

**NORTH EAST  
SCOTLAND**  
COLLEGE



**FINANCIAL STATEMENTS**  
for the year to 31 July 2022

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 2022. 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

For North East Scotland College (NESCol) and the wider college sector, the Academic Year 2021-22 can be characterised as one of transition and one, yet again, not without challenge. Our work as a college has been shaped by the pandemic and the on-going requirement to adapt to the disruption it has caused. For the College, its regional partners, its staff and its students 'business as usual' would not be a term ascribed to this year. However, the positive changes globally to the management and treatment of COVID-19 is now allowing the College to put in place its transition plans that, in turn, will see activity revert to something akin to 'pre-pandemic normality' for the forthcoming session.

The College has – as it did throughout the pandemic - responded positively to the challenges it has faced and has continued to progress its ambitious enhancement plans for the years ahead, beyond the pandemic. A significant amount of work has been undertaken within the College to enhance its growing reputation as a progressive educator and employer; a place where students and staff alike can thrive and where their wellbeing is considered crucial to their welfare, progression, fulfillment and success. Various initiatives have been implemented over the course of this year and feedback from colleagues and learners suggest that there are high levels of satisfaction amongst both for what the College is doing.

NESCol remains central to the regional partnership working and the economic recovery plans for both Aberdeen City and Aberdeenshire. This work continues to evolve positively through such entities as the Regional Economic Strategy Group (RESG), the Regional Learning and Skills Partnership (RLSP), Aberdeen City Council's Multi-Agency Transformation Management Group (MATMG) and the National Energy Skills Accelerator (NESA). These progressive groups continue to focus their plans and activities on priority ambitions and drivers which ultimately will stimulate and sustain regional economic recovery and reform in the North East.

As a consequence of the Scottish Funding Council's (SFC) report "Coherence and Sustainability: A Review of Tertiary Education and Research" published in June 2021, the College is now heavily involved in the SFC's North East Scotland Pathfinder initiative. In partnership with the region's two universities, the two local authorities and others, NESCol is developing initiatives that will complement the work already being undertaken in terms of regional recovery and reform. The priority projects being developed through the pathfinder include the promotion of the pre-existing NESCol/RGU partnership; progression pathways for careers in health and social care; skills acquisition opportunities for energy transition and the redesign of the senior phase.

Consequently, we believe that the activities that we are undertaking presently within and beyond the College, will enable us 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. Indeed, the significant progress that the College is making is all the more commendable when considering the financial position in which – along with the wider college sector – it has been placed.

It is truly difficult to paint a positive picture when considering the present state of college funding. And looking ahead, the College's Leadership Team and I believe that the realistic prospect of 'flat-cash' funding settlements for the next 3 to 5 years will make it very difficult for us to bring our future finances in line with budget. Consequently, if the College is required to reduce costs further then student experiences and outcomes will suffer, significantly. Such sentiments are clearly a concern for others, as indicated in the recently published Audit Scotland Report, 'Scotland's Colleges 2022'. For the benefit of the Scottish Government's ambitions for economic transformation, for regional prosperity and for those students whom we serve, we can only hope that all colleges are funded more appropriately than what is currently planned.

**Neil Cowie**  
**Principal and Chief Executive**

## **Our Purpose and Activities**

### **Legal Status**

North East Scotland College (NESCol) was formed on 1<sup>st</sup> 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 first year of operation under the College's new Strategic Plan 2021-23. The Strategic Plan clearly defines the College's vision and values.

### Vision

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

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

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

### Values

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

#### Commitment and Excellence

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

#### Empowerment and Engagement

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

#### Respect and Diversity

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

## Strategic Themes

Our Strategic Plan for 2021-2023 is focused on five Strategic Themes and their accompanying Strategic Goals.

### Being Agile and Responsive

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

### Empowering People

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

### Advancing Partnership Working

- Work with Community Planning Partners to deliver on key priorities, with a focus on reducing inequality and removing barriers to educational attainment.

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

### **Delivering Excellence and Innovation**

- Be recognised as a college which delivers excellence across all courses and services, building a reputation as the premier provider of employer informed education and skills in the region.
- Deliver outstanding learning and teaching which is exciting, innovative and relevant, and which increases the number of learners achieving successful outcomes and positive destinations.
- Deliver a curriculum and support service which enables students to build resilience, develop essential meta skills and achieve success.
- Deliver a whole-College approach to student support that promotes health and wellbeing alongside effective academic tutoring and personal development.
- Encourage and enable a strong student voice, co-designing and co-delivering sector leading approaches to quality improvement.
- Drive continuous quality improvement through a strong culture of self-evaluation, and the adoption of an evidence-informed approach to decision-making and enhancement planning.
- Provide modern, fit-for-purpose buildings, facilities, and spaces for learning, studying and socialising.
- Maximise the use of digital technology to deliver sector leading student experiences and support services.
- Continue to advance equality of opportunity across the College to ensure success for all students regardless of protected characteristics, background or experience, and to maintain a College-wide culture of respect.

### **Leading Sustainability**

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

## Key Issues and Risks

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

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

- IF the future skills needs of the region are not clear THEN ensuring that the College's curriculum contributes to national and regional economic recovery will be challenging.
- IF the 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: Develop the skills, talents and potential of all the people who come to college either to learn or to work.**

- IF the College is not able to recruit, retain and develop appropriately qualified staff, THEN this will adversely impact on the learner experience and the College's ability to deliver the curriculum of the future.
- IF restrictions on the free movement of the European workforce continue to have an impact in the UK, THEN the College may not be able to recruit to key roles.
- IF national collective bargaining agreements do not provide required flexibility THEN the College may not be able to meet delivery requirements in AY2021-22 and AY2022-23.
- 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 funding restrictions mean we do not have a sufficient number of experienced curriculum staff in priority areas with spare capacity to create new provision THEN we will not be able to maximise commercial and external opportunities

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

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

- IF employers do not successfully engage with NESCol, THEN the College will not be able to identify and meet their needs.
- IF local schools do not work closely with NESCol, THEN effective learner pathways will not be delivered throughout the region.
- IF 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: Deliver an excellent learning environment and experience leading to successful outcomes for all learners.**

- IF the College does not have sufficient capacity to address the wide-ranging and complex needs of the student body, THEN the health and wellbeing of students will be negatively affected leading to diminished learner experiences and outcomes.
- IF 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.

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 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 FWDF 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 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 contracted year THEN they may lose credibility and appeal for pupils and their parents leading to a decrease in demand, negatively affecting income streams.
- IF the Oil & Gas and renewables industries do not grow at sufficient rates THEN gift aid received by the College from ASET will not meet budgeted levels of contribution.
- IF the College cannot obtain documentation from sufficient numbers of students to meet ESF requirements THEN income may be subject to SFC clawback.
- IF responsibility for allocating funding for regional FA places moves to NESCol, there may be tensions caused with partners who have disproportionate allocations from SFC this year.
- IF Foundation Apprenticeship qualifications cannot be delivered in school, then schools (in Aberdeenshire) may revert towards the LA contract rather than NESCol leading to a decrease in demand, negatively affecting income streams.

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

The College has also considered specific risks in connection with legislative requirements, cyber security and IT outages, supply chain and the appointment of a new Chair of the Regional Board. Mitigation measures include IT Strategy, internal audits, robust systems testing, appropriate physical security and use of



preventative technologies, resilient architecture of links between sites, monitoring of threat levels through partners, use of cloud-based repository, staff training, and ongoing dialogue with Scottish Government.

### **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 2022 shows Net Current Assets of £1.3m (FY 2020/21 equivalent £3.5m) and Total Net Assets of £62.9m (FY 2020/21 £42.1m). The SFC has indicated to the College expected funding levels for the period to 2023-24 and the Regional Board has approved a financial plan up to 2023/24 on that basis. The financial plan sees the College operate to a break even position over that period.

The comments on p32 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 p13, performance fell below the targets set. This is entirely due to the complexities and challenges that the College continued to face during the year due to Covid-19. More information is given on the College's trading conditions under the Introductory Statement by the Principal (p3), and Key Curriculum Developments (p14).

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

## **PERFORMANCE ANALYSIS**

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

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

### **Regional Priorities and Skills Needs**

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

Regional Economic Strategy		
<p>Priorities:</p> <ul style="list-style-type: none"> <li>• Responding to COVID-19 and Brexit</li> <li>• Supporting Net Zero and a green recovery</li> <li>• Creating a diversified economy based on skills development and acquisition</li> <li>• Ensuring inclusive economic recovery, reform and growth</li> </ul>	<p>College Contribution:</p> <p>The College's portfolio of courses, vocational training opportunities and apprenticeship programmes aligned to the region's key priorities, sectors and skills needs are critical to the region's future economic recovery, reform and prosperity.</p>	<p>Strategic Objective(s):</p> <p>1.1, 3.1, 3.2, 5.7, 5.8</p>
Regional Skills Strategy		
<p>Priorities:</p> <ul style="list-style-type: none"> <li>• Responding to COVID-19 and Brexit</li> <li>• Aligning skills to economic need, Energy Transition ambitions and Net Zero intentions</li> <li>• Expanding work-based learning including employee upskilling and reskilling</li> <li>• Improving school-to-work transitions</li> </ul>	<p>College Contribution:</p> <p>The College's established and responsive approach to curriculum design and delivery, including Its Apprenticeship Family offer, its Flexible Workforce Development (FWDF) activities and its enhanced engagement with partners, employers and schools will ensure that the immediate and future skills needs of the region are met.</p>	<p>Strategic Objective(s):</p> <p>1.1, 3.1, 3.2, 3.4, 3.6, 5.7, 5.8</p>
Community Planning Aberdeen (CPA)		
<p>Priorities:</p> <ul style="list-style-type: none"> <li>• Prosperous Economy</li> <li>• Prosperous People (Children &amp; Young People)</li> <li>• Prosperous People (Adults)</li> <li>• Prosperous Place</li> </ul>	<p>College Contribution:</p> <p>The College is a partner of CPA working with partners on locality planning, community empowerment, and improving outcomes for the population of Aberdeen City, especially those who experience poorer outcomes as a result of socio-economic disadvantage. The work of the CPA sees the College contributing to initiatives for priority and at risk neighbourhoods, and priority communities of interest e.g. children and young people, people with disabilities.</p> <p>NESCol is a member of the CPA Board, the CPA Management Group, and two Outcome Improvement Groups:</p> <p><u>Aberdeen Prospers</u>: supports delivery of the Local Outcome Improvement Plan (LOIP) and underpinning locality plans, specifically two Economy Stretch Outcomes in the LOIP:</p> <ol style="list-style-type: none"> <li>1. Support 400 unemployed Aberdeen City residents into sustained, Fair Work* by 2026</li> <li>2. Upskill/reskill 500 Aberdeen City residents to enable them to move into, within and between economic opportunities as they arise by 2026.</li> </ol> <p><u>Integrated Children's Services</u>: ensures the effective delivery of services for children and young people at all stages of their development and growth. all key agencies that deliver services for children and young people in Aberdeen City are represented, working together to deliver the City's Children's services plan and using the Scottish Government's</p>	<p>Strategic Objective(s):</p> <p>1.1, 3.1, 3.2</p>

	<p>'Getting It Right for Every Child' as a common approach to deliver better outcomes for children and to measure success. The College also participates in a number of associated workstreams:</p> <ul style="list-style-type: none"> <li>• The Attainment and Progression to Adulthood Group</li> <li>• Child Friendly Cities Group</li> <li>• Target Operating Model Sub Group</li> <li>• ACC Care Experienced Champions Board..</li> </ul>	
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Aberdeenshire Community Planning Partnership (ACPP)		
<p>Priorities:</p> <ul style="list-style-type: none"> <li>• Changing Aberdeenshire's relationship with alcohol</li> <li>• Reducing child poverty in Aberdeenshire</li> <li>• Connected and Cohesive Communities</li> </ul>	<p>College Contribution:</p> <p>The College is a partner of ACPP which aims to work together for the best quality of life with happy, healthy and fulfilled people, living in a healthy, safe and sustainable environment with a vibrant local economy. This includes partnership working to deliver more efficient and improved services which meet local needs in Aberdeenshire and to contribute to the delivery of key actions in a number of Locality Plans.</p> <p>NESCol is a member of the CPA Board, and Connected and Cohesive Communities.</p> <p><u>Connected and Cohesive Communities:</u> supports the Planning Partnership in the delivery of locality plans for three areas of Aberdeenshire that experience the most social and economic disadvantage. This includes the delivery of several initiatives around addressing inequalities, employability and health, as well as supporting communities to become more resilient.</p>	<p>Strategic Objective(s):</p> <p>1.1, 3.1, 3.9</p>

The College also uses the Regional Skills Assessments for Aberdeen City and Aberdeenshire, to ensure it aligns provision with anticipated demand

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

Scottish Government Priority	College Contribution	Strategic Objective(s)
Fair Access and Transitions	The College will provide access to further and higher education for people of all ages from the widest range of backgrounds, and ensure that all students are enabled to achieve their full potential as successful learners, ready for transition to future learning, life and work.	1.3, 3.1, 3.5
Health and Wellbeing	The College will provide health and wellbeing services and support, and will work with partners to contribute to positive and sustainable change in the health and wellbeing of staff and students.	2.1, 3.9, 4.4
Net Zero	The College will ensure its activities as an educator, employer and regional leader contribute fully to the delivery of Scottish Government's climate change ambitions.	5.7, 5.8
Economic recovery, reform and prosperity	The College will ensure its contributions, post-COVID-19 and post-Brexit, to the immediate and future regional economic requirements support a revitalised and successful Scottish economy.	1.1, 3.2, 2.4, 3.6, 4.1
Integration of tertiary education and	The College will develop, in conjunction with others, a cohesive and connected tertiary sector	3.5

skills system	offer which delivers a greater educational and skills-based coherence for students, employers and other stakeholders.	
Mainstreaming Equality	The College will continue to advance equality of opportunity through the Public Sector Equality Duty (PSED), ensuring that its operations, activities and decision making processes are impact assessed against the protected characteristics of age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex, and sexual orientation.	1.1, 4.9
Retention and Attainment	The College will raise student retention and attainment levels to ensure that ever-increasing numbers of students successfully fulfil their potential and achieve their ambitions.	4.2
Employability	The College will improve employment outcomes for young people and provide for support aimed at addressing youth unemployment, in particular those with barriers to work.	1.1, 4.1
Innovation and Enterprise	The College will contribute to driving up levels of business innovation in Scotland by ensuring that its learners are exposed to entrepreneurial thinking.	4.2
Senior Phase and Developing the Young Workforce	The College will play a lead role in ensuring that an enhanced regional approach is undertaken to support improved and progressive senior phase pathways by working closely with partners on planning and delivery.	3.4
Apprenticeships	The College will build and strengthen pathways into and across Apprenticeship programmes, particularly in key sectors such as STEM, digital skills and early years workforce expansion.	3.6
Flexible Workforce Development Fund	The College will help employers to increase productivity and address skills gaps by supporting in-work training of their workforce.	3.6
STEM and Energy Transition	The College will contribute to the development of Scotland's STEM and energy transition priorities to generate inclusive and sustainable economic growth by equipping young people with skills for the future.	1.1, 3.2, 3.3, 3.6, 4.1
Digital	The College will support improved digital skills development and acquisition for its students, staff and Stakeholders.	2.6, 4.8, 5.6

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

<b>STRATEGIC PLAN 2018-2022</b>									
<b>KEY STRATEGIC INDICATOR TABLE</b>									
		2018/19		2019/20		2020/21		2021/22	
No	Key Strategic Indicator	Target	Actual	Target	Actual	Target	Actual	Target	Actual
<b>Activity Levels</b>									
1	The total number of credits delivered	132,530	132,715	133,490	133,730	132,005	133,127	131,915	128,655
2	The volume of core credits delivered	130,070	130,561	131,070	131,312	129,770	130,602	129,280	127,606
3	The volume of ESF credits delivered	2,460	2,154	2,420	2,418	2,235	2,525	2,635	1,049
<b>Learner Success</b>									
Overall learner success rate (Incorporate level, mode, withdrawal and partial success measures)									
		2018/19		2019/20		2020/21		2021/22	
4	FE Full Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Learner Success	68%	65%	73%	62%	73%	56%	62%	57%
	Partial Success	-	11%	-	19%	-	19%	-	20%
	Early Withdrawal	5%	9%	-	8%	-	6%	-	9%
	Further Withdrawal	-	16%	-	11%	-	19%	-	14%
5	FE Part Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Learner Success	74%	57%	73%	82%	73%	72%	72%	68%
	Partial Success	-	28%	-	14%	-	25%	-	27%
	Early Withdrawal	-	8%	-	2%	-	1%	-	1%
	Further Withdrawal	-	7%	-	2%	-	2%	-	2%
6	HE Full Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Learner Success	77%	72%	78%	73%	78%	71%	72%	65%
	Partial Success	-	10%	-	13%	-	14%	-	15%
	Early Withdrawal	5%	5%	-	5%	-	3%	-	6%
	Further Withdrawal	-	13%	-	9%	-	12%	-	14%
7	HE Part Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Learner Success	83%	81%	83%	66%	83%	75%	81%	77%
	Partial Success	-	12%	-	32%	-	23%	-	20%
	Early Withdrawal	-	2%	-	1%	-	0%	-	1%
	Further Withdrawal	-	5%	-	1%	-	2%	-	2%
<b>Sustainability</b>									
		2018/19		2019/20		2020/21		2021/22	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
8	Non-SFC income as a percentage of turnover	27%	25%	23%	23%	21%	21%	20%	20%
9	Staff costs as a percentage of turnover	63%	51%	66%	58%	66%	60%	66%	62%

**\* Indicates 1,008 additional childcare credits**

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

**Key curriculum developments of 2022-23****Blended Delivery Model**

Because of the ongoing disruption caused by the COVID-19 pandemic, NESCol was once again required to implement a blended model of curriculum delivery for academic year 21-22. 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, a significant number of student remained working fully online with all learning, teaching and assessment and student support delivered via a range of institutional digital platforms including Blackboard, MyNESCol and Microsoft TEAMS.

Because of the excellent preparation and curriculum development carried out in previous COVID-affected years, 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 2021-22. 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.

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

Despite the huge challenge of remote working, 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.

The rise of the Omicron variant in late 2021 caused a momentary pause in on-campus delivery but most vocational training was able to resume on campus as it had done prior to the Christmas break.

**Curriculum Management Restructure**

New Curriculum Management structures and associated responsibilities were introduced in August 2021 following the review that had been undertaken the previous academic year.

Several key roles were reprofiled and team compositions amended to better support regional collaboration and communication. The existing 9 faculty areas were consolidated into 5 large regional Sectors and three Director roles were consolidated into 2 Associate Vice Principal roles. This allowed for the recruitment of a team of operational managers - Academic Improvement Leads – to support the work of CMs in key areas.

A new Head of Planning and Academic Partnership and a Head of Students Support and Engagement were also recruited to supplement and enhance the changes made to the academic teams.

**Curriculum Planning**

Each year, curriculum teams continue to revise and update programmes according to demand and regional economic need. This academic session saw further development of the revised Business Priority Curriculum Planning process. The curriculum planning meetings, chaired by the Associate Vice Principals, were combined with KPI reviews so that teams could discuss planning in conjunction with existing demand and performance. This culminated in a curriculum planning proposal per subject area ready for submission to the College Curriculum Planning Group.

A group of staff were also working on the overall planning process to enhance its coherence; alignment with college activity targets; efficiency of the process and the consistency of decision making. This planning process has been approved for implementation in 2022-23.

Work continues to evolve in this area and 2021-22 saw the college begin to work more closely with Aberdeen City Council, RGU and the SFC to begin better aligning curriculum planning across the tertiary sector within

the North East of Scotland. This will be enhanced in 2022-23 via the College involvement in the SFC Pathfinder projects.

### **Curriculum Support Frameworks**

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

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

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

### **Student Support**

The College's student support services continued to develop and expand throughout the academic year. The ACIS counselling service brought in the previous year has bedded in well and continues to complement and enhance the established well-being and support provision of the College. Funded via the additional SFC Mental health and Wellbeing initiatives, ACIS Student, a Mental Health Aberdeen service, are committed to developing a relational approach in their partnerships to ensure an effective response to the therapeutic needs of children, young people and adults in the community.

Because of the ongoing COVID restrictions, appointments were once again predominantly offered via Microsoft Teams, although there was also provision in place to support those students attending college in-person. 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 sessions via telephone.

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

Following additional SFC funding to support mental health, NESCol introduced a Student Wellbeing Adviser post, alongside a Student Engagement and Wellbeing Coordinator post within the Students' Association. Both were 1-year fixed term posts with responsibility for supporting the delivery of NESCol's new Wellbeing Strategy, setting out how the College will support both staff and students with positive physical, mental, and social wellbeing.

The Student Advice and Support Team continued to offer their appointment booking system which provide students with the option to book an appointment at a time and in a format that best suits them. Following higher numbers of students returning to on-campus activities, the team responded accordingly, and the service provision continues to flex to allow both in-person and online provision of appointments, activities and events.

### **Academic and Personal Skills Development Units**

Continuing the work done in 2019-20 to introduce the Academic and Personal Skills Development units into FE courses, the units were included in all FE course timetables in 2021-22. As well as creating specific time for the advancement of transferable skills; metaskills; personal and career development, specific material was made available this year to support delivery on the themes of Sustainability, Anti-racism and LGBTQ+. These equality and diversity topics were the themes of the College Respect campaigns for this year. The units also offered opportunity for Academic Tutors to provide one to one and pastoral support to the students under their care. Further review and development of the units and their application in planned for 2022-23.

### **Quality Activity**

#### **Education Scotland Progress Visit**

Progress Visits (PV) are planned collaboratively between the College, Education Scotland and the Scottish Funding Council (SFC). The team carrying out the PV engages with staff, learners and other stakeholders and produce a summary report for each college, which is then shared with the principal, and college Regional Board. The three day Progress Visit for NESCol was completed in March 2022 and the report provided external endorsement of effective practice occurring in the College across both curriculum and support services covering five overarching themes:

1. Curriculum
2. Outcomes for learners
3. Learner engagement
4. Evaluation and reflection and
5. Student support

The themes linked directly to the college's enhancement plan and priorities around COVID-19 recovery.

Fifty-six meetings took place involving students, teaching and support staff, all levels of management and representatives of the Students' Association. Education Scotland identified 28 areas of positive progress and 8 areas of further progress and actions required. The outcome of the progress visit report will inform an action plan to address the further progress identified.

### **New Online Self-Evaluation System**

Groups of curriculum and support colleagues have been working on the development of a new online self-evaluation system. The new system, OurEvaluation, is an institutional tool that will allow curriculum and support teams to move away from the end of year written reports, which are generally completed retrospectively and can often fail to capture important evaluative activity. OurEvaluation will allow self-evaluation activity to be captured as it naturally occurs during the academic session. A pilot involving curriculum and support teams provided valuable feedback, which has helped shape the new online model. All staff were provided with a first look of the new system prior to the summer break and had the opportunity to trial run before it went live in August. Robust self-directed online training resources have been developed to support staff with the transition to the new model and the Quality department will be providing support to all teams if required during AY2022-23.

### **Commercialisation**

Economic recovery has been evident in the North East following the covid pandemic and the impact this caused. Employers are recruiting in sizable numbers and opportunities often outweigh available candidates. This creates opportunity for employee upskilling and as a result, we have seen an increase in the demand for Flexible Workforce Development Funding and for our latest Modern Apprenticeship contracted places.

Flexible Workforce Development Fund activity has seen its strongest performance since the scheme was launched in 2017 despite the impact of two years' worth of covid-delayed delivery in the first half of academic year 2021/22. By year end, NESCol had achieved £1,696k of contractual commitment from employers against a target of £1,910k. This included a fully utilized SME fund of £492k.

Modern apprenticeship activity has also increased and while not all our contracted places in 2021/22 were taken up by employers, the overall portfolio delivery for current and new apprentices helped secure an additional £100k of funding from SDS bringing the year-end total to £798k (April to March).

The early apprenticeship activity in 2022/23 (April to July) is seeing significant demand across all disciplines and there is optimism that all contracted places will be allocated. Specifically, we have seen a dramatic uptake in engineering places as well as in areas which are new to NESCol or have not been delivered for many years. This includes a cohort of 16 General Construction Operatives as a first for NESCol in Construction and regrettably, we have had to limit the number of candidates we can recruit on to this programme. Similarly in hospitality where the industry faces significant staff shortages, we have formed a new collaborative with leading hotels in the North East to recruit ten apprentices where we will be supporting the Modern Apprenticeship training with masterclasses in specialist areas. The apprenticeship family is becoming increasingly important to NESCol and the employers it serves.

Enduring relationships with local employers have helped us secure important sponsorship once again during the year with Shell continuing to sponsor a regional S2 competition, 140 Girls in Energy and 24 Technicians. In addition, a local business which previously provided sponsorship enabling the development of our Future Skills Zone in Fraserburgh has once again supported the Fraserburgh Campus with a £200k donation which will allow the development of a 'green workshop' primarily of the development of offshore and onshore wind technicians. Our industry-developed wind technician training has completed its second year with Vestas increasing apprentice numbers proposed for the year ahead.

NESCol recognises the importance of supporting the Region's economic growth and is working closely with partners including the Robert Gordon University, University of Aberdeen, Skills Development Scotland and the two local authorities, in key strategic areas to secure and distribute funding which helps to grow regional



activity. Our support of the Energy Transition Zone (ETZ) and the National Energy Skills Accelerator (NESA) are examples of innovative collaborations which will help to drive energy transition and maximise the economic opportunity which emerges from these initiatives. Our positions in the Boards of both entities ensure that our curriculum planning continues to be informed by current regional development.

### **The following activities are planned for delivery during AY 2022-23**

#### **Social and Economic Recovery**

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

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

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

#### **Energy Transition**

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

NESCol will also continue to support the National Energy Skills Accelerator (NESA) along with 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.

Vestas, which will be responsible for the O&M activities of the Moray East windfarm, has placed 12 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 of 7 is due to complete at the end of 2023. The programmes being developed will also be relevant to the Altens campus in its support of the ETZ and floating wind ambitions.

The College has also worked in partnership with ECITB, supported by ETZ, in preparing for the delivery of a multi-skilled Wind Turbine Technician Scholarship for 2022-23. This will be the first cohort of its kind in Scotland and will equip the candidates with transferable skills for work across the Energy Industry.

In 2021-22 the College agreed to pilot some renewable energy qualifications prepared by OPITO. The qualifications have been designed to provide their apprentices with a knowledge of renewable energy technologies and their place in the energy industry to prepare them to be more transferable in future. There is an intention to deliver these qualifications in 2022-23.

#### **Further Development of Digital Technologies**

AY 2021–22 also saw the expansion of Blackboard Ultra, a new and improved Blackboard user interface. Blackboard Ultra is now used by 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.

The Digital Futures Toolkit [www.nescoldigitalfutures.co.uk](http://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.

The College's use of data has been supported via the expansion of PowerBI to surface key curriculum related reports relating to recruitment, credits, attendance, and other key performance indicators. All staff now have access to up-to-date information regarding key metrics thus enabling more effective evaluation and planning.

## 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 the standard, 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.

In addition to this a sector leading Sustainability Strategy was co designed with input from staff, students, Executive and Leadership Colleagues and Regional Board Members, in a Service Design Workshop. The half day workshop helped us launch a Sustainability Strategy by hearing crucial stakeholder voices to ensure the strategy met the needs of the present whilst not compromising the ability of future generations to meet their own needs. The college also aims to lead the sector as an example for carbon reduction and biodiversity; connect with the community and embed a sustainable ethos in all stakeholders learning and activities; and create buy-in and embed sustainability into day to day working, ethos and values.

## 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 £2,680,000 (FY2020-21: £915,000 deficit). After adjusting for the pension surplus on the revaluation of the funds as well as a surplus on the revaluation of property, the surplus for the year was £20,626,000 (FY2020-21: £16,045,000). Of the total income of the Group, 20% (FY2020-21: 21%) was received from non-SFC sources. This figure for 2021/22 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 continued to suffer significant adverse effects as a result of the Covid-19 pandemic. In addition to changes to the delivery of teaching and learning, there was a major impact on the College's financial performance and resultant out-turn for the year to 31 July 2022. The most significant impact was in terms of reduced commercial income.

The College was able to lodge claims with the Government's Job Retention Scheme. This scheme brought in a total of £45,000 (31 July 2021 £372,000).

### 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:-

		2021-22 £'000	2020-21 £'000
<b>(Deficit) before other gains and losses</b>		<b>(2,689)</b>	<b>(908)</b>
<b>Add back:</b>	<b>Note:</b>		
Depreciation (net of deferred capital grant release)	<b>4 &amp; 10</b>	983	984
Pension adjustment – Net Service Cost	<b>32</b>	1,510	1,362
Pension adjustment – Net Interest Cost	<b>32</b>	258	494
Payment to the Foundation		400	400
<b>Adjusted operating Surplus</b>		<b>462</b>	<b>2,332</b>

The underlying position for 2021/22 has been approved by SFC.

The accumulated surplus on the Income and Expenditure reserve at 31 July 2022 was £18,520,000 (31 July 2021 £2,296,000). 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 2022 was £5,788,000 (31 July 2021: £6,134,000) whilst the FRS102 provision for the College's share of the North East Scotland Pension Fund (NESPF) was nil (31 July 2021: £17,100,000 deficit).

The College has net assets of £62,905,000 (31 July 2021: £42,104,000). The current asset to current liabilities ratio is 1.1:1 (31 July 2021 adjusted: 1.1:4), with the gearing on long term liabilities being 0.7:1 (31 July 2021: 1.5:1).

During 2021-22, 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 £2,681,000 in the year (2020-21 – increase of £3,176,000)

## 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 £9,198,000 (31 July 2021: £6,517,000), this equates to the College having 69 days of cash on hand (FY2020-21: 40 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.

<b>Table of cash budget for priorities spend</b>		
<b>Revenue Priorities</b>	<b>2022-23 £'000</b>	<b>2021-22 £'000</b>
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
<b>Total Impact on operating position</b>	<b>1,161</b>	<b>1,161</b>
<b>Capital Priorities</b>		
Loan repayments	0	0
Estates Costs	0	0
Provisions pre 1 April 2014	0	0
<b>Total Capital</b>	<b>0</b>	<b>0</b>
<b>Total cash budget for priorities spend.</b>	<b>1,161</b>	<b>1,161</b>

## Future Developments

In negotiating the College's Regional Outcome Agreement for 2022-23 with SFC, the College has agreed to teaching funding totaling £35.7M (2020-21 £36.9M). The College has set its budget for 2022-23 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 2022-23 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 2022 (7 days in the year to 31 July 2021).

Interest paid under the Late Payments of Commercial Debts (Interest) Act amounts to £0 during this period (£0 during period to 31 July 2021).

### **PROFESSIONAL ADVISERS**

External auditor:

Ernst & Young LLP  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

Bankers:

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

Solicitors:

Burness Paull  
Union Plaza  
1 Union Wynd  
Aberdeen  
AB10 1DQ

**Approved by the Principal and Chief Executive on 14<sup>th</sup> December, 2022.**

**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 Regional Board Vice Chair (since 03.03.22)  
A. Bell - until 31 August 2021 (co-opted member of HR Committee until 31.08.22)  
S. Brydon (student member – until 01.07.22)  
N. Cowie (Principal and Chief Executive)  
A. Elghedafi – until 31.07.22  
S. Elston – Regional Board Vice Chair (from 03.03.22 until 31.10.22), Regional Chair from 01.11.22  
H Evans (student member until 31.03.22)  
J. Henderson - Vice Chair/Interim Regional Chair (from 03.03.22 till 31.10.22)  
N. McLennan  
K. Milroy (Regional Chair – until end of tenure on 02.03.22)  
K Koss (student member from 01.04.22)  
S. Ross  
A. Russell Regional Board Vice Chair (since 03.03.22)  
A. Simpson (tenure ended during AY2020.21 - co-opted member of Curriculum and Quality Committee – until 30.04.22)  
G. Watt (staff member)  
D Blackhall (staff member)  
A Rodden  
J Gifford  
L McDermid

Secretary to the Board: S Lawrance

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

R McGregor – Vice Principal Curriculum and Quality  
P. Smith – Vice Principal Finance and Resources (left 02.09.22)

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 Governance Manual is regularly reviewed by both the Governance and Nominations Committee and the Regional Board.

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

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

The Audit and Risk Committee, Curriculum and Quality, Finance and Resources Committee and the Human Resources Committee met three times during AY2021-22.

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.
  - There was no meeting of the Remunerations Committee within AY2021-22
- **Governance and Nominations Committee** – at its December Board Meeting the Regional Board agreed to the subsuming of the Governance Steering Group within the Selection and Appointments Committee, to operate as the Governance and Nominations Committee. The remit of this new Committee is to:
  - Support the Regional Board in maintaining high standards of governance. The Committee shall:
    - Consider and recommend amendments to the Regional Board's Governance Manual;
    - Ensure that the Regional Board complies with the Code of Good Governance for Scotland's Colleges;
    - Consider implications of legislative changes and advise the Regional Board accordingly.
    - Provide a forum to consider any governance issues that arise centrally or in other college regions and any possible implications or considerations for the Regional Board of North East Scotland College.
    - Consider the Board's succession planning arrangements
    - Support the process by which Regional Board Members are recruited, selected, and recommended for appointment;
    - Support the process by which individuals, including Non-executive Members at the end of their term of office, are co-opted to Board Committees;
    - Advise the Regional Board on matters relating to the appointment of the Chairs, Vice Chairs and membership of the Board's Committees and
    - Where the Regional Board so determines, provide assistance in identifying, selecting and recommending candidates for appointment to senior staff positions in the College, and to senior positions in College subsidiaries or any other body to which the College is entitled to make appointments.
    - The new Governance and Nominations Committee met twice in AY2021/22.
- **Selection and Appointments Committee** (until December 2021 when it became the Governance and Nominations 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:

- Continued facilitation of online Board and Committee Meetings throughout AY2021/22.
- The Regional Board agreed, at their April Meeting, to continue to hold their Committee Meetings (in agreement with Committee Chairs) through the use of Microsoft Teams.
- The Regional Board agreed, at their April Meeting, that all future full Board Meetings should be held in person (but only in line with the latest Scottish Government guidance).
- Adoption of the Chairs Committee as a permanent aspect of the Board's governance arrangements by the Board at its meeting on 07 October 2020.
- Increased engagement, sometimes daily, between the Regional Chair and Principal & Chief Executive regarding Covid-19 related matters;
- Inclusion of additional items of business related to impacts of Covid-19 at Board and Committee Meetings; 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 2022 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 April 2022 Meeting):

- **Audit and Risk Committee**  
Members – D. Anderson (Chair), A. Elghedafi, A. Russell (Vice Chair), S. Ross, L McDermid; S Elston; J Gifford
- **Curriculum and Quality Committee**  
Members – D Anderson, D Blackhall, S Brydon, N. Cowie, A Elghedafi; H Evans, K Koss, L McDermid, N. McLennan (Vice Chair), A Rodden, A. Russell (Chair), G. Watt. Co-opted Member – A Simpson (completed April 2022)
- **Finance and Resources Committee**  
Members – D Blackhall, S Brydon (Since April 2022), N. Cowie, H Evans (until 31.03.22); S. Elston, J Gifford, J. Henderson (Chair), N. McLennan, K. Milroy (until 3.03.22), S. Ross (Vice Chair).
- **Human Resources Committee**  
Members – N. Cowie, S. Elston (Chair), H Evans (until 31.03.22), J. Gifford, J. Henderson (Vice Chair), N McLennan; K. Milroy (until 3.03.22), G. Watt. Co-opted Member: A Bell (until 31.08.22)
- **Remuneration Committee**  
Members – S Brydon, J. Henderson, K. Milroy (until 3.03.22), D Russell, G Watt.
- **Selection and Appointments Committee**  
Members – D Anderson, A. Bell, J. Henderson, K. Milroy, A. Simpson, D Russell, S Elston.

- **Governance and Nominations Committee**  
**Members - J Henderson (Chair); D Anderson; S Elston; D Russell**

Board Member attendance at Board and Committee meetings for the year to 31 July 2022 is as follows:

Board Member	Regional Board	Audit & Risk	Curriculum & Quality	Human Resources	Finance & Resources
D. Anderson	4/4	3/3	2/3		
A. Bell				0/2	
D Blackhall	3/4		2/3		3/3
S Brydon	3/4		3/3	1/1	1/1
N. Cowie	4/4		3/3	2/2	3/3
A. Elghedafi	3/4	2/3	2/3		
H Evans	2/3		2/3		2/2
S. Elston	4/4	2/2		2/2	1/1
J Gifford	4/4	1/1		2/2	3/3
J. Henderson	4/4			2/2	3/3
K Koss	1/1		1/1	1/1	
L McDermid	4/4	3/3	2/3		
N. McLennan	3/4		1/3		0/1
K. Milroy	2/2	2/2	0/2		2/2
A Rodden	2/4		3/3		3/3
S. Ross	4/4	2/3			2/3
A. Russell	3/4	2/3	3/3		
A. Simpson			0/3		

To continue to demonstrate its commitment to maintaining the highest standards of governance, the Governance Steering Group at its November meeting, recommended the subsuming of the Governance Steering Group within the Selection and Appointments Committee to operate as the Governance and Nominations Committee. The Regional Board, at its December meeting, agreed to adopt the recommendation. The Governance and Nominations Committee comprises of the Chair of the Board, who will serve as Committee Chair; Regional Board Vice Chair(s); Chair of the Finance and Resource Committee; Chair of the Curriculum and Quality Committee; Chair of the Human Resource Committee; Equality and Diversity Champion, Senior Independent Person. The Committee will continue to undertake a key role in monitoring compliance with the Code of Good Governance for Scotland's Colleges and consider implications of any legislative changes. The Committee also helps to ensure that the Board remains fully effective by considering and recommending the implementation of any guidance or best practice that is issued to the sector. In addition, the Committee considers succession planning arrangements for its membership and ensures that the Board's Governance Manual is reviewed regularly.

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

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

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

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

The college continues to comply with all the principles of the 2016 Code of Good Governance for Scottish Colleges, and it has complied throughout the year ended 31 July 2022. 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.

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

## 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 risks to its Strategic Goals as noted on pages 7-9 of this report, as currently requiring close monitoring, because they have all been graded as significant or above. Other, more general risks have been identified which do not so readily attach themselves to individual Strategic Goals. These risks are:

- IF 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), the Public Sector Bodies (Websites and Mobile Applications) Accessibility Regulations 2018, 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 macro-economic, geopolitical or other events affect the supply chain for equipment, including global component shortages, THEN the College's ability to procure the necessary equipment, including BYOD devices, for successful delivery of services will be impacted
- 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.
- IF Scottish Government guidance reverts to previous measures and prevents the holding of on-campus meetings and events or participation in external events (e.g. open days, external careers events) THEN the College's ability to deliver key business as usual activities and the meeting of enrolment targets will be negatively impacted.
- IF levels of SFC funding do not enable the College to invest in developing and strengthening its IT environment and support capabilities, then the College may experience system outages and interruptions to critical IT services that will negatively impact College business
- IF the Scottish Government does not successfully appoint a new Chair of the Regional Board in accordance with agreed timescales THEN the College may suffer reputational damage, and may not be able to engage with stakeholders regionally and nationally to deliver on desired outcomes.
- IF the Scottish Government's Coronavirus (Recovery and Reform) (Scotland) Bill reduces the College's ability to respond to regional and local circumstance THEN the College may suffer reputational and financial damage, and may not be able to deliver successful outcomes for students and stakeholders.

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

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 the College continues to work remotely for a further extended period THEN staff could be reluctant to return to pre-COVID working arrangements
- 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 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 delivered 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 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 Foundation Apprenticeship qualifications cannot be completed in contracted year THEN they may lose credibility and appeal for pupils and their parents leading to a decrease in demand, negatively affecting income streams
- IF Scottish Government guidance reverts to previous measures and prevents the holding of on-campus meetings and events or participation in external events (e.g. open days, external careers 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 2021 considered and approved the Strategic Plan 2021-23 which is underpinned by a series of supporting strategies each representative of key areas of College activity and priority. All supporting strategies are very closely aligned to the new Strategic Plan. The themes contained within each are woven into the ones contained within the Plan itself and will help support the realisation of the short, medium and longer term aspirations of the College. Additional contextual information, including a mapping of the Plan to regional and national priorities, is also provided within the three appendices of the report. A copy of the College Strategic Plan is available on the College website [NESCcol-Strategic-Plan-2021-23-1.pdf \(d1ssu070pg2v9i.cloudfront.net\)](https://www.nescol.ac.uk/strategic-plan-2021-23-1.pdf).

### **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 2022 and up to the date of approval of the annual report and accounts. The Regional Board regularly review this process, which accords with the Turnbull guidance on internal control, as applicable to the further education sector.

A programme of internal audit work has been undertaken as approved by the Audit and Risk Committee in September 2021, and the results have provided evidence to the Board that there are strong controls in most areas under review. Areas reviewed during AY2021-22 were: Curriculum Planning (Good); Timetabling and Registers (Business Process Review) (no control issues identified that would subject the College to material or significant risk); Payroll (Good); Estates and Facilities Contract (Value for Money) (Good); ASET (Good); Procurement and Creditors/Purchasing (Good); Follow-up Reviews (Good progress made with 13 recommendations fully implemented and four Priority 2 and six Priority 3 recommendations partially implemented). The management responses to each Internal Audit Report were discussed and approved by the Audit and Risk Committee at its June 2022 meeting.

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

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

### **Significant Lapses of Data Security**

There were no significant lapses in data security, i.e. reportable to the Information Commissioner's Office, during AY2021-22 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 AY2021-22 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 2022 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 £2.7 million before other gains and losses during the financial year and total comprehensive income of £50.3 million. The College reported an adjusted operating surplus of £0.5 million after accounting for technical pension adjustments of £1.8 million, net depreciation adjustments of £0.98 million and payment to the foundation of £0.4 million. Cash increased by £2.7 million during the year to £9.2 million at 31 July 2022. At 31 July 2022, the College held no borrowings and has reported a Group net asset position in these financial statements of £62.9 million (2020/21: £42.1 million).



This includes a pension liability of £5.8 million for the College's share of the North East Scotland Local Government Pension Scheme (LGPS) at 31 July 2022 (2020/21: £23.2 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 2026/27 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 2024/25 and sustain the liquidity position with a forecast cash balance of £2.3 million at the end of 2024/25. For the years 2025/26 and 2026/27, the College will require to undertake further measures in order to breakeven within the SFC assumptions. Throughout the going concern assessment period to 31 December 2023, the College forecasts holding cash no lower than £2.7 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:

**Susan Elston**  
**Regional Chair**  
**14<sup>th</sup> December 2022**

## 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 26.

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 2022			12 months ended 31 July 2021		
	Salary £'000	Pension Benefit (to nearest £'000)	Total £'000	Salary £'000	Pension Benefit (to nearest £'000)	Total £'000
K Milroy, Regional Chair	10-15	0	10-15	15-20	0	15-20
N Cowie, Principal & Chief Executive	135-140	4	140-145	135-140	103	235-240
P Smith, Vice Principal Finance	105-110	2	105-110	105-110	50	155-160
R. McGregor, Vice Principal Curriculum and Quality	105-110	32	135-140	105-110	37	140-145
J Henderson Regional Board, Vice Chair	0-5	0	0-5	0	0	0

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

1. K. Milroy retired from the College on 2<sup>nd</sup> March, 2022.
2. J. Henderson became Interim Regional Chair on 3<sup>rd</sup> March, 2022.
3. P. Smith left the college on 2<sup>nd</sup> September 2022.
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 2021/22, was £135,000-£140,000 (2020/21 £135,000-£140,000). This was 3.6 (2020/21 3.6) times the median total remuneration for the College which was £38,229 (2020/21 £37,756).

### 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 31.

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 2022 £'000	Accrued Lump Sum at Pension age at 31 July 2022 £'000	Real Increase in Pension 1 Aug 2021 to 31 July 2022 £'000	Real Increase in Lump Sum 1 Aug 2021 to 31 July 2022 £'000	CETV at 31 July 2022 £'000	CETV at 31 July 2021 £'000	Real Increase/ (Decrease) in CETV £'000
K Milroy, Regional Chair	0	0	0	0	0	0	0
N Cowie, Principal & Chief Executive	40-45	75-80	0-2.5	0	793	737	56
P Smith, Vice Principal – Finance	50-55	80-85	0-2.5	0	952	903	22
R. McGregor, Vice Principal Curriculum and Quality	10-15	0	0-2.5	0	135	110	22
J Henderson Regional Board, Vice Chair	0	0	0	0	0	0	0

### 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	2021/22	2020/21
<£10,000	1	0
£10,000 - £25,000	0	2
£25,000 - £50,000	0	2
£50,000 - £100,000	0	0
£100,000 - £150,000	0	1
Total Number of exit packages	0	5
Total cost (£000s)	1	231

### Staff Numbers

Staff Data as at 31 July 2022	Total	Male	Female
Number of Staff (Headcount)	580	247	333
Number of Staff (FTE)	507	234	273
Number of Staff (FTE) on permanent contracts	490	232	258
Number of Staff (FTE) on temporary contracts	17	2	15

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

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

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

### Salaries and Related Costs

During the year, the College incurred staffing costs of £31,063,000 (2020/21 £31,548,000) and costs of £2,290,000 (2020/21 £2,304,000) on agency staff. The number of days lost to sickness during the year was approximately 4,488.5 days (2020/21 2,269). This represented 3.4% (2020/21 1.7%) as a percentage of days available to work. The overall staff turnover for the year was 7.9% (2020/21 5.6%).

The College spent £54,000 on Consultancy during the year (2020/21 £48,000), but there were no off-payment engagements, nor were there any consultancy payments to staff who had left the College's employment.

	2021-22 £'000	2020-21 £'000	Change %
Range of workforce remuneration	117	118	(0.81)
Highest paid official remuneration	137	137	-
Median (total pay and benefits)	38	38	1.25
Median (salary only)	38	38	1.25
Ratio	1:37756		
25 <sup>th</sup> percentile (total pay and benefits)	26	24	8.7
25 <sup>th</sup> percentile (salary only)	26	24	8.7
Ratio*			
75 <sup>th</sup> percentile (total pay and benefits)	43	42	2.36
75 <sup>th</sup> percentile (salary only)	43	42	2.36
Ratio			
Explanation of changes (per FReM 6.5.26)			

The changes shown in the above table do not indicate anything other than the differences from the current year to the previous year that can be attributed to inflationary awards on pay scales.

## Equalities, Diversity and Inclusion

### Equalities, Diversity and Inclusion

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

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

<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 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 focused on anti-racism, LGBTQIA+ and sustainability in AY 21/22.

In 2020, the College signed up to the Declaration on Anti-Racism, tackling racism on campus. This commitment continues. Details of the declaration are at:

<https://www.advance-he.ac.uk/we-stand-united-against-racism>

The College has also pledged its support publicly via the NESCol social media channels and internally through a range of channels for staff and students. The commitment to anti-racism has been reiterated through the work of the Respect sub-group established specifically to raise awareness and understanding of the issue within the College, with activities including participation in Black History Month and the introduction of an anti-racism themed creative competition.

The College disability profile during the year was:

	<b>Total Number</b>	<b>Total % of overall headcount</b>	<b>Male (Number)</b>	<b>Female (Number)</b>
<b>Disability</b>	56	10.0	21	35
<b>No disability</b>	392	69.7	168	224
<b>Prefer not to say</b>	3	0.5	3	0
<b>Unaware/Blank</b>	111	19.8	57	54
<b>Total</b>	562	100.0	249	313

This compares with the previous disability profile in 2020:

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

There is a considerable difference between the 2020 and 2021 figures.

This is because in 2021, the College revised its Equal Opportunities Monitoring Questionnaire and asked staff to update their protected characteristics information. The College also provided additional information to staff on what constituted a disability. This has resulted in the percentage of staff declaring they have a disability rising to 10.0% (compared with 6.4% in 2020) and the percentage of staff declaring they do not have a disability rising to 69.8% in 2021, compared with 15.2% in 2020.

#### 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, 2022.

<b>Number of employees who were relevant union officials during the year:</b>	<b>Full-time equivalent employee number:</b>
10	9.1

#### Percentage of time spent on facility time

<b>Percentage:</b>	<b>Number of employees</b>
<b>0%</b>	-
<b>1% - 50%</b>	10
<b>51% - 99%</b>	-
<b>100%</b>	-

#### Percentage of pay bill spent on facility time

<b>Total cost of facility time</b>	£13,106
<b>Total Pay Bill</b>	£31,063,000
<b>Percentage of the total Pay Bill spent on facility time</b>	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 2021/22.

### **Fees and charges**

There are no items to be disclosed under this heading.

### **Disclosure of contingent liabilities**

There are no items to be disclosed under this heading.

### **Disclosure of total losses and total special payments**

There are no items to be disclosed under this heading.

### **Auditor Scrutiny**

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

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

**Signed:**

**Susan Elston**  
**Regional Chair**  
**Date: 14<sup>th</sup> December, 2022**

**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 for the year ended 31 July 2022 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 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 six years. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the 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 twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the college's current or future financial sustainability. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.



## Risks of material misstatement

We report in a separate Annual Audit Report, 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 Board of Management's Responsibilities, the Board of Management 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 Board of Management 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 Board of Management is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the college's operations.

## 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 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](http://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 Board of Management is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, 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

### Opinion 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.

### Other information

The Board of Management is responsible for other information in the annual report and accounts. The 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 other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to 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 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 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 2022

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 2022

	Notes	Year ended 31 July 2022 £'000		Year ended 31 July 2021 £'000	
		Group	College	Group	College
<b>INCOME</b>					
Tuition fees and education contracts	3	7,849	5,698	7,796	6,551
Funding body grants	4	40,105	40,105	41,491	41,491
Other income	5	2,328	3,240	3,208	3,859
Investment income	6	4	4	1	1
<b>Total Income</b>		<b>50,286</b>	<b>49,047</b>	52,496	51,902
<b>EXPENDITURE</b>					
Staff costs	7	31,063	30,491	31,548	31,422
Restructuring costs	7	369	369	598	598
Other operating expenses	10	18,642	17,992	18,237	17,804
Depreciation	13	2,243	2,188	2,127	2,078
Interest and other finance costs	9	258	258	494	494
Payment to Foundation		400	400	400	400
<b>Total Expenditure</b>		<b>52,975</b>	<b>51,698</b>	53,404	52,796
<b>(Deficit) before other gains, losses, taxation and shares of operating surplus/(deficit) of joint ventures and associate.</b>		<b>(2,689)</b>	<b>(2,651)</b>	(908)	(894)
Taxation	11	9	-	(7)	-
<b>(Deficit) for the year</b>		<b>(2,680)</b>	<b>(2,651)</b>	(915)	(894)
Unrealised surplus on revaluation of Land and Buildings		4,092	4,092	-	-
Actuarial gain/(loss) in respect of pension schemes		19,214	19,214	16,960	16,960
<b>Total comprehensive gain/(deficit) for the year</b>		<b>20,626</b>	<b>20,626</b>	16,045	16,066
Represented by:					
Unrestricted comprehensive surplus/(deficit) for the year		16,534	16,563	16,045	16,066
Revaluation reserve comprehensive income for the year		4,092	4,092	-	-
<b>Surplus/(Deficit) for the year attributable to:</b>		<b>20,626</b>	<b>20,626</b>	16,045	16,066
Non-controlling interest		-	-	-	-
College		20,626	20,626	16,045	16,066
Total Comprehensive Income for the year attributable to:					
Non-controlling interest		-	-	-	-
College		50,286	49,047	52,496	51,902

**CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES**

For the year ended 31 July 2022

Group	Income and expenditure account		Revaluation £'000	Total excluding Non-controlling Interest £'000	Non-controlling Interest £'000	Total £'000
	Restricted £'000	Unrestricted £'000				
<b>Balance at 1 August 2020</b>	<b>5</b>	<b>(13,533)</b>	<b>39,552</b>	<b>26,024</b>	<b>-</b>	<b>26,024</b>
(Deficit)/Surplus from the Comprehensive Statement of Income & Expenditure	-	16,045	-	16,045	-	16,045
Transfers between revaluation and income & expenditure reserve	-	(216)	216	-	-	-
Spend for year	35	-	-	35	-	35
<b>Total movement for the year</b>	<b>35</b>	<b>15,829</b>	<b>216</b>	<b>16,080</b>	<b>-</b>	<b>16,080</b>
<b>Balance at 1 August 2021</b>	<b>40</b>	<b>2,296</b>	<b>39,768</b>	<b>42,104</b>	<b>-</b>	<b>42,104</b>
Surplus from the Comprehensive Statement of Income & Expenditure	-	<b>16,534</b>	-	<b>16,534</b>	-	<b>16,534</b>
Transfers between revaluation and income & expenditure reserve	-	<b>(310)</b>	<b>310</b>	-	-	-
Revaluation during year	-	-	<b>4,092</b>	<b>4,092</b>	-	<b>4,092</b>
Addition for year	<b>200</b>	-	-	<b>200</b>	-	<b>200</b>
Spend for year	<b>(25)</b>	-	-	<b>(25)</b>	-	<b>(25)</b>
<b>Total movement for the year</b>	<b>175</b>	<b>16,224</b>	<b>4,402</b>	<b>20,801</b>	<b>-</b>	<b>20,801</b>
<b>Balance at 31 July 2022</b>	<b>215</b>	<b>18,520</b>	<b>44,170</b>	<b>62,905</b>	<b>-</b>	<b>62,905</b>

College	Income and expenditure account		Revaluation £'000	Total excluding Non-controlling	Non-controlling	Total £'000
	Restricted £'000	Unrestricted £'000		Interest £'000	Interest £'000	
<b>Balance at 1 August 2020</b>	5	<b>(13,678)</b>	<b>39,552</b>	<b>25,879</b>	-	<b>25,879</b>
(Deficit)/Surplus from the Comprehensive Statement of Income & Expenditure	-	16,066	-	16,066	-	16,066
Transfers between revaluation and income & expenditure reserve	-	(216)	216	-	-	-
Spend for year	35	-	-	35	-	35
<b>Total movement for the year</b>	35	15,850	216	16,101	-	16,101
<b>Balance at 1 August 2021</b>	<b>40</b>	<b>2,172</b>	<b>39,768</b>	<b>41,980</b>	-	<b>41,980</b>
(Deficit)/Surplus from the Comprehensive Statement of Income & Expenditure	-	<b>16,563</b>	-	<b>16,563</b>	-	<b>16,563</b>
Transfers between revaluation and income & expenditure reserve	-	<b>(310)</b>	<b>310</b>	-	-	-
Revaluation during year	-	-	<b>4,092</b>	<b>4,092</b>	-	<b>4,092</b>
Addition for year	200	-	-	<b>200</b>	-	<b>200</b>
Spend for year	(25)	-	-	<b>(25)</b>	-	<b>(25)</b>
<b>Total movement for the year</b>	<b>175</b>	<b>16,253</b>	<b>4,402</b>	<b>20,830</b>	-	<b>20,830</b>
<b>Balance at 31 July 2022</b>	<b>215</b>	<b>18,425</b>	<b>44,170</b>	<b>62,810</b>	-	<b>62,810</b>

**Balance Sheet as at 31 July 2022**  
(restated)

	Notes	Group 31 July 2022 £'000	Group 31 July 2021 £'000	College 31 July 2022 £'000	College 31 July 2021 £'000
<b>Non-current assets</b>					
Fixed assets	13	105,268	100,353	105,048	100,084
Investment Property	12	2,700	-	2,700	-
Investments	14	-	-	30	30
		<b>107,968</b>	100,353	<b>107,778</b>	100,114
<b>Current assets</b>					
Stock	15	31	18	31	18
Trade and other receivables	16	4,126	3,540	4,672	3,970
Asset Held for Resale	18	-	2,400	-	2,400
Cash and cash equivalents	23	9,198	6,517	8,546	5,992
		<b>13,355</b>	12,475	<b>13,249</b>	12,380
Less: Creditors: amounts falling due within one year	17	(12,051)	(8,968)	(12,047)	(9,003)
<b>Net current assets</b>		<b>1,304</b>	3,507	<b>1,202</b>	3,377
Total assets less current liabilities		<b>109,272</b>	103,860	<b>108,980</b>	103,491
Creditors: amounts falling due after more than one year	20	(40,550)	(38,484)	(40,382)	(38,277)
Deferred tax (liability)	19	(29)	(38)	-	-
<b>Provisions</b>					
Pension provisions	21	(5,788)	(23,234)	(5,788)	(23,234)
<b>TOTAL NET ASSETS</b>		<b>62,905</b>	42,104	<b>62,810</b>	41,980
<b>Restricted Reserves</b>					
Income & Expenditure reserve – restricted reserve	22	215	40	215	40
<b>Unrestricted Reserves</b>					
Income and Expenditure reserve – unrestricted		18,520	2,296	18,425	2,172
Revaluation reserve		44,170	39,768	44,170	39,768
		<b>62,905</b>	42,104	<b>62,810</b>	41,980
Non-controlling interest		-	-	-	-
<b>Total reserves</b>		<b>62,905</b>	42,104	<b>62,810</b>	41,980

The financial statements on pages 43 to 67 were approved and authorised for issue by the Regional Board on 14th December 2022 and signed on its behalf by:

Susan Elston  
Regional Chair

Neil Cowie  
Principal and Chief Executive

**Consolidated Cash Flow Statement**  
**For the period ended 31 July 2022**

	Notes	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
<b>Cash flow from operating activities</b>			
(Deficit) for the year (before tax)		(2,689)	(908)
<b>Adjustment for non-cash items</b>			
Depreciation	12&13	2,243	2,127
Income	4	(1,254)	(1,143)
Other Group non-cash income		-	(40)
(Increase)/Decrease in stock	15	(13)	6
(Increase) in debtors	16	(586)	(1,168)
Increase in creditors	17	3,083	2,460
(Decrease)Increase in Deferred Tax	19	(9)	7
Pension accounting costs		1,768	1,856
Other non-cash items		142	(20)
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(4)	(1)
Interest payable		-	-
Net cash inflow from operating activities		2,681	3,176
Payments made to acquire fixed assets		(3,359)	(753)
		(678)	2,423
Cash flows from financial activities			
Interest Paid	9	-	-
Interest element of finance lease and service concession payments		-	-
Capital funding used to acquire fixed assets	13	3,359	753
Repayments of amounts borrowed		-	-
		3,359	753
<b>Increase in cash and cash equivalents in the year</b>		2,681	3,176
Cash and cash equivalents at beginning of year	23	6,517	3,341
Cash and cash equivalents at end of the year	23	9,198	6,517



**Notes to the accounts****For the year ended 31 July 2022****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 2021/22 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 32 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 crystallize based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

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

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

**Agency Arrangements**

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

### Subsequent Expenditure on Fixed Assets

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

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

## 2. IMPACT OF DEPRECIATION BUDGET ON STATEMENT OF COMPREHENSIVE INCOME

	2021-22 £'000	2020-21 £'000
(Deficit) before other gains and losses (FE/HE SORP basis)	(2,689)	(908)
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	1,161	1,161
Operating (deficit)/surplus on Central Government accounting basis.	(1,528)	253

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

Under the FE/HE SORP, the college recorded an operating deficit of £2,689,000 for the year ended 31 July 2022. After adjusting for the non-cash allocation provided under government rules, the college shows an "adjusted" deficit of £1,528,000 on a Central Government accounting basis.

## 3. TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2022 £'000		Year ended 31 July 2021 £'000	
	Group	College	Group	College
Full time home and EU students	4,274	4,274	4,993	4,993
Full time International students	158	158	146	146
<b>Total fees paid by or on behalf of individual students</b>	<b>4,432</b>	<b>4,432</b>	5,139	5,139
<i>Education contracts:</i>				
Skills Development Scotland	1,266	1,266	1,412	1,412
Other tuition	2,151	-	1,245	-
	<b>3,417</b>	<b>1,266</b>	2,657	1,412
<b>Total</b>	<b>7,849</b>	<b>5,698</b>	7,796	6,551

**4. FUNDING BODY GRANTS**

	Year ended 31 July 2022 £'000		Year ended 31 July 2021 £'000	
	Group	College	Group	College
<b>Recurrent grant</b>				
Scottish Funding Council (SFC)	33,843	33,843	34,722	34,722
<b>Specific grants</b>				
Childcare funds	423	423	410	410
Release of capital grants	1,254	1,254	1,143	1,143
Other SFC grants	4,585	4,585	5,216	5,216
<b>Total</b>	<b>40,105</b>	<b>40,105</b>	<b>41,491</b>	<b>41,491</b>

**5. OTHER INCOME**

	Year ended 31 July 2022 £'000		Year ended 31 July 2021 £'000	
	Group	College	Group	College
Residences, catering and conferences	560	560	191	191
Farming activities	40	40	27	27
Other income	914	1,854	1,257	1,944
Accommodation recharge	694	694	1,145	1,145
Government Grants	45	18	408	372
Release of deferred income (Foundation)	74	74	180	180
<b>Total</b>	<b>2,328</b>	<b>3,240</b>	<b>3,208</b>	<b>3,859</b>

**6. INVESTMENT INCOME**

	Year ended 31 July 2022 £'000		Year ended 31 July 2021 £'000	
	Group	College	Group	College
Other investment income	4	4	1	1
	<b>4</b>	<b>4</b>	<b>1</b>	<b>1</b>

**7. STAFF COSTS**

	Year ended 31 July 2022 £'000		Year ended 31 July 2021 £'000	
	Group	College	Group	College
Salaries	22,359	22,054	23,448	23,342
Social security costs	2,421	2,264	2,173	2,161
Other pension costs	6,283	6,173	5,927	5,919
Restructuring costs	369	369	598	598
	<b>31,432</b>	<b>30,860</b>	<b>32,146</b>	<b>32,020</b>
Teaching departments	17,591	17,431	18,382	18,284
Teaching support services	1,063	1,063	1,118	1,118
Administration and central services	12,331	11,919	11,974	11,946
Premises	78	78	74	74
	<b>31,063</b>	<b>30,491</b>	<b>31,548</b>	<b>31,422</b>
<i>Analysed as:</i>				
Staff on permanent contracts	31,063	30,491	31,548	31,422
Restructuring costs	369	369	598	598
	<b>31,432</b>	<b>30,860</b>	<b>32,146</b>	<b>32,020</b>
<b>Restructuring costs</b>				
Restructuring costs	369	369	598	598
	<b>369</b>	<b>369</b>	<b>598</b>	<b>598</b>

The Other Pension Costs shown above include an amount of £1,510,000 (2020-21 £1,362,000) charged as part of Pension Fund adjustments.

#### Senior post-holders employed by the College:

	Year ended 31 July 2022		Year ended 31 July 2021	
	Number Senior post-holders	Number other staff	Number Senior post-holders	Number other staff
£60,001 to £70,000	-	15	-	15
£70,001 to £80,000	-	2	-	2
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	2	-	2	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	1	-	1	-
£140,001 to £150,000	1	-	1	-

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

	Year ended 31 July 2022	Year ended 31 July 2021
Average staff numbers by major category:		
Teaching departments	295	303
Teaching support services	64	61
Administration and central services	145	140
Premises	3	3
	<b>507</b>	<b>507</b>
<i>Analysed as:</i>		
Staff on permanent contracts	490	497
Staff on temporary contracts	17	10
	<b>507</b>	<b>507</b>

#### 8. BOARD MEMBERS AND SENIOR POST-HOLDER EMOLUMENTS

	Year ended 31 July 2022	Year ended 31 July 2021
	No.	No.
The number of senior post-holders including the Principal was:	3	3

The emoluments paid to Neil Cowie, Principal and Chief Executive, (who is also the highest paid senior post-holder) were £137,000 (2020-21: £138,000) in salary, and £32,000 (2020-21: £32,000) in employer pension contributions to the Local Government Pension Scheme.

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

#### Regional Board

The total remuneration of the Regional Board including pension contributions, benefits in kind and bonuses but excluding the salaries of employee Board members for normal staff duties amounted to nil (2021-21: £0).

#### 9. INTEREST AND OTHER FINANCE COSTS

	Year ended 31 July 2022		Year ended 31 July 2021	
	£'000		£'000	
	Group	College	Group	College
Pension cost allocation	258	258	494	494
	<b>258</b>	<b>258</b>	<b>494</b>	<b>494</b>

**10. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY**

Group	Staff costs £'000	Other operating expenses £'000	Depreciation £'000	Interest Payable £'000	Year Ended 31 July 2022 £'000	Year Ended 31 July 2021 £'000
Teaching activities	22,014	5,617	56	-	27,687	26,912
Residences and catering	-	669	-	-	669	263
Farm	-	25	-	-	25	22
Premises	146	6,450	2,132	-	8,728	10,225
Administration	8,492	3,334	-	258	12,084	12,111
Other expenses	411	257	55	-	723	569
Agency costs	-	2,290	-	-	2,290	2,304
	<b>31,063</b>	<b>18,642</b>	<b>2,243</b>	<b>258</b>	<b>52,206</b>	<b>52,406</b>
<b>College</b>						
Teaching activities	21,854	5,334	56	-	27,244	27,563
Residences and catering	-	669	-	-	669	263
Farm	-	25	-	-	25	22
Premises	145	6,450	2,132	-	8,727	10,225
Administration	8,492	3,001	-	258	11,751	11,700
Other expenses	-	257	-	-	257	120
Agency costs	-	2,256	-	-	2,256	1,905
	<b>30,491</b>	<b>17,992</b>	<b>2,188</b>	<b>258</b>	<b>50,929</b>	<b>51,798</b>

**Other operating expenses include:**

Auditors' remuneration (including irrecoverable VAT)

- external audit services

- internal audit services

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
	31	39
	13	28
	<b>44</b>	<b>67</b>

**11. TAXATION**

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
<b>Deferred tax</b>		
Increase/(Decrease) in deferred tax liability	(9)	7
<b>Total tax expense</b>	<b>(9)</b>	<b>7</b>

**12. INVESTMENT PROPERTY**

	Group and College 31 July 2022 £'000	Group and College 31 July 2021 £'000
Investment Property – Gordon Centre	2,700	-
	<b>2,700</b>	<b>-</b>

The College's property at Gordon Centre is not currently being used for operational purposes, and the College is looking to increase the actual income streams achievable from this property. This property was revalued, along with the other College properties revalued at 31st July, 2022 as per Note 13. This property was valued on a comparative principle basis.

During 2021/22, depreciation of £74,000 was applied to this property, as was a discount of £2,550,000 due to the method of valuation applied.



**13. TANGIBLE FIXED ASSETS**

	Freehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Total £'000
<b>Group</b>			
<b>Cost or Valuation</b>			
At 1 August 2021	100,619	5,490	106,109
Additions	3,359	-	3,359
Disposals	-	(69)	(69)
Revaluation	2,767	-	2,767
Transfers	(300)	-	(300)
<b>At 31 July 2022</b>	<b>106,445</b>	<b>5,421</b>	<b>111,866</b>
<b>Depreciation</b>			
At 1 August 2021	1,887	3,869	5,756
Charge for the year	1,998	239	2,243
Disposals	-	(69)	(69)
Revaluation	(1,326)	-	(1,326)
<b>At 31 July 2022</b>	<b>2,559</b>	<b>4,039</b>	<b>6,598</b>
<b>Net Book Value</b>			
<b>At 31 July 2022</b>	<b>103,886</b>	<b>1,382</b>	<b>105,268</b>
At 31 July 2021	98,732	1,621	100,353
Inherited	39,403	544	39,947
Financed by capital grant	64,483	838	65,321
<b>At 31 July 2022</b>	<b>103,886</b>	<b>1,382</b>	<b>105,268</b>
<b>College</b>			
<b>Cost or Valuation</b>			
At 1 August 2021	100,619	3,727	104,346
Additions	3,359	-	3,359
Disposals	-	(49)	(49)
Revaluation	2,767	-	2,767
Transfers	(300)	-	(300)
<b>At 31 July 2022</b>	<b>106,445</b>	<b>3,678</b>	<b>110,123</b>
<b>Depreciation</b>			
At 1 August 2021	1,887	2,375	4,262
Charge for the year	1,998	190	2,188
Disposals	-	(49)	(49)
Revaluation	(1,326)	-	(1,326)
<b>At 31 July 2022</b>	<b>2,559</b>	<b>2,516</b>	<b>5,075</b>
<b>Net Book Value</b>			
<b>At 31 July 2022</b>	<b>103,886</b>	<b>1,162</b>	<b>105,048</b>
At 31 July 2021	98,732	1,352	100,084

At 31 July 2022, freehold land and buildings included £7.685m (2021: £7.685m) in respect of freehold land and is not depreciated.

Land and Buildings were revalued at 31st July, 2022 by FG Burnett, Chartered Surveyors, in the capacity of independent valuer and in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. As the majority of the College's buildings are specialised buildings, open market value is not an appropriate basis of valuation. Accordingly, land and buildings are valued on the basis of depreciated replacement cost. Land is not depreciated and buildings are depreciated over their estimated useful life as identified by the valuer. More information is given on the valuation of property in Note 26.

**14. NON-CURRENT INVESTMENTS****Subsidiary  
Companies  
£'000****At 1 August 2021 and 31 July 2022****30**

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

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

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

**15. STOCK**

	<b>Group and College 31 July 2022 £'000</b>	<b>Group and College 31 July 2021 £'000</b>
Catering Stock	31	18
<b>At Year End</b>	<b>31</b>	<b>18</b>

**16. TRADE AND OTHER RECEIVABLES**

	<b>31 July 2022</b>		<b>31 July 2021</b>	
	<b>Group £'000</b>	<b>College £'000</b>	<b>Group £'000</b>	<b>College £'000</b>
Amounts falling due within one year				
Other trade receivables	195	100	619	507
Other receivables	-	-	6	6
Amounts owed by subsidiary undertakings	-	147	-	147
Prepayments and accrued income	3,931	4,425	2,915	3,310
	<b>4,126</b>	<b>4,672</b>	<b>3,540</b>	<b>3,970</b>

**17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>31 July 2022</b>		<b>31 July 2021</b>	
	<b>Group £'000</b>	<b>College £'000</b>	<b>Group £'000</b>	<b>College £'000</b>
Trade payables	142	142	286	271
Accruals and deferred income	11,909	11,905	8,682	8,732
	<b>12,051</b>	<b>12,047</b>	<b>8,968</b>	<b>9,003</b>

**18. CURRENT ASSET – HELD FOR RESALE**

	Group and College 31 July 2022 £'000	Group and College 31 July 2021 £'000
Assets held for sale – Balgownie Centre	-	2,400
	-	2,400

**19. DEFERRED TAX**

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

	31 July 2022		31 July 2021	
	Group £'000	College £'000	Group £'000	College £'000
Asset/ (Liability) brought forward	(38)	-	(31)	-
Other movement in balance	-	-	-	-
Income and Expenditure movement in period	9	-	(7)	-
Asset/ (Liability) carried forward	(29)	-	(38)	-

**20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	31 July 2022		31 July 2021	
	Group £'000	College £'000	Group £'000	College £'000
Deferred income	40,550	40,382	38,484	38,277
	40,550	40,382	38,484	38,277

**21. PROVISIONS**

Group and College	Pension costs arising from early retirement £'000	North East Scotland Pension Fund £'000	2022 Total £'000	Pension costs arising from early retirement £'000	North East Scotland Pension Fund £'000	2021 Total £'000
At Beginning of Year	6,134	17,100	23,234	6,459	31,880	38,339
Additional/ (reduced) provision in period	(346)	(17,100)	(17,446)	(325)	(14,780)	(15,105)
<b>At Year End</b>	<b>5,788</b>	<b>0</b>	<b>5,788</b>	<b>6,134</b>	<b>17,100</b>	<b>23,234</b>

An amount of £5,788,000 (2020-21: £6,134,000) represents future pension costs arising from early retirements for those enrolled in the STTS (page 66)

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

**22. RESTRICTED RESERVES**

Reserves with restrictions are as follows:

	2022 Total £'000	2021 Total £'000
Balance at 1 August 2021	40	5
New Donations	200	100
Expenditure	(25)	(65)
<b>At 31 July 2022</b>	<b>215</b>	<b>40</b>

	2022 Total £'000	2021 Total £'000
<b>Analysis of other restricted funds/donations by type of purpose:</b>		
Prize funds	5	5
Donation for Fraserburgh	210	35
	<b>215</b>	<b>40</b>

**23. CASH AND CASH EQUIVALENTS**

	At 1 August 2021 £'000	Cash Flows £'000	At 31 July 2022 £'000
<b>Group</b>			
Cash and Cash Equivalents	6,517	2,681	9,198
	<b>6,517</b>	<b>2,681</b>	<b>9,198</b>

	At 1 August 2021 £'000	Cash Flows £'000	At 31 July 2022 £'000
<b>College</b>			
Cash and Cash Equivalents	5,992	2,554	8,546
	<b>5,992</b>	<b>2,554</b>	<b>8,546</b>

**24. CAPITAL AND OTHER COMMITMENTS**

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

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group £'000	College £'000	Group £'000	College £'000
Commitments authorised and not contracted for	-	-	-	-
Commitments contracted for	1,200	1,200	950	950
	<b>1,200</b>	<b>1,200</b>	<b>950</b>	<b>950</b>

**25. CONTINGENT LIABILITIES**

There are no contingent liabilities at 31 July 2022 (2020-21: none)

**26. 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 2022			31 July 2021 £'000
	Vehicles £'000	Plant & Machinery £'000	Total £'000	
Payable during the year	50	31	81	77
Future minimum lease payments due:				
Not later than 1 year	25	-	25	40
Later than 1 year and not later than 5	54	-	54	48
Total lease payments due	79	-	79	88

College	Year ended 31 July 2022			31 July 2021 £'000
	Vehicles £'000	Plant & Machinery £'000	Total £'000	
Payable during the year	48	31	79	77
Future minimum lease payments due:				
Not later than 1 year	22	-	22	40
Later than 1 year and not later than 5	50	-	50	48
Total lease payments due	72	-	72	88

**27. 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 2022 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 2022 following the updated actuarial valuation was £4.9 million, a decrease of £18.4 million from 31 July 2021. 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 32 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 2022 is outlined and broken down by asset category at note 13.

Land and Buildings were independently valued for the purpose of the financial statements by F G Burnett, Property Consultants in 2019/20. The basis of valuation was depreciated replacement cost. A desk top exercise was conducted as at 31st July 2022 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 material enough to make a change in the accounts, which is reflected in the Statement of Comprehensive Income and Expenditure on pages 45 and 46 of these 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 2022, the College had accrued for income and expenditure of just over £2.5 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.

## 28. 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

## 29. RELATED PARTY TRANSACTIONS

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

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

N. McLennan is Senior Lecturer and Director of Leadership Programmes at University of Aberdeen. The College made payments of £358,757 (2020-21 - £924,036) and received income of £47,425 (2020-21 £25,240) during the year.

D. Anderson is a Director of Peterhead Engineers Development Limited. The College received income of £45,736 during the year (2020-21 - £64,399), with no payments made either year.

J Henderson is a Trustee Board member of North East Scotland FE Foundation. The College made a payment of £400,000 (2020-21 - £400,000) and received income of £0 during the year (2020-21 - £77,199).

J Gifford is a Councillor with Aberdeenshire Council. The College made a payment of £76,322 (2020-21 - £17,735) and received income of £32,540 during the year (2020-21 - £59,634).

L McDermid is Chief Executive of Aberdeen Foyer. The college made payments of £297,418 (2020-21 - £197,038) and received income of £1,384 during the year (2020-21 - £1,075).

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

### 30. STUDENT SUPPORT FUNDS

#### Bursaries and other student support funds

	Bursary £'000	Hardship £'000	EMA £'000	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
At 1 August 2021	645	664	(1)	1,308	519
Allocation received in period	7,267	1,091	136	8,494	8,778
Repaid to SFC	(645)	(569)	0	(1,214)	(599)
Expenditure in period	(6,122)	(288)	(143)	(6,553)	(7,390)
<b>At 31 July 2022</b>	<b>1,145</b>	<b>898</b>	<b>(8)</b>	<b>2,035</b>	<b>1,308</b>
<b>Represented by:</b>					
Pre received income (to repay)	1,145	898	-	2,043	1,181
(to be used in 22/23)	-	-	(8)	(8)	127
	<b>1,145</b>	<b>898</b>	<b>(8)</b>	<b>2,035</b>	<b>1,308</b>

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 2022 £'000	Year ended 31 July 2021 £'000
At 1 August 2021	29	292
Allocation received in period	484	439
Repaid to SFC	(29)	(292)
Expenditure in period	(423)	(410)
<b>At 31 July 2022</b>	<b>61</b>	<b>29</b>
<b>Represented by:</b>		
Pre received income	61	29
	<b>61</b>	<b>29</b>

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. As the Government believe the judgement itself will not affect benefits, there is no specific allowance for GMP equalization in the accounting liabilities for the year ended 31 July 2022.

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 27.

#### 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:

	<b>31 July 2022</b>	<b>31 July 2021</b>
	<b>% pa</b>	<b>% pa</b>
Pension increase rate	<b>2.8%</b>	2.7%
Salary increase rate	<b>4.2%</b>	4.1%
Discount rate	<b>3.5%</b>	1.6%

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

Current pensioners male/(female)	<b>21.5 (24.2)</b>	21.5 (24.2)
Future pensioners in 20 years' time	<b>23.0 (26.3)</b>	23.1 (26.3)

The employer contributions for year to 31 July 2023 will be approximately £2,007,000



The assets in the scheme are:

	<b>Asset allocation value at 31 July 2022 £'000</b>	<b>Asset allocation value at 31 July 2021 £'000</b>
Equities	61,818	66,398
Government Bonds	8,462	8,997
Property	6,708	6,947
Cash	3,096	2,961
Other	23,117	28,586
	<b>103,201</b>	<b>113,889</b>

The total pension cost to the College in the period was £3,703,000 (2020-21: £3,825,000). The contribution rate payable was 23.4% for the year (2020-21: 23.4%).

The amounts recognised in the SOCIE are as follows:

	<b>Year ended 31 July 2022 £'000s</b>	<b>Year ended 31 July 2021 £'000s</b>
<b>Charged to staff costs:</b>		
Current Service Costs	(3,413)	(3,093)
Curtailments	-	(207)
Admin Expenses	(32)	(31)
<b>Total Charged to Staff Costs</b>	<b>(3,445)</b>	<b>(3,331)</b>
<b>Credit/charge for net return on pension scheme:</b>		
Interest Income	1,823	1,476
Interest Cost	(2,081)	(1,970)
<b>Net Interest Charged</b>	<b>(258)</b>	<b>(494)</b>
<b>Credit/charge to other comprehensive income:</b>		
Return on Assets	(12,548)	20,158
Other Experience	(7,307)	3,529
Gains and losses arising on changes in financial assumptions	39,650	(7,051)
<b>Actuarial Gain/(Loss)</b>	<b>18,868</b>	<b>16,636</b>
<b>Total charge to the SOCI</b>	<b>15,165</b>	<b>12,811</b>
<b>Analysis of the movement in deficit during the year:</b>		
Deficit in scheme at start of year	(17,100)	(31,880)
Service Costs	(3,445)	(3,331)
Employer contributions	1,935	1,969
Net interest costs	(258)	(494)
Actuarial gain/(loss)	18,868	16,636
<b>Surplus/(Deficit) in scheme at end of year</b>	<b>0</b>	<b>(17,100)</b>

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

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Opening defined benefit obligation	130,989	124,128
Current service cost	3,413	3,093
Interest cost	2,081	1,970
Contribution by members	512	501
Re-measurement of liabilities	(32,343)	3,522
Curtailments	-	207
Benefits paid	(2,378)	(2,432)
<b>Closing defined benefit obligation</b>	<b>102,274</b>	<b>130,989</b>
	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
<b>History of experience gains/(losses)</b>		
Scheme assets	103,201	113,889
Defined benefit obligation	(102,274)	(130,989)
<b>Surplus/(Deficit) in Scheme</b>	<b>927</b>	<b>(17,100)</b>

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 2022 £'000	Year ended 31 July 2021 £'000
Current service cost	3,413	3,093
Curtailments	-	207
Admin Expenses	32	31
<b>Total operating charge</b>	<b>3,445</b>	<b>3,331</b>

**Scottish Teachers Superannuation Scheme (STSS)**

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

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

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

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

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

The employer contribution rate for the period from 1<sup>st</sup> April 2021 is 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

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

The College's participation in the scheme is 0.4%, based on the proportion of employer contributions paid in 2020/21. The amount of the total contributions to the scheme is not yet available for 2021/22.

### **Group Personal Pension Plan**

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

### **Appendix 1: Scottish Funding Council – Accounts Direction**

1. It is the Scottish Funding Council's direction that institutions<sup>1</sup> comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts<sup>2</sup>.
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 2021-22 (FReM) where applicable. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.
4. Incorporated colleges and Glasgow Colleges' Regional Board must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2022.
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  
18 July 2022.