown above include an amount of £1,362,000 (2019-20 £2,031,000) charged as part of Pension Fund adjustments.

Senior post-holders employed by the College:

	Year ended 31 July 2021		Year ended 31 July 2020	
	Number Senior post-holders	Number other staff	Number Senior post-holders	Number other staff
£60,001 to £70,000	-	15	-	10
£70,001 to £80,000	-	2	-	3
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	2	-	3	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	1	-	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 2021	Year ended 31 July 2020
Average staff numbers by major category:		
Teaching departments	303	303
Teaching support services	61	63
Administration and central services	140	152
Premises	3	3
	507	521
<i>Analysed as:</i>		
Staff on permanent contracts	497	502
Staff on temporary contracts	10	19
	507	521

8. BOARD MEMBERS AND SENIOR POST-HOLDER EMOLUMENTS

	Year ended 31 July 2021	Year ended 31 July 2020
	No.	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 £138,000 (2019-20: £123,000) in salary, and £32,000 (2019-20: £28,000) 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 2021	Year ended 31 July 2020
	£'000	£'000
Fees for services as non-executive directors of subsidiary companies	-	-
Expenses paid to board members	-	-
	-	-

9. INTEREST AND OTHER FINANCE COSTS

	Year ended 31 July 2021 £'000		Year ended 31 July 2020 £'000	
	Group	College	Group	College
	Interest payable	-	-	-
Pension cost allocation	494	494	530	530
	494	494	530	530

10. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

Group	Staff costs £'000	Other operating expenses £'000	Depreciation £'000	Interest Payable £'000	Year Ended 31 July 2021 £'000	Year Ended 31 July 2020 £'000
Teaching activities	22,521	4,335	56	-	26,912	25,955
Residences and catering	-	263	-	-	263	898
Farm	-	22	-	-	22	25
Premises	142	8,061	2,022	-	10,225	9,125
Administration	8,485	3,132	-	494	12,111	12,225
Other expenses	400	120	49	-	569	771
Agency costs	-	2,304	-	-	2,304	2,337
	31,548	18,237	2,127	494	52,406	51,336
College						
Teaching activities	22,795	4,712	56	-	27,563	25,897
Residences and catering	-	263	-	-	263	898
Farm	-	22	-	-	22	25
Premises	142	8,061	2,022	-	10,225	9,126
Administration	8,485	2,721	-	494	11,700	11,873
Other expenses	-	120	-	-	120	310
Agency costs	-	1,905	-	-	1,905	1,922
	31,422	17,804	2,078	494	51,798	50,051

Other operating expenses include:

Auditors' remuneration (including irrecoverable VAT)

- external audit services

- internal audit services

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
	39	46
	28	15
	67	61

11. TAXATION

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Deferred tax		
Increase/(Decrease) in deferred tax liability	7	9
Total tax expense	7	9

12. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Group			
Cost or Valuation			
At 1 August 2020	100,250	5,189	105,439
Additions	369	384	753
Disposals	-	(83)	(83)
Revaluation	-	-	-
At 31 July 2021	100,619	5,490	106,109
Depreciation			
At 1 August 2020	-	3,712	3,712
Charge for the year	1,887	240	2,127
Disposals	-	(83)	(83)
Revaluation	-	-	-
At 31 July 2021	1,887	3,869	5,756
Net Book Value			
At 31 July 2021	98,732	1,621	100,353
At 31 July 2020	100,250	1,477	101,727
Inherited			
Financed by capital grant	37,612	665	38,277
Other	61,120	956	62,076
At 31 July 2021	98,732	1,621	100,353
College			
Cost or Valuation			
At 1 August 2020	100,250	3,426	103,676
Additions	369	384	753
Disposals	-	(83)	(83)
Revaluation	-	-	-
At 31 July 2021	100,619	3,727	104,346
Depreciation			
At 1 August 2020	-	2,267	2,267
Charge for the year	1,887	191	2,078
Disposals	-	(83)	(83)
Revaluation	-	-	-
At 31 July 2021	1,887	2,375	4,262
Net Book Value			
At 31 July 2021	98,732	1,352	100,084
At 31 July 2020	100,250	1,159	101,409

At 31 July 2021, freehold land and buildings included £7.685m (2020: £7.685m) 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. More information is given on the valuation of property in Note 26.

13. NON-CURRENT INVESTMENTS

Subsidiary Companies £'000

At 1 August 2020 and 31 July 2021

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.

14. STOCK

	Group and College 31 July 2021 £'000	Group and College 31 July 2020 £'000
Catering Stock	18	24
At Year End	18	24

15. TRADE AND OTHER RECEIVABLES

	31 July 2021		31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
Amounts falling due within one year				
Other trade receivables	619	507	293	118
Other receivables	6	6	15	15
Amounts owed by subsidiary undertakings	-	147	-	173
Prepayments and accrued income	2,915	3,310	2,064	2,128
	3,540	3,970	2,372	2,434

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 July 2021		31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
Trade payables	286	271	195	79
Accruals and deferred income	8,682	8,732	6,348	6,347
	8,968	9,003	6,543	6,426

17. CURRENT ASSET – HELD FOR RESALE

	31 July 2021 Group and College £'000	31 July 2020 Group and College £'000
Assets held for sale – Balgownie Centre	2,400	2,400
	2,400	2,400

18. DEFERRED TAX

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

	31 July 2021		31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
Asset/ (Liability) brought forward	(31)	-	(22)	-
Other movement in balance	-	-	-	-
Income and Expenditure movement in period	(7)	-	(9)	-
Asset/ (Liability) carried forward	(38)	-	(31)	-

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

	31 July 2021		31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
Deferred income	38,484	38,277	38,927	38,680
	38,484	38,277	38,927	38,680

20. PROVISIONS

Group and College	Pension costs arising from early retirement £'000	North East Scotland Pension Fund £'000	2021 Total £'000	Pension costs arising from early retirement £'000	North East Scotland Pension Fund £'000	2020 Total £'000
At Beginning of Year	6,459	31,880	38,339	6,817	24,890	31,707
Additional/ (reduced) provision in period	(325)	(14,780)	(15,105)	(358)	6,990	6,631
At Year End	6,134	17,100	23,234	6,459	31,880	38,339

An amount of £6,134,000 (2019-20: £6,459,000) represents future pension costs arising from early retirements for those enrolled in the STTS (page 63)

The North East Scotland Pension Fund deficit has reduced following a revaluation by actuaries of the net liability attributable to North East Scotland College.

21. RESTRICTED RESERVES

Reserves with restrictions are as follows:

	2021 Total £'000	2020 Total £'000
Balance at 1 August 2020	5	6
New Donations	100	-
Expenditure	(65)	(1)
At 31 July 2021	40	5

	2021 Total £'000	2020 Total £'000
Analysis of other restricted funds/donations by type of purpose:		
Prize funds	5	5
Donation for Fraserburgh	35	-
	40	5

22. CASH AND CASH EQUIVALENTS

	At 1 August 2020 £'000	Cash Flows £'000	At 31 July 2021 £'000
Group			
Cash and Cash Equivalents	3,341	3,176	6,517
	3,341	3,176	6,517

	At 1 August 2020 £'000	Cash Flows £'000	At 31 July 2021 £'000
College			
Cash and Cash Equivalents	3,027	2,965	5,992
	3,027	2,965	5,992

23. CAPITAL AND OTHER COMMITMENTS

Provision has not been made for the following capital commitments at 31 July 2021

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
Commitments authorised and not contracted for	-	-	-	-
Commitments contracted for	950	950	266	266
	950	950	266	266

24. CONTINGENT LIABILITIES

There are no contingent liabilities at 31 July 2021 (2019-20: none)

25. LEASE OBLIGATIONS

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

Group	Year ended 31 July 2021			31 July 2020 £'000
	Vehicles £'000	Plant & Machinery £'000	Total £'000	
Payable during the year	46	31	77	94
Future minimum lease payments due:				
Not later than 1 year	40	-	40	39
Later than 1 year and not later than 5	48	-	48	24
Total lease payments due	88	-	88	63

College	Year ended 31 July 2020			31 July 2019 £'000
	Vehicles £'000	Plant & Machinery £'000	Total £'000	
Payable during the year	46	31	77	91
Future minimum lease payments due:				
Not later than 1 year	40	-	40	36
Later than 1 year and not later than 5	48	-	48	24
Total lease payments due	88	-	88	60

26. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The items in the College's Balance Sheet at 31 July 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

(a) Pensions Liability

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

The actuarial inputs into the pension liability valuation are subject to annual review, and have a significant impact on the potential valuation. Historically it is common for small changes in the discount rate, salary assumption rate and pension rate to have material impacts on the yearend valuations on a year to year basis. We have outlined the potential impact of future changes below. The pension liability at 31 July 2021 following the updated actuarial valuation was £23.2 million, a decrease of £15.1 million from 31 July 2020. Given the history of significant changes to liability valuations in the past, the ongoing sensitivity to future changes, and the requirement to update assumptions annually, the College expects future liabilities to continue to change significantly going forward.

More information on the key assumptions used in the actuarial valuation of the estimates is available in note 31 to the accounts, including information on the key assumptions, risks and sensitivities.

(b) Valuation of Property

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

the balance sheet. The total value of the College's assets at 31 July 2021 is outlined and broken down by asset category at note 12.

Land and Buildings were independently valued for the purpose of the financial statements by F G Burnett, Property Consultants in 2019/20. The basis of valuation was depreciated replacement cost. A desk top exercise was conducted as at 31st July 2021 by FG Burnett, and this found that changes in the valuations of the Buildings since full revaluation and compared with their depreciated replacement cost, was not material enough to make a change in the accounts.

(c) Job Evaluation Scheme

The National Job Evaluation Scheme is an ongoing exercise whereby both roles and salary costs are being reviewed for support staff across the College sector. Any changes to salary costs would be effective from 1 September 2018 and therefore any revisions would be backdated. Colleges Scotland prepared estimated costings of the exercise in February 2019 which the Scottish Funding Council has utilised to inform Colleges of the expected grant award to fund the cost of implementing and costs to be accounted for. In line with SFC guidance, the College has accrued the estimated backdated pay costs and the estimated grant income in the last three financial years. At 31 July 2021, the College had accrued for income and expenditure of £1.8 million. Payment of both the grant income and costs will not be made until the exercise has fully concluded.

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

27. SUBSIDIARY UNDERTAKINGS

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

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

28. RELATED PARTY TRANSACTIONS

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

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

K. Milroy is Chair of Colleges Scotland Board. The College made payments of £64,215 (2019-20 £56,100) 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 (2019-20 - £912) and received income of £224,633 (2019-20 £216,643) during the year.

N. McLennan is Senior Lecturer and Director of Leadership Programmes at University of Aberdeen. The College made payments of £924,036 (2019-20 - £548,118) and received income of £25,240 (2019-20 £50,719) during the year.

D. Anderson is a Director of Peterhead Engineers Development Limited. The College received income of £64,399 during the year (2019-20 - £66,341), with no payments made either year.

J Henderson and A Bell are both Trustee Board members of North East Scotland FE Foundation. The College made a payment of £400,000 (2019-20 - £nil) and received income of £77,199 during the year (2019-20 - £nil).

J Gifford and A Simpson are Councillors with Aberdeenshire Council. The College made a payment of £17,735 (2019-20 - £90,105) and received income of £59,634 during the year (2019-20 - £47,712).

L McDermid is Chief Executive of Aberdeen Foyer. The college made payments of £197,038 (2019-20 - £312,103) and received income of £1,075 during the year (2019-20 - £1,623).

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

Member	Organisation	Position
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
S. Elston	Sport Aberdeen	Board Member
D. Anderson	Peterhead Engineers Development Ltd	Director
J Gifford & A Simpson	Aberdeenshire Council	Councillor
J Henderson & A Bell	North East Scotland FE Foundation	Trustee Board Members
L McDermid	Aberdeen Foyer	Chief Executive

30. STUDENT SUPPORT FUNDS

Bursaries and other student support funds

	Bursary £'000	Hardship £'000	EMA £'000	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
At 1 August 2020	367	127	25	519	198
Allocation received in period	7,490	1,095	193	8,778	8,589
Repaid to SFC	(367)	(207)	(25)	(599)	(192)
Expenditure in period	(6,845)	(351)	(194)	(7,390)	(8,073)
At 31 July 2021	645	664	(1)	1,308	519
Represented by:					
Pre received income (to repay)	645	536	-	1,181	519
(to be used in 21/22)	-	128	(1)	127	-
	645	664	(1)	1,308	516

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 2021 £'000	Year ended 31 July 2020 £'000
At 1 August 2020	292	274
Allocation received in period	439	864
Repaid to SFC	(292)	(274)
Expenditure in period	(410)	(572)
At 31 July 2021	29	292

Represented by:

Pre received income	29	292
	29	292

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

31. 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 2021.

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

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

North East Scotland Pensions Fund Scheme (NESPF)

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

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

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

	31 July 2021	31 July 2020
	% pa	% pa
Pension increase rate	2.7%	2.4%
Salary increase rate	4.1%	3.8%
Discount rate	1.6%	1.6%

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

Current pensioners male/(female)	21.5 (24.2)	21.4 (24.1)
Future pensioners in 20 years' time	23.1 (26.3)	23.0 (26.2)

The employer contributions for year to 31 July 2022 will be approximately £1,883,000

The assets in the scheme are:

	Asset allocation value at 31 July 2021 £'000	Asset allocation value at 31 July 2020 £'000
Equities	66,398	57,103
Government Bonds	8,997	7,195
Bonds	-	5,627
Property	6,947	6,365
Cash	2,961	2,583
Other	28,586	13,376
	113,889	92,249

The total pension cost to the College in the period was £3,825,000 (2019-20: £3,763,000). The contribution rate payable was 23.4% for the year (2019-20: 23.4%).

The amounts recognised in the SOCIE are as follows:

	Year ended 31 July 2021 £'000s	Year ended 31 July 2020 £'000s
Charged to staff costs:		
Current Service Costs	(3,093)	(2,886)
Past Service Costs	-	(318)
Curtailments	(207)	-
Admin Expenses	(31)	(29)
Total Charged to Staff Costs	(3,331)	(3,233)
Credit/charge for net return on pension scheme:		
Interest Income	1,476	1,941
Interest Cost	(1,970)	(2,471)
Net Interest Charged	(494)	(530)
Credit/charge to other comprehensive income:		
Return on assets	20,158	2,019
Other Experience	3,529	623
Gains and losses arising on changes in financial assumptions	(7,051)	(7,557)
Actuarial Gain/(Loss)	16,636	(4,915)
Total charge to the SOCI	12,811	(8,678)
Analysis of the movement in deficit during the year:		
Deficit in scheme at start of year	(31,880)	(24,890)
Service Costs	(3,331)	(3,233)
Employer contributions	1,969	1,688
Net interest costs	(494)	(530)
Actuarial gain/(loss)	16,636	(4,915)
Deficit in scheme at end of year	(17,100)	(31,880)

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

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Opening defined benefit obligation	124,128	113,054
Current service cost	3,093	2,886
Interest cost	1,970	2,471
Contribution by members	501	489
Past Service Cost	-	318
Re-measurement of liabilities	3,522	6,934
Curtailments	207	-
Benefits paid	(2,432)	(2,024)
Closing defined benefit obligation	130,989	124,128
	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
History of experience gains/(losses)		
Scheme assets	113,889	92,248
Defined benefit obligation	(130,989)	(124,128)
Deficit - Net Liability	(17,100)	(31,880)

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

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

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Current service cost	3,093	2,886
Past service costs	-	318
Curtailments	207	-
Admin Expenses	31	29
Total operating charge	3,331	3,233

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Movement in deficit during the year:		
Deficit in scheme at beginning of the year	(31,880)	(24,890)
Movement in year:		
Total Pension Cost recognized in the CIES	(3,825)	(3,763)
Contributions	1,969	1,688
Re-measurements	16,636	(4,915)
Deficit in scheme at end of the year	(17,100)	(31,880)

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 £2,649,000 (2019-20: £2,538,000). This includes £0 (2019-20: £0) outstanding contributions at the balance sheet date. The contributions rate payable by the college was 23.0% for the year (2019-20: 23.0%).

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 institutions¹ comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts².
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 2020-21 (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 2021.
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
3 June 2021.