

**NORTH EAST  
SCOTLAND**  
COLLEGE



**FINANCIAL STATEMENTS  
for the year to 31 July 2018**

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# 1. PERFORMANCE REPORT

## OVERVIEW

This section of the Performance Report contains a statement from the Principal, provides an overview of the College, our Strategic Plan priorities, and the principal risks that the College faces. It also provides a summary of performance.

### Principal's Statement

The Academic Year 2017-18 has seen many positive outcomes for the College, but has also seen us face a number of challenges.

We have largely fulfilled our strategic aims and objectives and achieved the outcomes that we set with the Scottish Funding Council in our Outcome Agreement for 2017-18. The College has successfully engaged in the Scottish Government's Flexible Workforce Development Fund programme, delivering training valued at over £700,000 to businesses across the Region; however, in terms of student activity, the College has fallen short of its Credit target of 138,161 Credits by 1,895 Credits (1.4%). Learner success for further education students has also remained relatively static.

Our Evaluative Report and Enhancement Plan, which forms part of the annual Outcome Agreement process, evaluates the provision and services offered by the College against a range of quality indicators. We have identified many areas of positive practice upon which we can build as we take further steps that put the learner at the heart of all that we do.

Last year we reported that we had presented an outline business case to the Scottish Further and Higher Education Funding Council (SFC) for the next stage of redevelopment of the Aberdeen City Campus, in the heart of the City of Aberdeen, which is the College's main campus. Unfortunately, we have been unable to secure the required investment to progress this development, so are now looking at alternative possibilities to ensure Aberdeen City Campus remains fit for purpose and meets the needs and aspirations of all our learners, and is able to support the ambitious plans that exist for the development of Aberdeen in the coming years.

The excellent learning facilities at our Fraserburgh Campus serve the needs of the north of our Region, while also benefiting from the considerable resources available as part of the regional College.

At our Altens Centre we have considerable specialist resources of world-wide reputation and continue to support learning and skills in key priority sectors for Scotland.

In 2018, we launched our new Strategic Plan for the period 2018-2021. The Plan sets a clear direction for the College in responding to the needs of the Region and in delivering on national policy. The following five themes are core to achieving our ambitions:

- Being Responsive: Deliver high quality, accessible and inclusive learning and training opportunities, which transforms lives and which support the economic and social development of our region.
- Developing People: Develop the skills, talents and potential of all the people who come to college either to learn or to work.
- Working in Partnership: Work with our partners to deliver positive and sustainable change for individuals, communities and businesses in our region.
- Delivering Quality: Deliver an excellent learning environment and experience leading to successful outcomes for all learners.
- Building Sustainability: Optimise the use of our available resources to deliver financial and environmental sustainability.

## Our Purpose and Activities

### Legal Status

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.

Aberdeen College and Banff & Buchan College merged on 01 November 2013 to form North East Scotland College (NESCol). The NESCol Regional Board was established in January 2013, with the assigned College Board of Management for NESCol vesting on 01 November 2013. NESCol employs around 600 staff. Following the merger, NESCol restructured staff roles to take account of the new operating environment.

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 of delivery are in Aberdeen (three sites), Fraserburgh and Peterhead with two leased community based training centres across the region.

The College is committed to maintaining its track-record of success and commitment to high standards of service delivery and to improving opportunities for the people of Aberdeen and Aberdeenshire, to helping the region's young people progress to work or higher education and to supporting businesses through professional updating and workforce development.

### Vision and Values

The Vision and Values of the College formed part of the College's Strategic Plan in the years up to the end of this accounting period. Our Vision is that 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 21<sup>st</sup> century skills.

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

### Commitment and Excellence

- Understanding and responding to the needs of our students, staff, key stakeholders and customers;
- Being business-like and professional;
- Maintaining a clear focus on our goals and ensuring that 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 that 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.

For the period covered by these financial statements, the College was still operating to its Strategic Plan for 2015-2018. In that Plan, the Board identified three Strategic Aims:

### **Strategic Aim 1**

#### **To create personal and business growth through learning**

##### **Strategic Objectives**

1. To work with local schools and universities, local authorities and other agencies to promote courses especially in current and emerging skill shortage areas.
2. To ensure that curriculum development and programme design are informed by national evidence and local market research which identifies local, regional and national skills needs.
3. To maintain national specialisms in engineering, oil and gas, maritime, and creative industries.
4. To review and further enhance the development of employability, enterprise, and entrepreneurial skills within programmes to promote learner progress and achievement, and improve the supply of economically valuable skills.
5. To continue to implement effective arrangements for maintaining and improving the quality of learning and teaching, and to react to, and if necessary, challenge influences which would affect the delivery of these functions.

### **Strategic Aim 2**

#### **To provide accessible programmes of study that lead to positive outcomes for students.**

##### **Strategic Objectives**

1. To ensure that local access to educational opportunity is preserved across the region in order to meet the needs of learners, employers and communities both in cities and rural areas.
2. To work with partners and key stakeholders to increase positive destinations for learners.
3. To work with partners in the public and voluntary sectors to provide appropriately targeted learning opportunities for educationally disadvantaged groups, (including those furthest from the labour market, those with disabilities, those with additional support needs, and looked after young people).
4. To maintain a range of College courses, suited to differing levels of prior experience and learning, in order to provide appropriate progression opportunities within the College, to university or to work-based qualifications.
5. To enhance school/College links and to increase school pupil participation in STEM (science, technology, engineering and mathematics) subjects as part of the College's approach to becoming an early adopter of the Wood Commission recommendations.

### **Strategic Aim 3**

#### **To achieve maximum impact from the available resources.**

##### **Strategic Objectives**

1. To ensure the financial sustainability of the College,
2. To increase income from non-Scottish Funding Council sources.
3. To develop and implement a regional Estates Strategy that delivers excellent facilities.
4. To reduce the College's impact on the environment.
5. To ensure the recruitment, retention, development, leadership and motivation of suitably qualified and skilled staff.

Our new Strategic Plan for 2018-2021 is focussed on the five Strategic Themes noted at the end of the Chief Executive's Statement on page 2.

## **Key Issues and Risks**

The College's Risk Management Policy forms part of the College's internal control and corporate governance arrangements. The Policy explains the College's underlying approach to risk management and documents the roles and responsibilities of the Regional Board, the Senior Management Team, and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures. In addition, it describes the process the Regional Board will use to evaluate the effectiveness of the College's internal control procedures.

The following key principles outline the College's approach to risk management and internal control:

- The Regional Board has responsibility for overseeing risk management within the College as a whole;
- An open and receptive approach to solving risk problems is adopted by the Regional Board;
- The Principal and the Senior Management Team supports, advises and implements policies approved by the Regional Board.
- The College makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
- College managers are responsible for encouraging good risk management practice within their sectors/teams;
- Risk is considered and addressed as an integral part of the strategic and operational planning and review process; and,
- Key risk indicators will be identified and closely monitored on a regular basis.

The Regional Board have established a High Level Strategic Risk Register. The Strategic Risk Register is an appendix to the College's Strategic Plan and is considered by the Regional Board at its Annual Planning Event. The document identifies actual critical risks that the College is facing, with a high-level indication of the mitigation that will be applied to each risk. The following ten critical risks have been identified:

**Governance issues:** the risk that the reclassification of colleges and other changes to college governance reduce the flexibility of the Regional Board to manage financial and estates issues and to meet targets set out in the Outcome Agreement.

**Corporate issues:** the risk that the College fails to maintain service continuity because of unforeseen circumstances, including change of governmental and SFC policy.

**Commercial issues:** the risk that the College becomes reliant on profit from the College company's training for the oil and gas industry, and that this might be reduced by any down-turn in the North Sea oil Sector, thereby threatening the College's financial resilience.

**Curriculum issues:** the risk that in establishing a nationally influenced regional curriculum, the College fails to deliver its current high level of service and as a result its reputation is damaged and recruitment is affected, or that organisational capacity cannot be realigned in line with the changing governmental requirement or changing patterns of demand, and the College fails to deliver programmes that are essential for local industry and prosperity.

**IT issues:** the risk that in implementing the change necessary for the integration of IT services in the College in a difficult financial environment, the College is not able to maintain the robustness and fitness for purpose of IT infrastructure that is essential for course delivery, student services and business services.

**Quality issues:** the risk that in that changing to a new SFC-driven, self-evaluation model in a climate of reducing human and financial resource will make it difficult to implement successful and robust quality arrangements for improving student outcomes and meeting stakeholder expectations which, in turn, will lead to diminished stakeholder confidence in, and reputational damage for, the College.

**Financial issues:** the risk that changes to Scottish Government policy, funding levels and the funding methodology, combined with the inflexibility of ONS reclassification, make it difficult to maintain a balanced budget.

**Estates and Facilities issues:** the risk that much reduced funding and/or the loss of assets, and the implementation of major systemic change may impact on the College's ability to implement its Estates Development Strategy and/or to maintain the necessary quantity, quality and currency of facilities and other resources.

**Staffing issues:** the risk that in a situation of pay constraint, a return to national collective bargaining will prevent the College from maintaining its position of staff being the highest paid in the sector and may impact adversely on other terms and conditions of employment implemented as part of harmonisation causing disruption. In reducing costs in line with much reduced funding and in adjusting to rapid structural and systemic change, the College may be unable to sustain staffing in critical areas and experience a significant loss of knowledge and skills.

**Demand for College Provision issues:** the risk that demand for SFC-funded, SDS-funded and full cost recovery provision diminishes thus reducing available income to the College.

The College has also established an Operational Risk Register which is owned, monitored and reviewed by the Senior Management Team. The Operational Risk Register is structured in line with the critical risks identified in the High Level Strategic Risk Register, and is reviewed monthly.

## 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.

### Performance Summary

Overall, the College performed well against its targets and performance indicators. While the College fell short of its activity target by 1.4%, student success was again strong.

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

### Regional Priorities and Skills Needs

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

Regional Economic Strategy		
Priorities: <ul style="list-style-type: none"> <li>Inclusive economic growth ('A skilled workforce for the future')</li> <li>Repositioning the skills system</li> </ul>	College Contribution: NESCol's wide portfolio of courses, vocational training opportunities and apprenticeships aligned to the region's key sectors and areas of skills shortages is central to encouraging economic growth across the region.	Strategic Objectives(s): 1.1, 1.3, 2.7, 3.2, 3.3, 4.7
Regional Skills Strategy		
Priorities: <ul style="list-style-type: none"> <li>Realigning the skills system</li> <li>Expansion of workbased learning</li> <li>Enhancing links to employer-education</li> </ul>	College Contribution: The College is well placed to respond to the Strategy though the delivery and expansion of its Apprenticeship Family offer, through partnership working for workforce development planning, and its commitment to enhanced levels of employer engagement.	Strategic Objectives(s): 1.3, 3.3, 3.8, 4.7
Community Planning Aberdeen		
Priorities: <ul style="list-style-type: none"> <li>Aberdeen Prospers: Inclusive Economic Growth</li> </ul>	College Contribution: As a lead partner with the two local CPPs the College is working with others to target, through various Local Outcome Improvement Plans and Locality Plans the best way to reach those who are more socially and economically marginalised. It is hoped that this work	Strategic Objectives(s): 1.1, 2.6, 3.1, 3.4, 3.5

<ul style="list-style-type: none"> <li>Prosperous People: Children are respected, included and achieving</li> <li>Digital City: Digital Skills and Education</li> </ul>	will improve access to educational opportunity to many who traditionally have found themselves to be educationally excluded.	
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Aberdeenshire Community Planning Partnership		
Priorities: <ul style="list-style-type: none"> <li>Changing Aberdeenshire's Relationship with Alcohol</li> <li>Reducing Child Poverty</li> <li>Connected and Cohesive Communities</li> </ul>	College Contribution: As a lead partner with the two local CPPs the College is working with others to target, through various Local Outcome Improvement Plans and Locality Plans the best way to reach those who are more socially and economically marginalised. It is hoped that this work will improve access to educational opportunity to many who traditionally have found themselves to be educationally excluded.	Strategic Objectives(s): 1.1, 3.1

The College will also seek to align its provision with anticipated demand identified through Regional Skills Assessments for Aberdeen City and Aberdeenshire.

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

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



## Sustainability Reporting

The college manages all environmental and sustainability issues through the implementation of two international standards. We are accredited to the Environmental Management System ISO14001:2015 and the Energy Management System ISO50001:2011. Both standards are audited twice a year by an external auditor from BSI. At each audit, we have to demonstrate continual improvement and maintenance of previous actions.

The College has considered and evaluated the risks and issues that need to be considered in relation to ISO14001. We have looked at the probability and carried out an impact assessment to identify the necessary risks and the subsequent actions that can be taken to mitigate them. We have prioritised these risks and identified the actions that must be taken throughout the implementation of ISO14000. A Stakeholders Register also forms part of this.

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

North East Scotland College fully complies with all aspects of the Climate Change (Scotland) Act 2009 in terms of sustainability reporting.

## Staff and Student Involvement

The College recognises the benefits of keeping employees informed on performance and encourages suggestions for the improvement of the College's position. In particular, Joint Consultative Committees (JCC), comprising management, members of the recognise trades 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 students on the quality of services. These include survey, focus groups, and evaluations. There are two 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.

## Anti-corruption and Anti-bribery matters

The following statement is taken from the College's Anti-Bribery and Corruption Policy which has been adopted by the Board: -

*"The Board of Management 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."*

## Principal Risks and Uncertainties

The principal risks faced by the College are recorded in the College's High Level Risk Register, which is reviewed annually by the Regional Board. Mitigating actions are in place to address risks. The identified high level risks are:

- the reclassification of colleges and other changes to college governance reduce the flexibility of the Regional Board to manage financial and estates issues and to meet targets set out in the Outcome Agreement (with the SFC);
- the College fails to maintain service continuity because of unforeseen circumstances, including change of governmental and SFC policy;
- the College becomes reliant on profit from the College company's training for oil and gas industry, and that this might be reduced by any down-turn in the North Sea oil sector, thereby threatening the College's financial stability and sustainability;
- the continuing decline in funding in real terms will have a negative impact of the relevance, breadth and quality of curriculum delivery, and hence on student recruitment, retention and attainment, with resultant financial and reputational damage;
- in difficult financial environment, the College is not able to maintain the robustness and fitness for purpose of IT infrastructure that is essential for course delivery, student services and business services;
- changing to a new SFC-driven self-evaluation model in a climate of reducing human and financial resource will make it difficult to implement successful and robust quality arrangements for improving student outcomes and meeting stakeholder expectations, which, in turn, will lead to diminished stakeholder confidence in, and reputational damage for, the College;
- changes to Scottish government policy, funding levels, and the funding methodology combined with the inflexibility of ONS reclassification, make it difficult to maintain a balanced budget;
- much reduced funding and/or the loss of assets and the implementation of major systemic change may impact on the College's ability to implement its Estate Development Strategy and/or to maintain the necessary quantity, quality and currency of facilities and other resources;
- agreements arising from national collective-bargaining may not be compatible with the College's own aspiration to develop flexible workforce arrangements that are aligned with the needs of students and employers and are compatible with the available resources; and,
- demand for SFC-funded, SDS-funded and full cost recovery provision diminishes thus reducing available income to the College.

## Performance Measurement

The table below shows some College indicators for the year to 31 July 2018, with comparatives for the years to 31 July 2017 and 31 July 2016. Note that, where a student has enrolled on more than one course, they will count only once toward headcount.

### (i) Level of Student Activity

	2017/18	2016/17	2015/16
Credits	136,266	138,195	141,796

### (ii) Enrolments

	2017/18	2016/17	2015/16
All	22,535	18,091	19,607
Full-time	6,733	6,931	6,767
Part-time	15,802	11,163	12,940

### (iii) Headcount

	2017/18	2016/17	2015/16
Students	15,414	14,893	15,077

### (iv) Staff Turnover Levels

	2017/18	2016/17	2015/16
Lecturers	10.4%	9.7%	6.89%
Support	19%	8.5%	8.28%
Total	-	-	-

Note that the difference in the turnover level for Support staff now includes student internships.

## Curriculum Performance and Development

Throughout 2017-18 and, as part of the new Quality Arrangements, curriculum teams made use of learner retention, attainment and progression data to inform their Annual Programme Reviews, with clear actions identified where improvement was required. Curriculum teams continue to focus on the performance of their programmes and each has a clear understanding of where improvements have to be made. Most teams have improved their success rates as a result of this approach. A more systematic approach to the review of curriculum performance is in place for each of the Schools. The Senior Management Team held meetings with each of the Schools' Directors and their Faculty Managers and Curriculum Quality Managers to monitor and review performance. These meetings were held in November and February and this has led to some improvement in attainment across subject teams. A curriculum restructure took place in July 2018 with clearly defined roles and this will impact positively on the learning and teaching experience which, in turn should lead to further improvements in the College's KPIs.

## Key Statistical Results

The tables on this and the following page show measured outcomes for the enrolled students, as well as staffing figures at North East Scotland College. In respect of the student results, these statistics show a trend over the last three years, and show an improvement of 0.34% on those students completing successfully from last year.

Totals	Number Enrolled			Early Withdrawal			Further Withdrawal			Completed: Partial Success			Completed: Successful			SPAR		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
<b>Total</b>	<b>16,251</b>	<b>16,497</b>	<b>15,424</b>	<b>3.30%</b>	<b>3.72%</b>	<b>4.83%</b>	<b>7.95%</b>	<b>8.15%</b>	<b>8.69%</b>	<b>13.61%</b>	<b>13.37%</b>	<b>12.13%</b>	<b>75.36%</b>	<b>74.87%</b>	<b>75.21%</b>	<b>77.93%</b>	<b>77.76%</b>	<b>79.03%</b>

Business & Community Development	3,681	4,030	3,767	1.30%	1.54%	5.18%	2.91%	3.90%	3.96%	29.48%	26.40%	21.45%	67.21%	68.61%	72.95%	68.10%	69.68%	76.93%
Creative Industries, Computing, ESOL and Business Enterprise	3,701	4,055	3,803	4.03%	3.82%	4.58%	10.51%	9.79%	10.23%	8.46%	9.72%	10.26%	77.01%	76.67%	74.94%	80.24%	79.72%	78.53%
Curriculum Support	38	1	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	28.95%	0.00%	0.00%	71.05%	100.0%	0.00%	71.05%	100.0%	0.00%
Engineering, Science and Technology	4,767	4,270	3,857	2.98%	3.61%	3.47%	6.86%	7.87%	7.57%	11.10%	10.37%	10.01%	79.11%	78.15%	78.95%	81.54%	81.07%	81.79%
Professional Development	52	52	40	0.00%	0.00%	0.00%	1.92%	1.92%	7.50%	1.92%	11.54%	7.50%	96.15%	86.54%	85.00%	96.15%	86.54%	85.00%
Service Industries	4,012	4,089	3,957	4.91%	5.94%	6.12%	11.67%	11.08%	12.81%	6.80%	7.31%	7.18%	76.62%	75.67%	73.89%	80.58%	80.45%	78.71%

Part time	Number Enrolled			Early Withdrawal			Further Withdrawal			Completed: Partial Success			Completed: Successful			SPAR		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
<b>Total</b>	<b>9,490</b>	<b>9,566</b>	<b>8,708</b>	<b>1.73%</b>	<b>2.06%</b>	<b>3.54%</b>	<b>3.64%</b>	<b>4.04%</b>	<b>4.78%</b>	<b>16.41%</b>	<b>15.62%</b>	<b>13.55%</b>	<b>78.60%</b>	<b>78.48%</b>	<b>79.66%</b>	<b>79.98%</b>	<b>80.13%</b>	<b>82.58%</b>
Business & Community Development	3,671	4,018	3,755	1.31%	1.54%	5.19%	2.91%	3.88%	3.97%	29.56%	26.48%	21.52%	67.12%	68.54%	72.86%	68.01%	69.62%	76.85%
Creative Industries, Computing, ESOL and Business Enterprise	817	984	759	1.59%	2.13%	2.64%	2.69%	3.76%	5.40%	8.20%	10.26%	6.85%	87.52%	83.84%	85.11%	88.93%	85.67%	87.42%
Curriculum Support	38	1	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	28.95%	0.00%	0.00%	71.05%	100.0%	0.00%	71.05%	100.0%	0.00%
Engineering, Science and Technology	3,251	2,779	2,513	1.81%	1.73%	1.67%	3.23%	3.60%	3.90%	10.49%	8.82%	9.27%	84.53%	85.86%	85.16%	86.09%	87.37%	86.60%
Professional Development	52	52	40	0.00%	0.00%	0.00%	1.92%	1.92%	7.50%	1.92%	11.54%	7.50%	96.15%	86.54%	85.00%	96.15%	86.54%	85.00%
Service Industries	1,661	1,732	1,641	2.65%	3.81%	3.11%	6.62%	5.31%	7.62	3.13%	4.50%	5.12%	87.60%	86.37%	84.16%	89.98%	89.80%	86.86%
<b>Fulltime</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Total</b>	<b>6,761</b>	<b>6,931</b>	<b>6,716</b>	<b>5.50%</b>	<b>6.02%</b>	<b>6.51%</b>	<b>14.01%</b>	<b>13.82%</b>	<b>13.76%</b>	<b>9.69%</b>	<b>10.27%</b>	<b>10.29%</b>	<b>70.80%</b>	<b>69.89%</b>	<b>69.45%</b>	<b>74.93%</b>	<b>74.36%</b>	<b>74.28%</b>
Business & Community Development	10	12	12	0.00%	0.00%	0.00%	0.00%	8.33%	0.00%	0.00%	0.00%	0.00%	74.03%	91.67%	100.00%	77.69%	91.67%	100.00%
Creative Industries, Computing, ESOL and Business Enterprise	2,884	3,071	3,044	4.90%	4.36%	5.06%	12.73%	11.72%	11.43%	8.53%	9.54%	11.10%	74.03%	74.37%	72.40%	77.69%	77.77%	76.26%
Curriculum Support	1,516	1,491	0	5.47%	7.11%	0.00%	14.64%	15.83%	0.00%	12.40%	13.28%	0.00%	67.48%	63.78%	0.00%	71.39%	68.66%	0.00%
Engineering, Science and Technology	2,351	2,357	1,344	6.51%	7.51%	6.85%	15.23%	15.32%	14.43%	9.40%	9.38%	11.38%	68.86%	67.80%	67.34%	73.66%	73.30%	72.28%
Service Industries	0	0	2,316	0.00%	0.00%	8.25%	0.00%	0.00%	16.49%	0.00%	0.00%	8.64%	0.00%	0.00%	8.64%	0.00%	0.00%	72.61%

## Financial Planning and Performance

### Financial Objectives

The College is currently redrafting its Financial Strategy to dovetail with the New Strategic Plan and its other supporting strategies, particularly to ensure that it aligns with and delivers on the ambitions within those. The financial planning takes cognisance of the learning and teaching planning cycle to ensure that resources are targeted to the College's priority development areas.

### Financial Results

The financial statements have been prepared under FRS 102.

The Consolidated Statement of Comprehensive Income and Expenditure (SOCl) for the year showed a deficit on the continuing operations after disposals of assets and taxation of £3,984,000 (FY2016-17: £859,000 surplus). After adjusting for the effect of depreciation on re-valued assets, and the realisation of property revaluation gains of previous years, the surplus for the year was £14,897,000 (FY2016-17: £609,000 surplus). The main reason for this change in last year's figures was the substantial movement in the valuation of the Pension Fund deficit. Of the total income of the College, 27% (FY2016-17: 34%) was received from non-SFC sources.

### Adjusted Operating Position

The SOCl presents the financial performance during the accounting period in accordance with the FE/HE SORP. The adjusted operating position is intended to reflect the financial performance of the college after allowing for non-cash adjustments and other material one-off distorting items required by the SORP. The adjusted operating position 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. This should give a better indication of the College's operational cash generative capacity. The College's Underlying Operating Position can be illustrated as: -

	2017-18 £'000	2016-17 £'000
<b>(Deficit)/Surplus before other gains and losses</b>	<b>(4,094)</b>	<b>769</b>
<b>Add back:</b>		
- Depreciation (net of deferred capital grant release)	971	723
- Deferred Taxation	(1)	31
- Non-Cash pension adjustments		1,742
- Donation to Arms-length Foundation		-
<b>Deduct:</b>		
- Non-Government capital grants (e.g. ALF capital grant)	0	(2,629)
- Negative Goodwill	(109)	(109)
- Revenue funding allocated to loan repayments and other capital items	(164)	(164)
<b>Adjusted operating (Deficit)/Surplus</b>	<b>(3,397)</b>	<b>363</b>

The accumulated surplus on the Income and Expenditure reserve at 31 July 2018 was £9,800,000 (31 July 2017 deficit £2,980,000). The provision for future pension costs arising from early retirement of former staff and the equalisation of pension contributions under the Local Government Pension Scheme and the Scottish Teachers Superannuation Scheme at 31 July 2018 was £7,160,000 (31 July 2017: £7,373,000) whilst the FRS 102 provision for the College's share of the North East Scotland Pension Fund (NESPF) deficit was £8,175,000 (31 July 2017: £25,842,000).

The College has net assets of £42,983,000 (31 July 2017; £28,842,000). The current asset to current liabilities ratio is 1.4:1 (31 July 2017: 2.4:1), with the gearing on long term liabilities being 1.3:1 (31 July 2017: 2.6:1).

During 2017-18, the College retained two subsidiary companies, Aberdeen Skills and Enterprise Training Ltd (ASET), and Clinterty Estates Ltd. The principle 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 & 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 Colleges cash flow balance decreased by £1,341,000 in the year (2016-17 – increase of £2,667,000).

### Liquidity

During the financial reporting period, the College maintained its reserves in accordance with its Reserves Policy, which is to maintain sufficient resources to fund the operation of the College. The Regional Board acknowledges the prohibition set out in the Scottish Public Finance Manual on the accumulation of reserves.

The College's cash and liquid resources position at the end of the year was £2,481,000 (31 July 2017: £3,822,000), this equates to the College having 16 days of cash on hand (FY2016-17: 27 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>2017-18 £'000</b>	<b>2016-17 £'000</b>
Student Support	0	0
2015-16 Pay Award	328	694
Restructuring costs – Voluntary Severance Costs	833	0
<b>Total impact on operating position</b>	<b>1,161</b>	<b>694</b>
<b>Capital Priorities</b>		
Loan repayments	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>694</b>

## Post balance Sheet Events

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 College considers it is likely that this ruling will impact the defined benefit scheme in which it is a participating employer and may result in the recognition of additional liabilities. As a consequence of this ruling, trustees of pension schemes will need to consider the integrity of their pension scheme data, the adjustments to benefits that may be necessary and any implications for scheme liabilities and funding. 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. Therefore this is considered to be a non-adjusting event after the reporting period. The calculation of any additional liabilities will be a complex and lengthy process and as such the financial effect of any adjustment that may arise cannot be estimated at this stage. Any adjustment will be reflected in the financial statements for the year ended 31 July 2019

## Future Developments

In negotiating the College's Regional Outcome Agreement for 2018-19 with SFC, the College has agreed to teaching funding totalling £32.6M (2017-18 £30.9M). The College has set its budget for 2018-19 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, during the year, the Scottish Funding Council advised the College that it was unable provide the grant funding necessary to support this masterplan. In response, the College has recently begun to consider alternative strategies for estates development which it intends will be in place for 2019-2020 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.

## Resource Outturn

The reclassification of colleges as central government bodies means that each college now has to operate within a resource limit which is measured annually at the end of March. The return made by North East Scotland College for the financial year to 31<sup>st</sup> March 2018, showed that this college recorded break even position on its Revenue and Capital Resource limits. The Revenue Resource Limit (RRL) for the College was £39,796,000 and the Capital Resource Limit was £551,000. These figures differ from the figures shown in this report because:

1. The Resource limit covers a different 12 month from that covered in these accounts – so there are timing differences
2. SFC income is accounted for on a cash basis for the Resource Return (as opposed to accruals basis for these accounts)
3. The charge of depreciation and the release of deferred capital grants is not included in the RRL and is accounted for separate

## 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 13 days in the year to 31 July 2018 (11 days in the year to 31 July 2017).

Interest paid under Late Payments of Commercial Debts (Interest) Act amounted to £0 during the period (31 July 2017 - £0).

### **PROFESSIONAL ADVISERS**

External auditor:	Ernst & Young LLP Atria One 144 Morrison Street Edinburgh EH3 8EX
Internal auditors:	Wylie and Bisset 168 Bath Street Glasgow G2 4TP
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 12th December 2018.**

**Liz McIntyre  
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:

D. Anderson  
 A. Bell  
 M. Dear (staff representative)  
 D. Duthie (Vice Chair & Senior Independent Person) (term of office ended 31 October 2018)  
 E. Elghedafi (appointed 01 August 2018)  
 S. Elston (appointed 01 August 2018)  
 J. Gall (student representative) (term of office ended 31 July 2018)  
 K. Godsman (student representative (appointed 01 August 2018)  
 I. Gossip  
 Prof J. Harper (resigned 28 August 2018)  
 J. Henderson  
 C. Inglis (resigned 11 October 2017)  
 A. Maheshwari (appointed 01 November 2018)  
 R. McGregor (support staff representative)  
 E. McIntyre (Principal and Chief Executive)  
 N. McLennan (Appointed 01 August 2018)  
 A. Miah (student representative)  
 K. Milroy (Regional Chair)  
 A. Russell  
 A. Simpson  
 A. Smith

Secretary to the Board: P. May

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

N. Cowie – Vice Principal Access and Partnership  
 J. Davidson – Vice Principal Curriculum and Quality  
 R. Scott - Vice-Principal, Finance (until 07 September 2018)  
 P. Smith – Vice Principal Finance and Resources (from 17 September 2018)

Details of transactions with members of the Board are given in Note 29 and 30 to the accounts.

#### 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 2018 is as follows

#### Key Committees:

- **Audit and Risk Committee**
- Members – D. Anderson, A. Bell, D. Duthie, I Gossip, C. Inglis, A. Russell, A. Simpson, A Smith.
- **Curriculum and Quality Committee**
- Members – M. Dear, D. Duthie, J. Gall, Prof J. Harper, R. McGregor, E McIntyre, A. Miah, A. Russell, A. Simpson.
- **Finance and Resources Committee**
- Members – D Anderson, M Dear, Prof J. Harper, J. Henderson, E McIntyre, A Miah, K. Milroy, A. Smith.
- **Human Resources Committee**
- Members – A. Bell, J. Gall, I. Gossip, J. Henderson, C. Inglis, R. McGregor, E McIntyre, K. Milroy.

- **Remuneration Committee**
- Members – A. Bell, D. Duthie, J. Harper, J. Gall, C. Inglis, R McGregor, K. Milroy, A Simpson.
- **Selection and Appointments Committee**
- Members – A. Bell, D. Duthie, Prof. J Harper, C. Inglis, K. Milroy, A. Simpson.

Member attendance at Board and Committee meetings for the year to 31<sup>st</sup> July, 2018 is as follows:

Members	Board	A&R	C&Q	F&R	HR
David Anderson	4/5	4/4		4/4	
Ann Bell	4/5	2/4			1/2
Martin Dear	4/5		4/4	4/4	
Doug Duthie	5/5	4/4	4/4		
Josh Gall	4/5		4/4		2/2
Ian Gossip	4/5	4/4			1/2
John Harper	3/5		4/4	4/4	
John Henderson	5/5			3/4	2/2
Caroline Inglis		0/1			
Liz McIntyre	5/5		3/4	4/4	2/2
Robin McGregor	5/5		4/4		2/2
Abby Miah	3/5		4/4	2/4	
Ken Milroy	4/5			4/4	2/2
Drew Russell	5/5	4/4	3/4		
Anne Simpson	4/5	2/4	4/4		
Adrian Smith	5/5	3/4		1/4	

### 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 2016-17 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 safeguard public funds and funds from other sources;
- safeguard the assets of the College and prevent and detect fraud;
- secure the economical, efficient, and management of the College's resources and expenditure.

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

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

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

## Governance Statement

### Introduction

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

### Governing Body

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

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

The Regional Board meets 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 above Committees usually each meet four times during the academic year, with the exception of the Human Resources Committee which meets twice during each academic year.

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 Senior Management Team and such other staff as the Regional Board may from time to time determine;
  - seek comparative information on salaries and other emoluments and conditions of service in the FE sector;
  - ensure that the performance of the Principal as head of the College is assessed on an annual basis;
  - oversee severance arrangements for senior staff and ensure that account is taken of the SFC guidance on Severance Arrangements in respect of senior staff. Where consideration of severance arrangements is delegated, to ensure that boundaries of delegated authority are clear, and to receive formal reports of any severance arrangements.
- Selection and Appointments Committee – the remit of this committee is to:
  - Advise the Regional Board on matters relating to the appointment of chairs, vice-chairs and membership of the Board's committees.

To demonstrate its commitment to maintaining the highest standards of governance, the Board has also established a Governance Steering Group. The Group is comprised of the Regional Chair, Vice Chair and the Board's Equality and Diversity Champion and is supported by the Secretary to the Board. The Group undertakes a key role in monitoring compliance with the Code of Good Governance for Scotland's Colleges, and 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.

A number of changes to the operation of the Board and its Committees were implemented for the commencement of the AY2017-18 Programme of Meetings. These changes were informed by a review of agendas and programmes of business to improve alignment to the College's business and reporting cycles and a review of the appropriateness and presentation of information provided to the Regional Board and its Committees.

The Board has established an annual evaluation process for reviewing its effectiveness. This includes a suite of evaluations – Board, 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".

In acknowledging that responsibility for the effective governance of North East Scotland College rests with the Regional Board, at its meeting in June 2017, the Board adopted a Succession Planning Policy for Board Members. The Policy seeks to provide a framework for the planned succession of Members of the Regional Board to ensure that it can benefit with the optimum balance of Members' skills and expertise.

The Regional Board seeks to comply fully with the Code without exception. At its meeting in July 2018 the Board's Audit and Risk Committee considered a paper providing information on Board activities and behaviours against each of the Code's individual criteria to provide assurance that the College's governance arrangements are fit for purpose and in line with the requirements of the Code. Following this review confirmation can be provided that the College complies with all the principles of the 2016 Code of Good Governance for Scottish Colleges, and it has complied throughout the year ended 31 July 2018.

### **Risk Management and Internal Control**

During AY2017-18 the College refreshed its approach to risk management, adopting a Risk Appetite Statement and a new Strategic Risk Register to improve the robustness of the monitoring and reporting risks.

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

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.
- Monitoring the effectiveness of risk management systems, including the College's risk appetite and its Risk Registers – High Level Strategic, and Operational.

The Committee also has specific duties in relation to Internal Audit, External Audit, and Value for Money. The Regional Board, in conjunction with the Senior Management 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 Senior Management Team also maintains an Operational Risk Register, which identifies potential risks that could impact upon the successful operation of the College, along with early warning mechanisms, potential contributing factors, and mitigating factors. The Risk Registers are reviewed regularly by the Senior Management Team, with the Audit & Risk Committee informed of any significant changes to either. The Regional Board or relevant Committee are also advised of new risks or changes to risks assigned to them in the Strategic Risk Register. Both Risk Registers are reflected upon during the setting of the College's Annual Internal Audit Programme.

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 Senior Management Team. For each significant risk identified, the Board, as part of the strategic planning and review process:

- i) reviews the previous year and examine the College's track record on risk management and internal control; and
- ii) considers the internal and external risk profile of the coming year and consider 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.

**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 Senior Management 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 Senior Management Team and the Audit and Risk Committee also receive regular reports from internal audit that include recommendations for improvement.

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 a regular item for consideration of risk and control and receives reports thereon from the Senior Management 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 conducts regular reviews of its Governance Manual.

The Board, having responsibility for the overall management of risk and opportunity, has in place a high level strategic risk register. It also has in place a Risk Management Policy to ensure that sound risk management and internal control systems are understood, in place, maintained and monitored, and further training on Risk Management has been delivered by Internal Audit. Such an approach, operated within an effective Regional Board Committee structure, ensures that the Board has in place a robust and formal on-going process for identifying, reporting, evaluating and managing the College's significant risks and reviewing the effectiveness of risk management, business continuity planning and internal control systems. The Board gains added confidence in regard to the comprehensiveness, reliability and integrity of assurances including the College's governance, risk management and internal control framework, via the Audit and Risk Committee's Annual Report.

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 2018 and up to the date of approval of the annual report and accounts. The Regional Board regularly review this process, which accords with the Turnbull guidance on internal control, as applicable to the further education sector.

A programme of internal audit work has been undertaken and the results have provided evidence to the Board that there are strong controls in most areas under review. Areas in which controls were reported as strong were: budgetary and financial controls; income collection and credit control; management of contact managed services; enrolments, attendance and applications; strategic and business planning; Freedom of Information; Aberdeen Skills and Enterprise Training Ltd (the Board's wholly owned subsidiary company); organisational services; payroll; IT systems; marketing; and School of Service Industries. Substantial controls were identified in areas of: data protection; human resources; information technology systems and the implementation of previous recommendations. The review of payroll identified controls as being weak. Additional audit work was undertaken to provide assurance to the Board on the payroll system and has confirmed that actions have been taken to strengthen controls.

In its report to the Board, the internal auditor highlighted thirteen of its recommendations graded as 'high priority'. Actions have been, or a planned to be, taken to address these matters and strengthen controls in these areas.

The internal auditor has expressed the opinion that the Regional Board of North East Scotland College did have 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.

### **Estates Strategy**

As noted previously, 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, during the year, the Scottish Funding Council advised the College that it was unable provide the grant funding necessary to support this masterplan. In response, the College has recently begun to consider alternative strategies for estates development which it intends will be in place for 2019-2020 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. The extent to which this work will continue in the next financial year is dependent on the availability of resources.

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

There were no significant lapses in data security during AY2017-18 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 agenda included a regular item for consideration of risk and control and received reports thereon from the Senior Management Team and the Internal Auditors. The emphasis was on obtaining the relevant degree of assurance and not merely reporting by exception.

The Regional Board was 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 2018 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**

The Regional Board considered that the College had adequate resources to continue in operational existence for the foreseeable future.

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

**Ken Milroy  
Regional Chair  
12<sup>th</sup> December 2018**



## 2.2 REMUNERATION AND STAFF REPORT

### 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 20.

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

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

### Remuneration (including salary) and Pension entitlements

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

Actuals	12 months ended 31 July 2018			12 months ended 31 July 2017		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Ken Milroy, Regional Chair	20-21	0	20-21	15-20	-	15-20
Liz McIntyre, Principal & Chief Executive (from Dec 2016) <b>Note 2</b>	135-140	45-50	180-185	85-90	15-20	105-110
Rob Wallen, Principal & Chief Executive (up to Dec 2016) <b>Note 1</b>	-	-	-	80-85	-	80-85
Neil Cowie, Vice Principal – Access & Partnerships	90-95	10-15	105-110	90-95	20-25	115-120
John Davidson, Vice Principal – Curriculum & Quality	90-95	25-30	120-125	90-95	25-30	115-120
Elaine Hart, Vice Principal – HR <b>Note 1</b>	-	-	-	115-120	25-30	140-145
Roderick Scott, Vice Principal – Finance <b>Note 3</b>	95-100	(15-20)	80-85	100-105	(75-80)	20-25

Notes:

1. Rob Wallen left the College on 31<sup>st</sup> December 2016. Elaine Hart left the College on 31<sup>st</sup> July 2017.
2. Liz McIntyre joined the College on 5<sup>th</sup> December, 2016.
3. The negative pension figures for Roderick Scott are as a consequence of a reduction in pay for the year ended 31<sup>st</sup> July 2018 as compared to the year ended 31<sup>st</sup> July 2017.
4. There were no payments made for performance, bonuses, in lieu of pension or non cash payments.

### 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 2017/18 was £135,000-£140,000 (2016/17 £135,000-£140,000). The 2016/17 figure was calculated on a pro-rata scale, as there was a change in Principal during the year. This was 3.9 (2016/17 3.8) times the median total remuneration for the College which was £35,679 (2016/17 £35,512).

## 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 32.

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 2018	Accrued lump sum at pension age at 31 July 2018	Real increase in pension 1 Aug 2017 to 31 July 2018	Real increase in lump sum 1 Aug 2017 to 31 July 2018	CETV at 31 July 2018	CETV at 31 July 2017	Real increase/ (decrease) in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Ken Milroy, Regional Chair	-	-	-	-	-	-	-
Liz McIntyre, Principal & Chief Executive (from Dec 2016)	40-45	125-130	0-5	5-10	885-890	860-865	25-30
Roderick Scott, Vice Principal – Finance	40-45	75-80	(0-5)	(0-5)	940-945	900-910	15-20
John Davidson, Vice Principal – Curriculum & Quality	30-35	0	0-5	0	485-490	445-450	40-45
Neil Cowie, Vice Principal – Access & Partnerships	20-25	60-65	0-5	0-5	385-390	370-375	10-15

## 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

23 staff left under voluntary exit terms in 2017/18. They received a combined compensation payment of £764,000.

The table below summarises the exit packages by cost band.

Exit package cost band	Total number of exit packages by cost band
<£10,000	1
£10,000 - £25,000	7
£25,000 - £50,000	12
£50,000 - £100,000	3
<b>Total Number of exit packages</b>	<b>23</b>
<b>Total cost (£)</b>	<b>764,000</b>

### Staff Numbers

Staff Data as at 31 July 2018	Total	Male	Female
Number of staff (headcount)	562	245	317
Number of staff (FTE)	503	233	270
Number of staff (FTE) on permanent contracts	493	229	264
Number of staff (FTE) on temporary contracts	10	4	6

Note: FTE figures are rounded to the nearest whole number

There were an average of 19 FTE agency staff employed each month by the College.

Other information on Staffing Costs is given in Note 6 to these accounts.

### Salaries and Related Costs

During the year, the College incurred staffing costs of £26,336,000 and costs of £2,353,000 on agency staff. The number of days lost to sickness during the year was approximately 6,145. This represented 4.62% as a percentage of days available to work.

The College spent £92,000 on Consultancy during the year (2016/17 £216,000), but there was no off-payment engagements, nor were there any consultancy payments to staff who had left the College's employment.

### Equalities, Diversity and Inclusion

The College is a "Disability Confident Employer" and as such offers an interview to disabled people who meet the minimum criteria for the job.

The College works with its occupational health service provider to see if it can make reasonable adjustments to support staff with an illness/disability. Further information on the actions taken by the College are detailed in Appendix 5 (Staff data) of its Mainstreaming report, available on the College website.

In addition to the support detailed above, the College, in Appendix 6 of its Mainstreaming Report (organisational development), available on the College website, provides detail of the external, internal and professional development (taught) programmes undertaken by staff by protected characteristic, including disability.

**Facility Time for Trade Union Activities**

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the College provided the following support through paid facility time for union officials working at the College during the year ended 31<sup>st</sup> July, 2018.

<b>Number of employees who were relevant union officials during the year:</b>	<b>Full-time equivalent employee number:</b>
7	6.1

**Percentage of time spent on facility time**

<b>Percentage:</b>	<b>Number of employees</b>
0%	0
1%-50%	7
51%-99%	0
100%	0

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

<b>Total cost of facility time</b>	<b>£11,000</b>
<b>Total pay bill</b>	<b>£26,336,000</b>
<b>Percentage of the total pay bill spent on facility time</b>	<b>0.04%</b>

<b>Time spent on trade union activities as a percentage of total paid facility time hours:</b>	n/a
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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 2016/17.

**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.

**Signed:**

**Ken Milroy**  
Regional Chair  
12<sup>th</sup> December 2018

**Liz McIntyre**  
Principal and Chief Executive

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

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 approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Report on the audit of the financial statements**

#### **Opinion on financial statements**

We have audited the financial statements in the annual report and accounts of North East Scotland College and its group for the year ended 31 July 2018 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, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheet, and the Consolidated and College Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college and its group as at 31 July 2018 and of the deficit for the year then ended;

have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

#### **Basis of opinion**

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). 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 are independent of the college and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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**

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

the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

#### **Responsibilities of the Regional Board for the financial statements**

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

In preparing the financial statements, the Regional Board is responsible for assessing the 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 deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

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

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.

### **Other information in the annual report and accounts**

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

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

## **Report on regularity of expenditure and income**

### **Opinion on regularity**

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

### **Responsibilities for regularity**

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

## **Report on other requirements**

### **Opinions on other matters prescribed by the Auditor General for Scotland**

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

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

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

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

**Matters on which we are required to report by exception**

We are required by The Charities Accounts (Scotland) Regulations 2006 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.

Stephen Reid, for and on behalf of Ernst & Young LLP

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

December 2018

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

### 3. FINANCIAL STATEMENTS

#### **STATEMENT OF ACCOUNTING POLICIES**

##### **Basis of preparation**

These financial statements have been prepared in accordance with the latest Statement of Recommended Accounting Practice (SORP) which outlines how Financial Reporting Standard (FRS) 102 is to be applied in the production of charity accounts. These accounts have also been prepared under the 2016/17 Government Financial Reporting Manual (FReM), which is the technical accounting guide to the preparation of financial statements, issued by the Scottish Government. These accounts 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.

##### **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 Contribution Plan**

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

**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 FRM, 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 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.

**Accounting for Business Combinations**

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

**CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE INCOME & EXPENDITURE**

For the year end 31 July 2018

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		£000		£000	
		Group	College	Group	College
<b>INCOME</b>					
Tuition fees and education contracts	2	9,051	6,640	10,078	7,207
Funding body grants	3	33,683	33,683	34,094	34,094
Other income	4	3,722	4,624	7,437	8,445
Investment income	5	3	3	8	7
<b>Total income</b>		<b>46,459</b>	<b>44,950</b>	51,617	49,753
<b>EXPENDITURE</b>					
Staff costs	6	26,336	25,645	25,269	24,574
Restructuring costs	6	1,135	1,135	2,489	2,489
Other operating expenses	9	20,292	19,513	20,338	19,405
Depreciation	11	2,155	2,110	2,154	2,095
Interest and other finance costs	8	634	634	598	598
<b>Total Expenditure</b>		<b>50,552</b>	<b>49,037</b>	50,848	49,161
<b>(Deficit)/Surplus before other gains, losses and shares of operating surplus/deficit of joint ventures and associate.</b>		<b>(4,093)</b>	<b>(4,087)</b>	769	592
Gain on disposal of fixed assets		0	0	12	12
Release of negative goodwill	12	108	108	109	109
<b>(Deficit)/Surplus before tax</b>		<b>(3,985)</b>	<b>(3,979)</b>	890	713
Taxation	10	1	-	(31)	-
<b>(Deficit)/Surplus for the year</b>		<b>(3,984)</b>	<b>(3,979)</b>	859	713
Unrealised surplus on revaluation of Land and Buildings and Asset Held for Resale		956	956	-	-
Actuarial gain/(loss) in respect of pension schemes	20	17,925	17,925	(250)	(250)
<b>Total comprehensive income for the year</b>		<b>14,897</b>	<b>14,902</b>	609	463
Represented by:					
Unrestricted comprehensive income for the year		13,941	13,946	609	463
Revaluation reserve comprehensive income for the year		956	956	-	-
		<b>14,897</b>	<b>14,902</b>	609	463
<b>Surplus/(Deficit) for the year attributable to:</b>					
Non controlling interest		-	-	-	-
College		<b>14,897</b>	<b>14,902</b>	609	463
Total Comprehensive Income for the year attributable to:					
Non controlling interest		-	-	-	-
College		<b>46,459</b>	<b>44,950</b>	51,617	49,753

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

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

For the year ended 31 July 2018

Group	Income and expenditure account			Revaluation	Total excluding	Non-controlling	Total
	Endowment	Restricted	Unrestricted	Interest	Non-controlling	Interest	
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 August 2016</b>	-	5	(3,843)	31,435	27,597	-	27,597
Surplus from the Comprehensive Statement of Income & Expenditure	-	-	609	-	609	-	609
Transfers between revaluation and income & expenditure reserve	-	-	(382)	382	-	-	-
Consolidation adjustment	-	-	636	-	636	-	636
<b>Total movement for the year</b>	-	-	863	382	1,245	-	1,245
<b>Balance at 1 August 2017</b>	-	5	(2,980)	31,817	28,842	-	28,842
Surplus/Deficit from the Comprehensive Statement of Income & Expenditure	-	-	13,941	956	14,897	-	14,897
Transfers between revaluation and income & expenditure reserve	-	-	(405)	405	-	-	-
Consolidation adjustment	-	-	(756)	-	(756)	-	(756)
<b>Total movement for the year</b>	-	-	12,780	1,361	14,141	-	14,141
<b>Balance at 31 July 2018</b>	-	5	9,800	33,178	42,983	-	42,983

College	Income and expenditure account			Revaluation Interest £000	Total excluding Non-controlling Interest £000	Non-controlling Interest £000	Total £000
	Endowment £000	Restricted £000	Unrestricted £000				
<b>Balance at 1 August 2016</b>	-	5	(3,956)	31,435	27,484	-	27,484
Deficit from the Comprehensive Statement of Income & Expenditure	-	-	463	-	463	-	463
Transfers between revaluation and income & expenditure reserve	-	-	(382)	382	-	-	-
<b>Total movement for the year</b>	-	-	81	382	463	-	463
<b>Balance at 1 August 2017</b>	-	5	(3,875)	31,817	27,947	-	27,947
Surplus from the Comprehensive Statement of Income & Expenditure	-	-	13,946	956	14,902	-	14,902
Transfers between revaluation and income & expenditure reserve	-	-	(405)	405	-	-	-
<b>Total movement for the year</b>	-	-	13,541	1,361	14,902	-	14,902
<b>Balance at 31 July 2018</b>	-	5	9,666	33,178	42,849	-	42,849

**Balance Sheet as at 31 July 2018**

	Notes	Group 31 July 2018 £000	Group 31 July 2017 £000	College 31 July 2018 £000	College 31 July 2017 £000
<b>Non-current assets</b>					
Negative goodwill	12	(217)	(325)	(217)	(325)
Fixed assets	11	97,127	97,502	96,731	97,061
Investments	13	-	-	30	30
		<b>96,910</b>	<b>97,177</b>	<b>96,544</b>	<b>96,766</b>
<b>Current assets</b>					
Stock	14	307	20	307	20
Trade and other receivables	15	1,376	2,595	1,948	2,466
Asset Held for Resale	17	5,350	5,600	5,350	5,600
Cash and cash equivalents	22	2,481	3,822	1,567	2,884
		<b>9,514</b>	<b>12,037</b>	<b>9,172</b>	<b>10,970</b>
Less: Creditors: amounts falling due within one year	16	(6,745)	(4,996)	(6,521)	(4,805)
<b>Net current assets</b>		<b>2,769</b>	<b>7,041</b>	<b>2,651</b>	<b>6,165</b>
Total assets less current liabilities		<b>99,679</b>	<b>104,218</b>	<b>99,195</b>	<b>102,931</b>
Creditors: amounts falling due after more than one year	19	(41,337)	(42,135)	(41,011)	(41,768)
Deferred tax asset/(liability)	18	(24)	(25)	-	-
<b>Provisions</b>					
Pension provisions	20	(15,335)	(33,216)	(15,335)	(33,216)
<b>TOTAL NET ASSETS</b>		<b>42,983</b>	<b>28,842</b>	<b>42,849</b>	<b>27,947</b>
<b>Restricted Reserves</b>					
Income & Expenditure reserve – restricted reserve	21	5	5	5	5
<b>Unrestricted Reserves</b>					
Income and Expenditure reserve – unrestricted		9,800	(2,980)	9,666	(3,875)
Revaluation reserve		33,178	31,817	33,178	31,817
		<b>42,983</b>	<b>28,842</b>	<b>42,849</b>	<b>27,947</b>
Non-controlling interest		-	-	-	-
<b>Total reserves</b>		<b>42,983</b>	<b>28,842</b>	<b>42,849</b>	<b>27,947</b>

The financial statements on pages 31 to 56 were approved and authorised for issue by the Regional Board on 12th December 2018 and signed on its behalf by:

**Ken Milroy**  
Regional Chair

**Liz McIntyre**  
Principal and Chief Executive

Charity Number: SCO21174



**Consolidated Cash Flow Statement**  
**For the period ended 31 July 2018**

	Notes	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
<b>Cash flow from operating activities</b>			
(Deficit)/Surplus for the year (before tax)		(3,985)	923
<b>Adjustment for non-cash items</b>			
Depreciation	11	2,155	2,154
Income		(1,184)	-
Amortisation of goodwill	12	(109)	(109)
(Increase)/decrease in stock	14	(287)	3
Decrease/(increase) in debtors	15	1,219	(823)
Increase in creditors	16	1,748	908
Increase in pension provision	20	45	1,742
Decrease in other provisions		(206)	(109)
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(3)	(8)
Interest payable	8	3	14
Profit on the sale of fixed assets		-	(12)
Capital grant income		-	-
Net cash inflow from operating activities		(6049)	4,683
Cash flows from investing activities			
Proceeds from sales of fixed assets		-	12
Capital grant receipts		-	526
Payments made to acquire fixed assets		(574)	(2,391)
		(574)	(1,853)
Cash flows from financial activities			
Interest Paid		(3)	(14)
Interest element of finance lease and service concession payments		4	13
Repayments of amounts borrowed		(164)	(162)
		(163)	(163)
<b>Increase/(Decrease) in cash and cash equivalents in the year</b>		(1,341)	2,667
Cash and cash equivalents at beginning of year	22	3,822	1,155
Cash and cash equivalents at end of the year		2,481	3,822

**Notes to the accounts**

For the year ended 31 July 2018

**1. IMPACT OF DEPRECIATION BUDGET ON STATEMENT OF COMPREHENSIVE INCOME**

	2017-18 £'000	2016-17 £'000
(Deficit)/Surplus before other gains and losses (FE/HE SORP basis)	(3,984)	859
Add back: Non-cash allocation for depreciation (net of deferred capital grant)	1,161	694
Operating (deficit)/surplus on Central Government accounting basis.	(2,823)	1,553

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 £3,984,000 for the year ended 31 July 2018. After adjusting for the non-cash allocation provided under government rules, the college shows an "adjusted" deficit of £2,823,000 on a Central Government accounting basis.

The deficit is attributable to other factors such as an accrued pay award, shortfall in credits, and a timing difference in the 18/19 Cash Budget for Priorities figure, which when taken into account, leave the college operating sustainably within its funding allocation.

**2. TUITION FEES AND EDUCATION CONTRACTS**

Notes	Year ended 31 July 2018 £'000		Year ended 31 July 2017 £'000	
	Group	College	Group	College
Full time home and EU students	5,608	5,608	6,190	6,190
Full time International students	64	64	103	103
<b>Total fees paid by or on behalf of individual students</b>	<b>5,672</b>	<b>5,672</b>	<b>6,293</b>	<b>6,293</b>
<i>Education contracts:</i>				
Skills Development Scotland	968	968	914	914
Other tuition	2,411	-	2,871	-
	<b>3,379</b>	<b>968</b>	<b>3,785</b>	<b>914</b>
<b>Total</b>	<b>9,051</b>	<b>6,640</b>	<b>10,078</b>	<b>7,207</b>

**3. FUNDING BODY GRANTS**

Notes	Year ended 31 July 2018 £'000		Year ended 31 July 2017 £'000	
	Group	College	Group	College
<b>Recurrent grant</b>				
Scottish Funding Council (SFC)	30,168	30,168	29,437	29,437
<b>Specific grants</b>				
Childcare funds	750	750	821	821
Release of capital grants	1,144	1,144	1,130	1,130
Other SFC grants	1,621	1,621	2,706	2,706
<b>Total</b>	<b>33,683</b>	<b>33,683</b>	<b>34,094</b>	<b>34,094</b>

**4. OTHER INCOME**

	Notes	Year ended 31 July 2018 £'000		Year ended 31 July 2017 £'000	
		Group	College	Group	College
		Residences, catering and conferences	1,450	1,450	1,350
EU revenue grants	2	2	5	5	
Farming activities	21	21	18	18	
Other income	1,271	2,173	1,506	2,514	
Accommodation recharge	770	770	905	905	
Release of deferred income (Foundation)	208	208	3,653	3,653	
<b>Total</b>		<b>3,722</b>	<b>4,624</b>	<b>7,437</b>	<b>8,445</b>

**5. INVESTMENT INCOME**

	Notes	Year ended 31 July 2018 £'000		Year ended 31 July 2017 £'000	
		Group	College	Group	College
		Other investment income	3	3	8
<b>Total</b>		<b>3</b>	<b>3</b>	<b>8</b>	<b>7</b>

**6. STAFF COSTS**

	Notes	Year ended 31 July 2018 £'000		Year ended 31 July 2017 £'000	
		Group	College	Group	College
		Salaries	21,412	20,991	20,556
Social security costs	2,186	2,020	2,149	1,968	
Other pension costs	2,738	2,634	2,564	2,460	
Restructuring costs	1,135	1,135	2,489	2,489	
		<b>27,471</b>	<b>26,780</b>	27,758	27,063
Teaching departments	17,592	17,309	16,236	16,042	
Teaching support services	722	722	903	903	
Administration and central services	7,945	7,537	8,063	7,562	
Premises	77	77	67	67	
		<b>26,336</b>	<b>25,645</b>	25,269	24,574
<i>Analysed as:</i>					
Staff on permanent contracts	26,336	25,645	25,269	24,574	
Restructuring costs	1,135	1,135	2,489	2,489	
		<b>27,471</b>	<b>26,780</b>	27,758	27,063
<b>Restructuring costs</b>					
Provision for future pension costs	0	0	1,758	1,758	
Restructuring costs	1,135	1,135	731	731	
		<b>1,135</b>	<b>1,135</b>	2,489	2,489

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

	Year ended 31 July 2018		Year ended 31 July 2017	
	Number Senior post-holders	Number other staff	Number Senior post-holders	Number other staff
£60,001 to £70,000	-	11	-	10
£70,001 to £80,000	-	3	-	3
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	3	-	2	-
£100,001 to £110,000	1	-	1	-
£110,001 to £120,000	-	-	1	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	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 2018	Year ended 31 July 2017
Average staff numbers by major category:		
Teaching departments	295	297
Teaching support services	62	62
Administration and central services	142	147
Premises	4	4
	<u>503</u>	<u>510</u>
<i>Analysed as:</i>		
Staff on permanent contracts	493	498
Staff on temporary contracts	10	12
	<u>503</u>	<u>510</u>

**7. BOARD MEMBERS AND SENIOR POST-HOLDER EMOLUMENTS**

	Year ended 31 July 2018 No.	Year ended 31 July 2017 No.
The number of senior post-holders including the Principal was:	4	4

Liz McIntyre replaced the previous Principal in December, 2016. The emoluments paid to Liz McIntyre, Principal and Chief Executive, (who is also the highest paid senior post-holder) were £138,000 (2016-17: £89,000) in salary, and £24,000 (2016-17: £15,000) in employer pension contributions to the Local Government Pension Scheme. Note that the comparative figures reflect the period from 5<sup>th</sup> December 2016 (when Liz McIntyre started) up to the end of 31<sup>st</sup> July, 2017.

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

**Regional Board**

The total remuneration of the Regional Board including pension contributions, benefits in kind and bonuses but excluding the salaries of employee Board members for normal staff duties amounted to:

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Fees for services as non-executive directors of subsidiary companies	-	-
Expenses paid to board members	5	6
	<u>5</u>	<u>6</u>

**8. INTEREST AND OTHER FINANCE COSTS**

	Year ended 31 July 2018 £'000		Year ended 31 July 2017 £'000	
	Group 3	College 3	Group 14	College 14
Interest payable				
Net interest on pension assets and liabilities	<b>631</b>	<b>631</b>	584	584
	<b>634</b>	<b>634</b>	598	598

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

	Staff costs £'000	Other operating expenses £'000	Depreciation £'000	Interest Payable £'000	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
<b>Group</b>						
Teaching activities	21,432	4,725	82	-	26,239	25,296
Residences and catering	-	1,331	-	-	1,331	1,228
Farm	-	10	-	-	10	14
Premises	145	7,484	2,028	-	9,657	9,758
Administration	5,486	4,070	-	634	10,190	11,289
Other expenses	408	318	45	-	772	845
Agency costs	-	2,353	-	-	2,353	2,418
	<b>27,471</b>	<b>20,292</b>	<b>2,155</b>	<b>634</b>	<b>50,552</b>	50,848
<b>College</b>						
Teaching activities	21,149	4,737	82	-	25,968	24,957
Residences and catering	-	1,331	-	-	1,331	1,228
Farm	-	10	-	-	10	14
Premises	145	7,484	2,028	-	9,657	9,758
Administration	5,486	3,688	-	634	9,808	11,002
Other expenses	-	318	-	-	318	285
Agency costs	-	1,945	-	-	1,945	1,917
	<b>26,780</b>	<b>19,513</b>	<b>2,110</b>	<b>634</b>	<b>49,037</b>	49,161

**Other operating expenses include:**

Auditors' remuneration (including irrecoverable VAT)

- external audit services

- internal audit services

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
	35	35
	31	31
	<b>66</b>	<b>66</b>

**10. TAXATION**

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
<b>Recognised in the statement of comprehensive income</b>		
<b>Current tax</b>		
Current tax income	-	-
Adjustment in respect of previous years	-	-
<b>Current tax income</b>	<b>0</b>	<b>0</b>
<b>Deferred tax:</b>		
Increase/(Decrease) in deferred tax liability	(1)	31
<b>Total tax expense</b>	<b>(1)</b>	<b>31</b>

**11. TANGIBLE FIXED ASSETS**

	<b>Freehold Land and Buildings £'000</b>	<b>Fixtures, Fittings and Equipment £'000</b>	<b>Total £'000</b>
<b>Group</b>			
<b>Cost or Valuation</b>			
At 1 August 2017	98,932	5,349	104,281
Additions	404	170	574
Disposals	0	0	0
Revaluation	(4,206)	0	(4,206)
<b>At 31 July 2018</b>	<b>95,130</b>	<b>5,519</b>	<b>100,649</b>
<b>Depreciation</b>			
At 1 August 2017	3,547	3,232	6,779
Charge for the year	1,865	290	2,155
Disposals	0	0	0
Revaluation	(5,412)	0	(5,412)
<b>At 31 July 2018</b>	<b>0</b>	<b>3,522</b>	<b>3,522</b>
<b>Net Book Value</b>			
<b>At 31 July 2018</b>	<b>95,130</b>	<b>1,997</b>	<b>97,127</b>
At 31 July 2017	95,385	2,117	97,502
Inherited	0	0	0
Financed by capital grant	40,238	730	40,968
Other	54,892	1,267	56,159
<b>At 31 July 2018</b>	<b>95,130</b>	<b>1,997</b>	<b>97,127</b>
<b>College</b>			
<b>Cost or Valuation</b>			
At 1 August 2017	98,932	3,350	102,282
Additions	404	170	574
Disposals	0	0	0
Revaluation	(4,206)	0	(4,206)
<b>At 31 July 2018</b>	<b>95,130</b>	<b>3,520</b>	<b>98,650</b>
<b>Depreciation</b>			
At 1 August 2017	3,547	1,674	5,221
Charge for the year	1,865	245	2,110
Disposals	0	0	0
Revaluation	(5,412)	0	(5,412)
<b>At 31 July 2018</b>	<b>0</b>	<b>1,919</b>	<b>1,919</b>
<b>Net Book Value</b>			
<b>At 31 July 2018</b>	<b>95,130</b>	<b>1,601</b>	<b>96,731</b>
At 31 July 2017	95,385	1,676	97,061

At 31 July 2018, freehold land and buildings included £5.998m (2017: £6.071m) in respect of freehold land and is not depreciated.

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

	<b>Group and College 31 July 2018 £'000</b>
At 1 August 2017	325
Released to income and expenditure account	108
<b>At 31 July 2018</b>	<b>217</b>
Net book value	
At 31 July 2017	325
<b>At 31 July 2018</b>	<b>217</b>

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

## 13. NON-CURRENT INVESTMENTS

	<b>Subsidiary Companies £'000</b>
<b>At 1 August 2017 and 31 July 2018</b>	<b>30</b>

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

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

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

## 14. STOCK

	<b>Group and College 31 July 2018 £'000</b>	<b>Group and College 31 July 2017 £'000</b>
Catering Stock	19	20
Bring Your Own Device stock	288	0
<b>At 31 July 2018</b>	<b>307</b>	<b>20</b>

**15. TRADE AND OTHER RECEIVABLES**

	31 July 2018		31 July 2017	
	Group £'000	College £'000	Group £'000	College £'000
Amounts falling due within one year				
Other trade receivables	502	299	561	325
Other receivables	5	5	4	4
Amounts owed by subsidiary undertakings	-	147	-	147
Prepayments and accrued income	869	1,497	2,030	1,990
	<b>1,376</b>	<b>1,948</b>	<b>2,595</b>	<b>2,466</b>

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

	31 July 2018		31 July 2017	
	Group £'000	College £'000	Group £'000	College £'000
Secured loans	164	164	163	163
Trade payables	1,134	1,099	857	828
Social security and other taxation payable	76	-	85	-
Accruals and deferred income	5,371	5,258	3,891	3,814
	<b>6,745</b>	<b>6,521</b>	<b>4,996</b>	<b>4,805</b>

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

	31 July 2018		31 July 2017	
	Group and College £'000		Group and College £'000	
Assets held for sale – Balgownie Centre	5,350		5,600	
	<b>5,350</b>		<b>5,600</b>	

The Value of this asset for resale was professionally revalued as at 31/7/18.

**18. DEFERRED TAX**

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

	31 July 2018		31 July 2017	
	Group £'000	College £'000	Group £'000	College £'000
Asset/ (Liability) brought forward	25	-	17	-
Other movement in balance	-	-	(11)	-
Income and Expenditure movement in period	(1)	-	(31)	-
Asset/ (Liability) carried forward	<b>(24)</b>	<b>-</b>	<b>(25)</b>	<b>-</b>



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

	31 July 2018		31 July 2017	
	Group £'000	College £'000	Group £'000	College £'000
Deferred income	41,294	40,968	41,928	41,561
Secured loans	43	43	207	207
	<b>41,337</b>	41,011	<b>42,135</b>	41,768
Analysis of secured and unsecured loans:				
<b>Due within one year or on demand</b>	<b>164</b>	164	<b>163</b>	163
Due between one and two years	43	43	165	165
Due between two and five years	-	-	42	42
<b>Due after more than one year</b>	<b>43</b>	<b>43</b>	<b>207</b>	207
<b>Total secured and unsecured loans</b>	<b>207</b>	<b>207</b>	<b>370</b>	370
Secured loans repayable by 2019	207	207	370	370
	<b>207</b>	207	<b>370</b>	370

Included in loans are the following:

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

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

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

**20. PROVISIONS****Group and College**

	Pension costs arising from early retirement £'000	North East Scotland Pension Fund £'000	2018 Total £'000	Pension costs arising from early retirement £'000	North East Scotland Pension Fund £'000	2017 Total £'000
At 1 August 2017	7,374	25,842	33,216	7,275	23,916	31,191
Additional/ (reduced) provision in period	(214)	(17,667)	(17,881)	99	1,926	2,025
<b>At 31 July 2018</b>	<b>7,160</b>	<b>8,175</b>	<b>15,335</b>	<b>7,374</b>	<b>25,842</b>	<b>33,216</b>

College	Pension costs arising from early retirement £'000	North East Scotland Pension Fund £'000	2018 Total £'000	Pension costs arising from early retirement £'000	North East Scotland Pension Fund £'000	2017 Total £'000
At 1 August 2017	7,374	25,842	33,216	7,275	23,916	31,191
Additional/ (reduced) provision in period	(214)	(17,667)	(17,881)	99	1,926	2,025
<b>At 31 July 2018</b>	<b>7,160</b>	<b>8,175</b>	<b>15,335</b>	<b>7,374</b>	<b>25,842</b>	<b>33,216</b>

An amount of £7,160,000 (2016-17: £7,373,000) represents future pension costs arising from early retirements for those enrolled in the STTS (page 56).  
The North East Scotland Pension Fund deficit has reduced following a revaluation by actuaries of the net liability attributable to North East Scotland College.

## 21. RESTRICTED RESERVES

Reserves with restrictions are as follows:

	2018 Total £'000	2017 Total £'000
Balance at 1 August 2017	5	5
New Grants	-	-
New Donations	-	-
Expenditure	-	-
<b>Total restricted comprehensive income for the year:</b>	<b>-</b>	<b>-</b>
<b>At 31 July 2018</b>	<b>5</b>	<b>5</b>

	2018 Total £'000	2017 Total £'000
<b>Analysis of other restricted funds/donations by type of purpose:</b>		
Prize funds	5	5
General	-	-
	<b>5</b>	<b>5</b>

## 22. CASH AND CASH EQUIVALENTS

Group	At 1 August 2017 £'000	Cash Flows £'000	At 31 July 2018 £'000
Cash and Cash Equivalents	3,822	(1,341)	2,481
	<b>3,822</b>	<b>(1,341)</b>	<b>2,481</b>

**23. CAPITAL AND OTHER COMMITMENTS**

Provision has not been made for the following capital commitments at 31 July 2018

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group £'000	College £'000	Group £'000	College £'000
Commitments authorised but not contracted for	-	-	70,415	70,415
Commitments contracted for	-	-	104	104
	-	-	<b>70,519</b>	<b>70,519</b>

**24. CONTINGENT LIABILITIES**

There are no contingent liabilities at 31 July 2018.

**25. LEASE OBLIGATIONS**

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

	Year ended 31 July 2018			31 July 2017 £'000
	Vehicles £'000	Plant & Machinery £'000	Total £'000	
<b>Payable during the year</b>	<b>52</b>	<b>43</b>	<b>95</b>	<b>106</b>
<b>Future minimum lease payments due:</b>				
Not later than 1 year	32	44	76	72
Later than 1 year and not later than 5	9	55	64	108
<b>Total lease payments due</b>	<b>41</b>	<b>99</b>	<b>140</b>	<b>180</b>

**26. EVENTS AFTER THE REPORTING PERIOD**

There are no events after the Balance Sheet date to note.

**27. SUBSIDIARY UNDERTAKINGS**

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

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

## 28. RELATED PARTY TRANSACTIONS

The Regional Board of North East Scotland College is a body incorporated under the Further and Higher Education (Scotland) Act 1992 sponsored by the Scottish Further and Higher Education Funding Council (SFC).

## 29. TRANSACTIONS WITH MEMBERS OF THE REGIONAL BOARD

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 Scottish Qualifications Agency and the University of Aberdeen.

Mr. K Milroy, Regional Chair, is Chief Executive of Aberdeen Foyer. The College made payments of £406,868 (2016-17: £402,408) and received income of £4,222 (2016-17: £9,642) during the year. Mr. K Milroy is Chair of the Colleges Scotland Board during the year. The College made payments of £55,100 (2016-17 £55,000) during the year.

Prof. J Harper is Depute Principal and Ms S Cormack was Vice Principal of The Robert Gordon University. The College made payments of £889 (2016-17 £670), and received income of £42,023 (2016-17 - £48,715) during the year.

Mrs. C. Inglis is the University Secretary and Director of Operations at University of Aberdeen. The College made payments of £450,604 (2016-17 - £290,929) and received income of £47,835 (2016-17 £30,275) during the year.

Mrs. E. McIntyre is a Board member of Colleges Scotland during the year. The College made payments of £55,100 (2016-17 £55,000) during the year. Mrs. E. McIntyre is also a Board member of ONE Oil and Gas, and the College made payments of £300 (2016-17 nil) during the year.

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

Member	Organisation	Position
Mr. D. Anderson	Score Diagnostics Ltd	Sales & Marketing Director
Prof J. Harper	The Robert Gordon University	Depute Principal and Vice Chancellor
Mrs. C. Inglis	University of Aberdeen	Secretary & Director of Operations
Mrs. E. McIntyre	Colleges Scotland	Board Member
	ONE Oil and Gas	Board Member
Mr. K. Milroy	Aberdeen Foyer	Chief Executive
	The Robert Gordon University	Member of the Board of Governors
	Colleges Scotland	Board Chair

**31. STUDENT SUPPORT FUNDS****Bursaries and other student support funds**

	Bursary £'000	Hardship £'000	EMA £'000	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
At 1 August 2017	-	-	-	-	-
Allocation received in period	6,952	616	272	7,840	8,111
Expenditure in period	6,952	616	272	7,840	7,369
<b>At 31 July 2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>742</b>

**Represented by:**

Pre received income (incl in accruals and deferred income)	0	0	0	0	742
Charged to College Reserves	0	0	0	0	742

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 and there is no balance to be carried forward to 2018/19 for repayment to SFC.

**FE and HE Childcare Funds**

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
At 1 August 2017	-	-
Allocation received in period	750	821
Expenditure in period	750	821
<b>At 31 July 2017</b>	<b>-</b>	<b>-</b>
<b>Represented by:</b>		
Charged to College Reserves	-	-

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

**32. 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.

**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 valuation of the North East Scotland Pension Fund was performed at 31 March 2017 by a qualified, independent actuary.

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

	31 July 2018	31 July 2017
	% pa	% pa
Pension increase rate	2.2%	2.2%
Salary increase rate	3.6%	3.7%
Discount rate	2.9%	2.5%

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

Current pensioners male/(female)	22.7 (24.9)	22.3 (24.9)
Future pensioners in 20 years' time	25.6 (24.9)	24.5 (27.8)

The employer contributions for year to 31 July 2019 will be approximately £1,384,000

The assets in the scheme are:

	Asset allocation value at 31 July 2018 £'000	Asset allocation value at 31 July 2017 £'000
Equities	53,880	50,684
Government Bonds	6,438	8,274
Bonds	1,101	1,193
Property	9,065	5,218
Cash	2,372	1,118
Other	11,860	8,050
	<b>84,716</b>	<b>74,537</b>

The table below compares the present value of the scheme liabilities, based on the actuary's assumptions with the estimated employer assets:

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

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Fair value of employer assets	84,716	74,537
Present value of funded obligations	(92,891)	(100,379)
<b>Net Liability</b>	<b>(8,175)</b>	<b>(25,842)</b>
Amount in the balance sheet:		
Liabilities	(8,175)	(25,842)
Assets	-	-
<b>Net liability</b>	<b>(8,175)</b>	<b>(25,842)</b>

The total pension cost to the College in the period was £3,094,000 (2016-17: £2,818,000). The contribution rate payable was 15.7% for the year (2016-17: 15.7%).

The amounts recognised in the Income and Expenditure Account are as follows:

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Current service cost	2,417	2,188
Interest on obligation	2,491	2,237
Expected return on employer assets	(1,860)	(1,653)
Losses on curtailments	-	-
	<b>3,048</b>	<b>2,772</b>
Actual return on scheme assets	<b>10,502</b>	<b>8,702</b>
	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Opening fair value of scheme assets	74,537	66,343
Expected return on assets	1,860	1,653
Contribution by members	459	471
Contribution by the employer	1,246	1,169
Contribution in respect of unfunded benefits	45	44
Re-measurement of assets	8,642	7,049
Unfunded benefits paid	(45)	(44)
Benefits paid	(2,000)	(2,119)
Administration expenses	(28)	(29)
<b>Closing fair value of scheme assets</b>	<b>84,716</b>	<b>74,537</b>

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

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Opening defined benefit obligation	100,379	90,259
Current service cost	2,417	2,188
Interest cost	2,491	2,237
Contribution by members	459	471
Curtailments	-	-
Re-measurement of liabilities	(10,900)	7,299
Benefits paid	(1,955)	(2,075)
<b>Closing defined benefit obligation</b>	<b>92,891</b>	<b>100,379</b>
	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
<b>History of experience gains/(losses)</b>		
Scheme assets	84,716	74,537
Defined benefit obligation	(92,891)	(100,379)
<b>Deficit</b>	<b>(8,175)</b>	<b>(25,842)</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 5)**

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Current service cost	2,417	2,188
Curtailments and settlements	-	-
<b>Total operating charge</b>	<b>2,417</b>	<b>2,188</b>

**Analysis of the amount credited to investment income**

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Expected return on pension scheme assets	1,860	1,653
Interest on pension scheme liabilities	(2,491)	(2,237)
<b>Net return</b>	<b>(631)</b>	<b>(584)</b>
<b>Total defined benefit cost recognised in the CIES</b>	<b>(3,048)</b>	<b>(2,772)</b>

**Movement in deficit during the year:**

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Deficit in scheme at beginning of the year	(26,581)	(24,649)
Movement in year:		
Current service cost	(3,094)	(2,818)
Contributions	1,246	1,169
Curtailments	-	-
Re-measurements	19,588	(283)
<b>Deficit in scheme at end of the year</b>	<b>(8,841)</b>	<b>(26,581)</b>

**Total actuarial gains/ (losses) recognised in Other Comprehensive Income**

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
(Loss) on actuarial assumptions	(10,900)	(7,299)
Re-measurements of scheme assets	8,642	7,049
Unfunded re-measurement	-	-
<b>Total actuarial (Loss) in respect of pension scheme</b>	<b>(2,258)</b>	<b>(250)</b>



**Scottish Teachers Superannuation Scheme (STSS)**

The College participates in the Scottish Teacher's Superannuation Scheme, a defined benefit scheme, which is externally funded and contracted out of State Earnings-Related Pension Scheme. The assets of the scheme are in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The total STSS pension cost for the College was £2,039,000 (2016-17: £1,949,000). This includes £0 (2016-17: £0) outstanding contributions at the balance sheet date. The contributions rate payable by the college was 17.2% for the year (2016-17: 17.2%).

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

**Group Personal Pension Plan**

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