



# FINANCIAL STATEMENTS for the year to 31 July 2024

Charity Number: SC021174

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# 1. PERFORMANCE REPORT

## OVERVIEW

This overview provides the reader with highlights of the College's performance for the year to 31 July 2024. It contains a statement from the Principal, background to our purpose, operating environment, business model and objectives, and discusses the principal risks that the College faces.

### Introductory Statement by the Principal and Chief Executive

The wider college sector continues to operate in an extremely challenging financial environment. The continuing impact of inadequate public funding and increasing costs means that across Scotland the sustainability of the nation's colleges is a continual and ever-increasing cause for concern and, despite the best mitigations, services to students and stakeholders are being impacted.

Whilst we are not immune to the considerable pressures of fiscal challenge, we - at NESCol - continue to ensure that our financial management and sustainability planning approaches remain responsive and effective. This allows us to continue to pursue excellence in the delivery of education, skills and training, thus ensuring that our students and stakeholders receive from us what is needed and expected, particularly in terms of their support, experience and success.

Over the course of 2023/24, we have witnessed an improving position in terms of our student success outcomes. We also evidenced exceptionally high levels of student satisfaction as well as significant demand from employers for our Modern Apprenticeship offer.

Our strategic involvement with key regional groups, such as the Regional Economic Partnership (REP), the Multi-Agency Transformation Management Group (MATMG) and Aberdeen City and Aberdeenshire's Community Planning Partnerships (CPPs) continues to grow and deepen. This is a testament to our pivotal position in driving economic growth and transformation within Aberdeen City and Aberdeenshire. Further, such collaborations focus us all on realising our Region's ambitions; ambitions which are relevant to, and significant for, the future economic transformation and prosperity of the North East.

NESCol's partnership with Energy Transition Zone Ltd. and Shell continues to progress and grow, and we anticipate that our shared venture, the Energy Transition Skills Hub, will be open for business in September 2025. In addition, the College's already successful partnership with the University of Aberdeen and Robert Gordon University is ensuring that the existing and emerging skills needs of energy companies are being met through our tripartite skills delivery agency, the National Energy Skills Academy (NESA). These initiatives are addressing the current and future skills requirements of the energy sector and our Region's ambitions to be at the forefront of energy transition throughout Scotland, the UK and Europe.

Having now celebrated our 10th anniversary as NESCol, we have become firmly established as the Region's College and despite the funding challenges we face, we remain committed to delivering the broad provision of courses that our students and stakeholders seek. These continue to be delivered across a large geographic area, through our four main centres in Aberdeen City, Aberdeen Altens, Fraserburgh and Peterhead.

The College's Board and Leadership Team are fully aligned on our intention to grow our offer and to meet the considerable demand evident amongst our students, partners and employers. Currently, we have around 6500 Aberdeen City and Aberdeenshire school pupils enrolled on a school-College link programme. Further, we estimate that over 40% of all leavers across our Region will progress onto NESCol courses once they leave school. This percentage increases significantly in areas of economic and social disadvantage. Consequently, we remain committed – as an institution anchored in the communities we serve - to ensuring that everyone coming to our College has the opportunity to fulfil their potential, realise their worth and improve their employment prospects and life chances.

As we prepare to enter a new strategic planning cycle, we fully intend to evolve our activities in line with our ambitions. In doing so, we shall retain our focus on critical activities that will ensure financial sustainability,

increased commercialisation, improved and adaptive planning, enhanced partnership working, ever-increasing learner success and progressive employment practice. And by doing so, we will also ensure that we not only continue being a more agile and responsive college but one which is equipped to successfully navigate its ways through whatever challenges and opportunities we encounter.

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

## **Our Purpose and Activities**

### **Legal Status**

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

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

### **Business Model and Operating Environment**

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

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

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

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

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

## **STRATEGIC PLAN DEVELOPMENT**

The current Strategic Plan for the College was due to be renewed for the 2023-24 academic year. However, due to the effect of Covid, as well as a desire to consult wider with more stakeholders (staff, students and key external stakeholders) on the development of the new Strategic Plan, the previous Plan will continue until it is replaced. The College believes that by coming together collaboratively, we can create a strategic roadmap that not only will help overcome the challenges that we face, but also harnesses our strengths and opportunities. It is the intention that the plan will clearly articulate what the College wants to become or accomplish over the next 5 years.

The first phase of the process will be to set up a small Project Delivery Team, comprising a range of managers, teaching and support staff, and student representatives, to act as the operational management group for the project.

It is hoped that a new Strategic Plan will be in place for academic year 2025/26. The existing Strategic Plan clearly defines the College's vision and values.

## **Vision and Values**

### **Vision**

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

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

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

### **Values**

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

### **Commitment and Excellence**

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

### **Empowerment and Engagement**

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

### **Respect and Diversity**

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

## **Strategic Themes**

Our Strategic Plan for 2023-2024 is focused on five Strategic Themes and their accompanying Strategic Goals.

### **Being Agile and Responsive**

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

### **Empowering People**

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

**Advancing Partnership Working**

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

**Delivering Excellence and Innovation**

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

**Leading Sustainability**

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

## Key Issues and Risks

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

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

- Failure to deliver future skills needs of the region and contributing to regional and national economic growth.
- Financial pressures causing continued staff reductions negatively impacting on training provision, quality assurance and assessing.
- Financial pressures may cause reduced curriculum range, choice and opportunity to the region.

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

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

- Unable to recruit, retain and develop appropriately qualified staff, adversely impacting on the learner experience, curriculum delivery and development.
- If the College fails to adapt quickly and flexibly to changing demands, may not meet delivery targets.
- If the college fails to improve attainment within identified areas of curriculum then fewer students will go on to positive destinations within work or HE.

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

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

- If the College does not successfully engage with employers and other key stakeholders, THEN we will not be able to identify and meet their needs.
- If the College does not work closely with Local Authorities and Schools, THEN effective learner pathways will not be delivered throughout the region.
- If competitions between the College and University sector continues to intensify then FT HE student recruitment will be negatively impacted.

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

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

- If the SFC fails to provide adequate funding for counsellors and other targeted health and wellbeing support then student outcomes and experiences will decline.
- IF student outcomes do not improve where required, then reputation and future student recruitment may be negatively impacted.
- Insufficient funding to maintain modern fit-for-purpose buildings, infrastructure and equipment negatively impacting the quality of the student experience.

Mitigations for the above risks focus on effective monitoring and reporting mechanisms, provision of student support services and academic guidance, learning and development activities, ongoing engagement with the

SFC and key regional stakeholders, business continuity documentation and arrangements, resource planning, and monitoring of external guidance.

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

- Funding and increasing cost pressures will reduce the College's ability to achieve a balanced budget and challenge future sustainability.
- If the College fails to achieve planned activity targets then the SFC may clawback funding increasing the financial sustainability challenge.
- IF ASET do not grow at sufficient rates THEN gift aid will not meet budgeted levels.

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

## **Going Concern**

The Group Balance Sheet at 31 July 2024 shows Net Current Assets of £1.6m (FY 2022/23 equivalent £1.1m) and Total Net Assets of £59.0m (FY 2022/23 £65.3m). The SFC has indicated to the College expected funding levels for the period to 2024-25 and the Regional Board has approved a financial plan for 2024/25 on that basis.

The comments on page 30 to these financial statements outline the Board's assessment of going concern. Accordingly, the Board considers that it is appropriate to consider that the College is a "going concern" and these financial statements have been prepared on that basis.

## **Accounting Treatment of Job Evaluation**

The College Financial Statements incorporate a change to the accounting treatment of the national support staff job evaluation in 2023-24, an adjustment to remove multi-year SFC funding totalling £3.8m. This is based on advice from our external auditors and the revised SFC Accounts Direction which states 'It is important to note that this is a technical accounting change only' and 'Scottish Government agreeing that responsibility for job evaluation funding commitments now rests with the Scottish Government until the process is complete'. The estimated costs of the national support staff job evaluation exercise are not matched by revenue funding in these Financial Statements however the Scottish Government funding is essential to implementing the outcomes and costs. The Scottish Government commitment to funding the cost of the national support staff job evaluation outcomes was restated again at the Public Audit Committee on the 28<sup>th</sup> November 2024.

## **Performance Summary**

Overall, the College met its activity target for the year, while also exceeding its budgeted position. As can be seen from the Key Performance Indicators noted on p12, performance improved markedly from that recorded in 2022/23. This is a very good result from the College. This has been achieved during a period of high inflationary pressures – while the College has faced increases in fuel costs, pay awards and generally high inflation, our funding is being held on a 'flat cash' basis, which does not allow for these increases in costs.

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

## **PERFORMANCE ANALYSIS**

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

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



## Regional Priorities and Skills Needs

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

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

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

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

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

Scottish Government Priority	College Contribution	Strategic Objective(s)
Fair Access and Transitions	The College will provide access to further and higher education for people of all ages from the widest range of backgrounds, and ensure that all students are enabled to achieve their full potential as successful learners, ready for transition to future learning, life and work.	1.3, 3.1, 3.5
Health and Wellbeing	The College will provide health and wellbeing services and support, and will work with partners to contribute to positive and sustainable change in the health and wellbeing of staff and students.	2.1, 3.9, 4.4

Net Zero	The College will ensure its activities as an educator, employer and regional leader contribute fully to the delivery of Scottish Government's climate change ambitions.	5.7, 5.8
Economic recovery, reform and prosperity	The College will ensure its contributions, post-COVID-19 and post-Brexit, to the immediate and future regional economic requirements support a revitalised and successful Scottish economy.	1.1, 3.2, 2.4, 3.6, 4.1
Integration of tertiary education and skills system	The College will develop, in conjunction with others, a cohesive and connected tertiary sector offer which delivers a greater educational and skills-based coherence for students, employers and other stakeholders.	3.5
Mainstreaming Equality	The College will continue to advance equality of opportunity through the Public Sector Equality Duty (PSED), ensuring that its operations, activities and decision making processes are impact assessed against the protected characteristics of age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex, and sexual orientation.	1.1, 4.9
Retention and Attainment	The College will raise student retention and attainment levels to ensure that ever-increasing numbers of students successfully fulfil their potential and achieve their ambitions.	4.2
Employability	The College will improve employment outcomes for young people and provide for support aimed at addressing youth unemployment, in particular those with barriers to work.	1.1, 4.1
Innovation and Enterprise	The College will contribute to driving up levels of business innovation in Scotland by ensuring that its learners are exposed to entrepreneurial thinking.	4.2
Senior Phase and Developing the Young Workforce	The College will play a lead role in ensuring that an enhanced regional approach is undertaken to support improved and progressive senior phase pathways by working closely with partners on planning and delivery.	3.4
Apprenticeships	The College will build and strengthen pathways into and across Apprenticeship programmes, particularly in key sectors such as STEM, digital skills and early years workforce expansion.	3.6
Flexible Workforce Development Fund	The College will help employers to increase productivity and address skills gaps by supporting in-work training of their workforce.	3.6
STEM and Energy Transition	The College will contribute to the development of Scotland's STEM and energy transition priorities to generate inclusive and sustainable economic growth by equipping young people with skills for the future.	1.1, 3.2, 3.3, 3.6, 4.1
Digital	The College will support improved digital skills development and acquisition for its students, staff and Stakeholders.	2.6, 4.8, 5.6

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

## STRATEGIC PLAN 2020-2024

### KEY STRATEGIC INDICATOR TABLE

		2020/21		2021/22		2022/23		2023/24	
	Key Strategic Indicator	Target	Actual	Target	Actual	Target	Actual	Target	Actual
<b>Activity Levels</b>									
	The total number of credits delivered	132,005	133,127	131,915	128,655	128,812	129,769	115,931	116,040
	The volume of core credits delivered	129,770	130,602	129,280	127,606	128,812	129,769	115,931	116,040
	The volume of ESF credits delivered	2,235	2,525	2,635	1,049	0	0	0	0
<b>Learner Success</b>									
Overall learner success rate (Incorporate level, mode, withdrawal and partial success measures)									
		2020/21		2021/22		2022/23		2023/24	
	FE Full Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Learner Success	73%	56%	62%	57%	60%	63%	65%	69%
	Partial Success	-	19%	-	20%	-	14%	-	11%
	Early Withdrawal	-	6%	-	9%	-	7%	-	4%
	Further Withdrawal	-	19%	-	14%	-	16%	-	16%
	FE Part Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Learner Success	73%	72%	72%	68%	78%	89%	72%	92%
	Partial Success	-	25%	-	27%	-	7%	-	4%
	Early Withdrawal	-	1%	-	1%	-	2%	-	2%
	Further Withdrawal	-	2%	-	2%	-	2%	-	2%
	HE Full Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Learner Success	78%	71%	72%	65%	68%	67%	68%	72%
	Partial Success	-	14%	-	15%	-	16%	-	14%
	Early Withdrawal	-	3%	-	6%	-	13%	-	1%
	Further Withdrawal	-	12%	-	14%	-	4%	-	13%
	HE Part Time	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Learner Success	83%	75%	81%	77%	77%	75%	75%	79%
	Partial Success	-	23%	-	20%	-	22%	-	19%
	Early Withdrawal	-	0%	-	1%	-	1%	-	1%
	Further Withdrawal	-	2%	-	2%	-	2%	-	1%
<b>Sustainability</b>									
		2020/21		2021/22		2022/23		2023/24	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Non-SFC income as a percentage of turnover	21%	21%	20%	20%	20%	20%	20%	25%
	Staff costs as a percentage of turnover	66%	60%	66%	62%	66%	58%	66%	56%

## Key curriculum developments of 2023-24

### Curriculum Overview

NESCol has an integral role in delivering real social and economic growth and development across the North East of Scotland. The College, anchored in Aberdeen and Aberdeenshire with a commitment to shaping the workforce of the future, is proud of its role in the evolution of traditional industries and excited by the opportunities presented by new and emerging sectors.

An engaging, supportive and inclusive learning environment is at the heart of our college experience, which is designed to give every student the opportunity to fulfil their potential in employment and in life as we work together to build a vibrant, innovative and sustainable future.

In academic year 23-24 NESCol made excellent progress in building back to pre-COVID levels of student success and attainment. Throughout the pandemic-disrupted years the College worked hard to support all our staff and students, with a huge emphasis placed on safeguarding health and wellbeing, and this was reflected in consistently high levels of student satisfaction achieved despite the disruption.

Student success, however, has not been so consistent, with both HE and FE full time attainment dropping significantly since 2018/19. Whilst the factors affecting student success are multiple and complex, there is no denying the detrimental impact COVID and its associated lockdowns had on students, both in the immediate short term and in the years since. Indeed, we are still dealing with the impacts of this period, evidenced through increased levels of students support referrals and dramatically changed levels of students demand.

In response to this NESCol has worked tirelessly in recent years on refocusing on core learning, teaching and assessment, being very deliberate in the way in which we identify and diagnose issues affecting student outcomes, and explicit in our commitment to improving outcomes and experiences for all students, at all levels across the college.

Further refinement of the “focus on the fundamentals” campaign launched in 22-23 to help curriculum and support teams re-establish all the key policies, procedures and practices that were paused, modified or removed during COVID has had great impact. By focusing on the refinement of core functions all teams have been supported to review and reflect on their primary mission and the role that they play individually and collectively in supporting students.

This approach has continued to bear fruit with the levels of student success continuing to rise significantly across both FE and HE full-time groups in 23-24, building on the improvements made in 22-23.

We are committed to providing our students with exceptional face-to-face teaching, facilitated by experienced and passionate staff in high-quality learning environments. Our approach to curriculum design in 23-24 ensured that all our full-time students continued to have the opportunity to come to college regularly so that they could access our excellent facilities and student support services, build effective relationships with their peers and teaching staff, and enjoy the fantastic community that we have created at each of our regional campuses.

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

### Spotlight review process

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

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

New teams were selected for involvement this academic year and the effective and supportive approach of this initiative has been key in realizing substantial improvements in KPIs across the curriculum in 23-24.

For 24-25 a thematic spotlight process will also be introduced to take a deep-dive into the factors affecting achievement for some of the college's most vulnerable students, many of whom have challenging and complex support needs.

### **Curriculum Planning**

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

Building on our experiences in 23-24, for next academic year a new Curriculum Approval Process will be introduced that aims to create a more open and collaborative approach to course modifications and approvals. This should lead to more robust challenge and scrutiny of all curriculum modification.

### **Curriculum Support Frameworks**

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

- Framework for Supporting Successful Students (Consolidation of Academic Tutoring Framework, Framework for Support Students, Framework for Attendance Monitoring and Engagement and the Framework for Attendance Monitoring and Funding)
- Framework for Curriculum Planning and Delivery 2023-2024
- Framework for Sector management

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

### **Student Support**

The College's student support services continued to develop and expand throughout the academic year. The counselling service brought in for 20-21 has bedded in well and continues to complement and enhance the established well-being and support provision of the College. Funded via the additional SFC Mental health and Wellbeing initiatives, ACIS Student, a Mental Health Aberdeen service, are committed to developing a relational approach in their partnerships to ensure an effective response to the therapeutic needs of children, young people and adults in the community. The demand for this service has increased significantly since its introduction and the College has managed budgets in such a way to ensure its delivery throughout 23-24 but as things stand, there is no long-term funding commitment for counselling from the SFC going forward.

This issue has been raised with the SFC and the Scottish Government via Colleges Scotland as it is unrealistic to expect colleges to be able to absorb these costs and safeguard the counselling provision under the current funding allocations.

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

### **Quality Activity**

#### **Education Annual engagement Visit 23-24**

Annual Engagement Visits (AEVs) are planned collaboratively between the college, HM Inspectors and Scottish Funding Council (SFC). During the AEV, the team focuses on the progress made on improvement priorities and the outcomes of previous engagement with HM Inspectors. HM Inspectors met with staff, learners, and other stakeholders. The ES team carrying out the AEV engages with staff, learners and other stakeholders and produces a summary report for the College, which is then shared with the Principal, and Regional Board. The AEV for NESCol was completed in May 2024 and the report provided external endorsement of effective practice occurring in the College across both curriculum and support services covering two overarching themes:

1. Learner Progress and outcomes.
2. Approaches to assuring and enhancing the quality of learning and teaching, including professional update and learner engagement.

During the visit a programme of meetings took place involving students, teaching and support staff, all levels of management and representatives of the Students' Association. Education Scotland identified 26 areas of positive progress and 3 areas for development. The outcomes of the annual engagement visit were discussed internally across the college and helped contribute to the creation of the college self-evaluation and strategic enhancement plan. The report can be found here:

[North East Scotland College | Inspection Report | Education Scotland](#)

### **Commercial provision**

There have been significant changes in the commercial landscape over the last twelve months. With the unexpected withdrawal of Flexible Workforce Development Fund, Employers in the North East have lost out on £1.2m worth of funding for upskilling staff while NESCol has also lost out on the associated commercial opportunity that this brings. Although there has been significant disquiet around this change, it seems unlikely that any reinstatement or replacement of the fund is likely in the short and medium term. NESCol continues to engage with the employers who were able to take advantage of the funding and while some are happy to pay for staff upskilling, demand for commercial training has fallen in the year.

There have however also been positives over the past twelve with the National Energy Skills Accelerator (NESA) securing Just Transition Funding which provided around £300,000 worth of development and fee waiver opportunities for renewables and related training. In doing so, NESCol developed and delivered new training programmes in Engineering, micro-renewables, vehicle technology and interestingly, English for Speakers of Other Languages (ESOL) with Energy Transition. The latter course helping candidates with lower levels of English language skills to be able to access employment opportunities in the renewables market. It is hoped that this project acts as a springboard for new opportunities which may evolve with the announcement of the North East region as an Investment Zone – bringing £160m to the region over the next 10 years.

Modern Apprenticeship provision is seeing significant growth and in 2023/24, we recruited 280 new candidates – the highest number signed up in a year by NESCol. The increasing demand led us to bid for a higher number of contract places from Skills Development Scotland for 2024/25 and we were successful in securing 335 places for the year ahead. This includes directly contracting with construction employers and automotive employers where many of these candidates had previously been subcontracted to us through the Construction Industry Training Board (CITB) and the Scottish Motor Trade Association (SMTA). We have also expanded our Civil Contractors Modern Apprenticeship provision with two new cohorts commencing. We have developed strong partnerships with several of the most prominent civil contractors in the region where significant demand is anticipated through the delivery of major contracts linked to the renewables sector.

The need to diversify income away from SFC core grant and the changes to commercial priorities has led to an organizational review of the Business & Community Development department which is tasked with growing commercial income. The review has been running since September 2023 and is now nearing conclusion with increased Business Development capacity identified as well as clearer organizational structures.

Our sponsored activity with Shell continues to grow with Girls in Energy reaching 221 girls (a 41% increase year on year) across 15 secondary schools. Shell Engineering Scheme again supported 24 technician places and all year 2 candidates completed, going on to secure good quality, energy sector jobs. Shell also supported the College with EV Charger installation training equipment and materials. This support along with 'train the trainer' training, allowed us to launch a new area of skills training which has future potential.

Another extremely generous gift of £200k donation from a benefactor in Fraserburgh, now takes their contribution to our campus to £700k over four years. This funding is enabling a large atrium screen allowing us to showcase activities from around the campus, a new cement mixer and conveyor in our brickwork yard, new radio equipment at Scottish Maritime Academy and the latest 3d printing equipment.

Our presence in the local economy is an important one in terms of skills development and we continue to work closely with employers and industry partners to grow our provision and our reputation for high quality training which brings productivity and efficiency benefits. We recognise however that this skills training is

often only enabled when funding opportunities are available and so we continue to look for ways of providing reduced or no-cost training and engage with partners to help influence where interventions support our ambitions. Collaborating in areas including the use of Apprenticeship Levy funding and its distribution nationally, is becoming increasingly important when government funding continues to reduce.

### **The following activities are planned for delivery during AY 2024-25**

#### **Energy Transition Skills Hub**

ETZ Ltd and North East Scotland College (NESCol) have been awarded funding through the Scottish Government's Just Transition Fund, with additional support from Shell UK, to create an exciting new Energy Transition Skills Hub (ETSH) in Altens, and an accompanying educational outreach vehicle. The ETSH is located in Altens, adjacent to NESCol's existing campus, and will provide flexible workshop space with cutting edge equipment for industry-critical training.

The outreach vehicle will tour schools and community events across the North East and Moray, helping to demystify the energy transition and promote pathways into energy careers.

The ETSH aims to equip the workforce of the future with the skills the energy industry needs to deliver the low carbon transition. It will increase the breadth and capacity of skills training to support a Just Transition in the North East, whilst the outreach vehicle will help to promote careers and inspire new entrants to join the energy industry. Specifically, the ETSH will provide a pipeline of appropriately trained people to support workforce security through the transition. Facilities in the ETSH will include:

- A modern welding academy
- Advanced manufacture zone
- Flexible teaching spaces
- Exciting new equipment demonstrating future technologies, including AR/VR
- More accessible training options, such as full- time, part-time, evening and weekend classes
- Community and event spaces

Significantly, the ETSH will also be designed to provide space for community engagement and to improve the diversity of the energy industry workforce. Further partnership working will be required to support this aim.

This state-of-the-art teaching facility is due to open its doors to students in autumn 2025.

The ETSH project is already a collaboration between the founding partners - ETZ, NESCol and Shell UK. The ambition is for the ETSH to operate as an ongoing collaboration between industry and the public and third sectors. Partnership working will enable the ETSH to maximise its impact; maintain its viability and support equality, social inclusion and mobility.

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

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

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

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

#### **Energy Transition**

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

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



## Staff and Student Involvement

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

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

## Employer Engagement

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

## Environmental and Social Sustainability

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

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

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

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

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

North East Scotland College believes that every learning institution must be a leader in tackling the climate emergency, both in terms of its own direct actions but also in how it influences others. The College was an early signatory to the Universities and Colleges Climate Change Commitment for Scotland (UCCCFs) and

developed its first Carbon Management Plan which delivered a 33% reduction in our Greenhouse Gas emissions over the period 2015-2020. Our new Carbon Management Plan is designed to deliver a further 50% reduction from 3382 tCO<sub>2</sub>e, the 2018/19 baseline year, by the end of financial year 2025. Building on these measures, North East Scotland College has now committed to achieving Net Zero Greenhouse Gas Emissions by 2035. We are currently sitting at a 46% reduction in emissions.

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

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

Strategic themes and principles:

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

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

## Compliance with the Climate Change (Scotland) Act 2009

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

## Modern Slavery and Human Trafficking

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

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

## Anti-Bribery and Corruption

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

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

The following statement is extracted from the Policy:-

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

## Financial Planning and Performance

### Financial Objectives

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

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

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

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

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

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

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

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

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

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

### Financial Results

The Consolidated Statement of Comprehensive Income and Expenditure (SOCl) for the year showed a deficit on the continuing operations after disposals of assets and taxation of £2,850,000 (FY2022-23: £1,157,000 deficit). After adjusting for the pension deficit on the revaluation of the funds as well as a loss on the revaluation of property, the loss for the year was £6,304,000 (FY2022-23: £2,342,000 gain). Of the total income of the Group, 25.0% (FY2022-23: 19.7%) was received from non-SFC sources.

### Model Adjusted Operating Position (AOP) note

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

		2023-24 £'000	2022-23 £'000
<b>Surplus/(Deficit) before other gains and losses</b>		<b>(2,850)</b>	<b>(1,186)</b>
<b>Add back:</b>	<b>Note:</b>		
Depreciation (net of deferred capital grant release)	<b>4 &amp; 10</b>	<b>961</b>	989
Pension adjustment – Net Service (Income)	<b>30</b>	<b>(245)</b>	(161)
Pension adjustment – Net Interest (Income)	<b>30</b>	<b>(1,358)</b>	(72)
Loss on revaluation of Investment Property		<b>190</b>	250
Costs of middle management job evaluation exercise not matched by revenue		<b>3,817</b>	0
<b>Adjusted operating surplus/(Deficit)</b>		<b>515</b>	<b>(180)</b>

The underlying position for 2023/24 has been approved by SFC.

The accumulated surplus on the Income and Expenditure reserve at 31 July 2024 was £14,014,000 (31 July 2023 £18,698,000). The provision for future pension costs arising from early retirement of former staff and the equalization of pension contributions under the Local Government Pension Scheme and the Scottish Teachers Superannuation Scheme at 31 July 2024 was £3,982,000 (31 July 2023: £3,982,000) whilst the FRS102 provision for the College's share of the North East Scotland Pension Fund (NESPF) was nil (31 July 2023: £nil).

The College has net assets of £59,034,000 (31 July 2023: £65,280,000). The current asset to current liabilities ratio is 1.2:1 (31 July 2023 adjusted: 1.1:1) – and shows the College has capital on hand to meet short term obligations, with a ratio over 1 indicating short term solvency. The gearing on long term liabilities is 0.9:1 (31 July 2023: 0.7:1) and a ratio of 0.25-0.5 to 1 is considered optimal. This shows the College is reliant on SFC funding to meet its long term liabilities.

During 2023-24, the College retained two subsidiary companies, Aberdeen Skills and Enterprise Training Ltd (ASET), and Clinterty Estates Ltd. The principal activity of ASET is the delivery of commercial training to the Oil and Gas and Engineering sectors. Clinterty Estates Ltd is dormant.

### Taxation Status

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

### Treasury Policies and Objectives

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

### Cash Flows

The Group cash flow balance decreased by £388,000 in the year (2022-23 – decrease of £523,000)

### Liquidity

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

The College's cash and liquid resources position at the end of the year was £8,287,000 (31 July 2023: £8,675,000), this equates to the College having 47 days of cash on hand (FY2022-23: 44 days).

## Future Developments

Academic Year 2023-24 was the final year in which SFC required colleges and universities to submit Outcome Agreements. SFC's revised approach to assurance and accountability – the Outcomes Framework and Assurance Model – replaces Outcome Agreements from the Academic Year 2024-25.

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

The condition survey of Scotland's colleges undertaken by the Scottish Funding Council in summer 2017 has shown that the College, in particular the Aberdeen City Campus, has a pressing need for investment to maintain its operations. In order to address this and also meet the needs and aspirations of all the College's learners and other stakeholders, the College had developed a masterplan for consideration by the Scottish Funding Council. However, as the Scottish Funding Council advised the College that it was unable to provide the grant funding necessary to support this masterplan, the College has prioritised the backlog and is using additional maintenance funding to address the more pressing items in 2024-25 and beyond.

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

## Supplier Payment Policy

The College complies with the CBI prompt payment code and has a policy of paying its suppliers within 30 days of invoice unless the invoice is contested. At the time of writing, no interest has been paid under the late Payments of Commercial Debts (Interest) Act. All disputes are handled as quickly as possible. Suppliers' invoices were paid in 16 days in the year to 31 July 2024 (7 days in the year to 31 July 2023).

Interest paid under the Late Payments of Commercial Debts (Interest) Act amounts to £0 during this period (£0 during period to 31 July 2023).

## PROFESSIONAL ADVISERS

External auditor:	Audit Scotland Woodhill House Annexe Westburn Road Aberdeen AB16 5GB
Bankers:	The Royal Bank of Scotland 1 Albyn Place Aberdeen AB10 1BR
Solicitors:	Burness Paull Union Plaza 1 Union Wynd Aberdeen AB10 1DQ

**Approved by the Principal and Chief Executive on 11<sup>th</sup> December, 2024.**

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

## 2. ACCOUNTABILITY REPORT

### 2.1 CORPORATE GOVERNANCE REPORT

#### Directors' Report

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

D Anderson (Co-opted member)  
N. Cowie (Principal and Chief Executive)  
S. Elston – Regional Chair – appointed Nov 2022 – appointment extended to November 2028)  
C Beatton (student member)  
L McLennan (student member from January to July 2024)  
N. McLennan  
S. Ross  
C Dempster (support staff member)  
D Blackhall (teaching staff member)  
A Rodden (till November 2023)  
J Gifford  
L McDermid  
I Watt  
B Hutcheson  
D Cockburn  
M Fotheringham  
C Laurenson  
E Rattray (from June 2024)  
G Lawrie (from June 2024)  
E Zemani (from June 2024)  
L Ross (UNISON nominated member) (from January 2024 to Sept 2024)  
A Watt (EIS-FELA observer) (from January 2024)

Secretary to the Board: S Lawrance

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

R McGregor – Vice Principal Curriculum and Quality  
S Thompson – Vice Principal Finance and Resources

Details of transactions with members of the Board are given in Note 28 to the financial statements, but the full list of members can be found here: <https://www.nescol.ac.uk/regional-board-register-of-interests>

#### Statement of Regional Board's Responsibilities

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

The Regional Board is responsible for keeping proper accounting records in accordance with the 2023-24 Government Financial Reporting Manual (FReM) issued by the Scottish Government. The accounting records also comply with other relevant accounting standards that disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and 2005. In addition, within the terms and conditions of the Financial Memorandum agreed between the Scottish Funding Council and the College's Regional Board, the Regional Board, through its designated office holder, is required to prepare financial statements for each financial period that give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that period.

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

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

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

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

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare financial statements on the going concern basis unless it is inappropriate to presume that the College will continue in operation. The Regional Board is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Regional Board has taken reasonable steps to:

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

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

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

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

## **Governance Statement**

### **Introduction**

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

### **Governing Body**

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

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

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

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

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

The Audit and Risk Committee and Finance and Resources Committee met four times last year. The Curriculum and Quality and HR Committee met three times.

The following additional Committees are held as required:

Remuneration Committee - the remit of this committee is to:

- advise the Board and make recommendations on matters relating to the pay, conditions of service and structure of the College's Executive Team and such other staff as the Regional Board may from time to time determine;
- seek comparative information on salaries and other emoluments and conditions of service in the FE sector;
- ensure that the performance of the Principal as head of the College is assessed on an annual basis;
- oversee severance arrangements for senior staff and ensure that account is taken of the SFC guidance on Severance Arrangements in respect of senior staff. Where consideration of severance arrangements is delegated, to ensure that boundaries of delegated authority are clear, and to receive formal reports of any severance arrangements.
- The remunerations Committee did not meet during AY2023-24.

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

- Consider and recommend amendments to the Regional Board's Governance Manual;
- Ensure that the Regional Board complies with the Code of Good Governance for Scotland's Colleges;
- Consider implications of legislative changes and advise the Regional Board accordingly.
- Provide a forum to consider any governance issues that arise centrally or in other college regions and any possible implications or considerations for the Regional Board of North East Scotland College.
- Consider the Board's succession planning arrangements
- Support the process by which Regional Board Members are recruited, selected, and recommended for appointment;
- Support the process by which individuals, including Non-executive Members at the end of their term of office, are co-opted to Board Committees;
- Advise the Regional Board on matters relating to the appointment of the Chairs, Vice Chairs and membership of the Board's Committees and
- Where the Regional Board so determines, provide assistance in identifying, selecting and recommending candidates for appointment to senior staff positions in the College, and to senior positions in College subsidiaries or any other body to which the College is entitled to make appointments.
- The Governance and Nominations Committee met once during AY2023.24, noting some of the Governance and Nominations Committee remit was combined with the Chairs Committee Meetings.



## Positive changes following Covid-19 that continued throughout AY2023/24

Changes made in light of the Covid-19 pandemic are reviewed annually, with the following positive operations of the Board and its Committees continuing throughout AY2023/24:

- The Regional Board agreed to continue to hold all Committee Meetings (in agreement with Committee Chairs) through the use of Microsoft Teams, noting if required these can be changed to in person meetings.
- The Regional Board agreed to continue to hold all Regional Board Meetings throughout AY2023/24 in person at various campuses.
- Chairs Committee remain a permanent aspect of the Board's governance arrangements and met four times during AY2023/24
- Weekly engagement has continued between the Regional Chair and Principal & Chief Executive (held through a combination of Microsoft Teams and face to face meetings).
- Additional items (included at Board and Committee Meetings relating to the impacts of Covid-19 have continued, including enhanced reports on Staff Wellbeing; and report on Student Support and Wellbeing, including engagement data.
- The College's Strategic Risk Register, owned by the Board and monitored by the Audit and Risk Committee remains a Standing Item for the Board Meetings.
- A Microsoft Teams area dedicated to Board (and accessible to Board Members) was set up during Covid-19 and continues to be used by Board members where all agendas, papers and key College documents can be found.

## Committee Memberships

The Regional Board has formally constituted several committees with terms of reference. These committees act with delegated authority. Membership of key committees during the period to 31 July 2024 is as follows:

### Key Committees (noting the changes to Regional Board members in 2.1 above and some changes to Committee membership agreed by the Regional Board throughout AY2023/24)

- **Audit and Risk Committee**  
Members – J Gifford (Chair); I Watt (Vice Chair); D. Anderson (Co-opted Member); L McDermid; S Elston (invited as Regional Chair); B Hutcheson; I Watt A Rodden (until resignation from Regional Board); C Laurenson (from Nov 2023); E Zemani (from June 2024); G Lawrie (from June 2024)
- **Curriculum and Quality Committee**  
Members – D Blackhall, N. Cowie, N. McLennan, A Rodden (Chair until resignation); C Dempster; C Beaton. D Cockburn. B Hutcheson (Chair); M Fotheringham (Vice Chair); C Laurenson (from Nov 2023)
- **Finance and Resources Committee**  
Members – A Rodden (until resignation); D Blackhall, N. Cowie, S. Elston, J Gifford, S Ross (Chair); N. McLennan (Vice Chair), I Watt; C Beaton; M Fotheringham
- **Human Resources Committee**  
Members – N. Cowie, S. Elston, J. Gifford, (Vice Chair); N McLennan; C Dempster; L McDermid (Chair), D Cockburn.
- **Remuneration Committee**  
Members – C Dempster; S Ross; S Elston; L McDermid (Chair), C Beaton; B Hutcheson
- **Governance and Nominations Committee**  
Members - S Elston ; L McDermid; S Ross; N Cowie; B Hutcheson
- **Chairs Committee**  
S Elston; B Hutcheson; S Ross; L McDermid; J Gifford; N Cowie

Board Member attendance at Board and Committee meetings for the year to 31 July 2024 is as follows:

Board Member	Regional Board	Audit & Risk	Curriculum & Quality	Human Resources	Finance & Resources
D. Anderson	2/4	3/4			
D Blackhall	4/4		3/3		3/4
N. Cowie	4/4		3/3	3/3	4/4
S. Elston	4/4	3/4	2/3	2/3	2/4
J Gifford	4/4	4/4		3/3	4/4
C Laurenson	3/3	2/2	2/2		
L McDermid	4/4	3/4		3/3	
N. McLennan	3/4			0/3	2/4
A Rodden	1/1	1/1			
S. Ross	4/4	1/1			3/4
L Ross	1/2				
B Hutcheson	4/4	2/4	3/3		
D Cockburn	3/4		2/3	1/3	
I Watt	4/4	4/4			4/4
C Dempster	3/4		2/3	3/3	
C Beaton	2/4		2/3	2/3	
L McLenan	2/2				
E Zemani	1/1				
G Lawrie	0/1				
M Fotheringham	4/4		3/3		2/3
E Rattray	0/1				

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

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

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

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

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

In line with the Code of Good Governance for Scotland's Colleges, and the recommendation to undertake an externally facilitated effectiveness evaluation every three years, it has been agreed by the Regional Chair to complete this within AY2024.25.

The college continues to comply with all the principles of the 2022 Code of Good Governance for Scottish Colleges, and it has complied throughout the year ended 31 July 2024.

The Audit and Risk Committee at its May meeting received a Review of Compliance paper and noted the updated Board member Register of Interests and the planned annual appraisals of Committees, Committee Chairs, Regional Board and Board Secretary.

The Board at its March 2024 meeting, considered and approved the revised Governance Manual which now incorporates the Standards Commission for Scotland Model Code of Conduct, which is available on the College website [Model Code of Conduct for Members of Devolved Public Bodies \(d1ssu070pg2v9i.cloudfront.net\)](https://d1ssu070pg2v9i.cloudfront.net/Model_Code_of_Conduct_for_Members_of_Devolved_Public_Bodies)

## **Risk Management and Internal Control**

The Audit and Risk Committee, during 2022/23 asked that the Strategic Risk Register be reviewed, to reflect the risk appetite at a strategic level, which Members noted at their May meeting would take place over the summer period and include discussions with the Internal Auditors, Henderson Loggie. The intention to streamline the format, process and framework was highlighted along with intended Executive Team and Leadership team risk awareness and risk management training scheduled for early AY2023/24.

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

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

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

### **Internal Control**

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

### **Risk Management**

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

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

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

The College's system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the College to respond to a

variety of operational, financial, and commercial risks. These elements include: policies and procedures; monthly reporting; business planning and budgeting; strategic themes, goals and objectives; risk registers; internal audit programme; and external audit.

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

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

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

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

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

- IF staff do not adhere to key statutory obligations and legislative requirements, THEN the College may face significant financial penalties and/or reputational damage may occur.
- IF the College is the victim of a cyber-attack, THEN the College may experience IT systems outages and/or data security breaches, both resulting in significant business disruption.
- The new Energy Transition Skills Hub does not meet the College or economic needs and is not financially sustainable.

Mitigation measures include IT Strategy, internal audits, robust systems testing, appropriate physical security and use of preventative technologies, resilient architecture of links between sites, monitoring of threat levels through partners, use of cloud-based repository, staff training, appropriate levels of support and representation on the project board, proper scrutiny of design of building and lease agreements, and working with industrial partners.

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

The Regional Board at their March meeting received a report from VP Curriculum and Quality providing an overview of the project approach, objectives and timeline that will be used to deliver the new Strategic Plan, which it is anticipated will be circulated for the start of AY2024/25.

### **Board's Statement on Internal Control**

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

The Board's Committees and Executive Team receive reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the College's academic sectors and teams and reinforced by risk awareness training. The Executive Team and the Audit and Risk Committee also receive regular reports from internal audit that include recommendations for improvement and identify areas of good practice.

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

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

The Regional Board is of a view that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place throughout the year ended 31 July 2024 and up to the date of approval of the annual report and accounts. The Regional Board regularly review this process, which accords with the Turnbull guidance on internal control, as applicable to the further education sector.

A programme of internal audit work has been undertaken as approved by the Audit and Risk Committee (with the draft plan being presented to September 2023 meeting) and the final Internal Audit Plan being submitted to A&R Committee in February 2024. The following areas were identified for review: Student Recruitment; space Management (Business Process Review); ASET; Corporate Planning; Environmental Sustainability; Credits Audit; Student Support Funds; Follow-up Reviews. Results thus far include: Student Recruitment (good); with no recommendations; Follow-up Reviews: 10 of 12 recommendations full implemented; one partially implemented. Environmental Sustainability (good); with no recommendations. Audit and Risk Committee also received a progress update on the annual plan for 2023/24 at their May meeting. The management responses to each Internal Audit Report were discussed and approved by the Audit and Risk Committee. Internal Audit reports for the following three areas identified for review: Space Management (Business process review); ASET and Corporate Planning were submitted to the September 2024 Audit and Risk Committee. The results for the three reviews were as follows: Space Management review identified 9 improvement points, (1 high; 7 medium; 1 low), with management comments noted. The Internal Audit report for ASET produced an Overall Level of Assurance that requires improvement. With 7 priority two action grades and 1 level 3 action grade identified, management comments were again noted. The internal audit for Corporate Planning produced an overall Good level of assurance with no agreed actions required.

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

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

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

There were no significant lapses in data security, i.e. reportable to the Information Commissioner's Office, during AY2023-24 or up to the date of signing of this report.

### **Conclusion**

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

The Audit and Risk Committee agendas during AY2023-24 included consideration of risk and control and reports thereon from the Executive Team and the Internal Auditors. The emphasis was on obtaining the relevant degree of assurance and not merely reporting by exception.

The Regional Board is of the view that there was an on-going process for identifying, evaluating and managing the College's significant risks, that it had been in place for the year ended 31 July 2024 and up to the date of approval of the annual report and accounts, that it was regularly reviewed by the Regional Board and that it accords with the 2016 Code of Good Governance for Scotland's Colleges.

## Going Concern

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

The Group recorded a deficit for the year of £2,850,000 before other gains and losses during the financial year, and also recorded a total for comprehensive income of £53 million. The Group reported an adjusted operating surplus of £515,000 after accounting for technical pension adjustments of £(1,603,000), net depreciation adjustments of £961,000, a loss on revaluation of an Investment Property of £190,000 and an accounting adjustment for Job Evaluation of £3,817,000. Cash decreased by £0.4 million during the year to £8.3 million at 31 July 2024. At 31 July 2024, the Group held no borrowings and has reported a Group net asset position in these financial statements of £59.0 million (2022/23: £65.3 million). This includes a pension liability of £4 million for previous employees who left the Group in previous years at 31 July 2024 (2022/23: £4 million), and a provision of £4 million for the Job Evaluation scheme (2022/23: nil).

The activities of NESCOL are 75% funded by the Scottish Government through the Scottish Funding Council to provide Higher and Further Education. The Regional Board and the Executive Team are responsible for ensuring that these funds are used to meet this purpose and the operations within the College to achieve this support ensuring financial sustainability for the College.

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

The College has recently updated the financial forecast out to 2026/27 in line with the assumptions provided by the Scottish Funding Council (SFC) which include assuming colleges taking relevant actions to balance their underlying positions each year. Based on our latest assumptions the College will operate with an Adjusted Operating Position showing a planned deficit in 2024/25 of £695,000, a deficit of £558,000 in 2025/26, and a deficit of £325,000 in 2026/27. Over that same period, the forecast cash balance is expected to reduce to £5.3 million at the end of 2026/27.

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

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

Following review of the updated Financial Forecast and mitigating actions, the Regional Board considers that the College has adequate resources to continue in operational existence for the foreseeable future. As a result, the financial statements have been prepared on a going concern basis for the period to 31 July 2024.

## 2.2 REMUNERATION AND STAFF REPORT

All information disclosed in the tables in this report were audited by the College's external auditor, apart from the Staff Numbers on p33, the Equalities, Diversity and Inclusion on p34 and Facility Time disclosures on p35. All other sections of the Remuneration Report were reviewed to ensure they are consistent with the financial statements.

### Remuneration Policy

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

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

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

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

### Remuneration (including salary) and Pension entitlements

Single total figure of Remuneration:

Actuals	12 months ended 31 July 2024			12 months ended 31 July 2023		
Name	Salary £'000	Pension Benefit (to nearest £'000)	Total £'000	Salary £'000	Pension Benefit (to nearest £'000)	Total £'000
S Elston, Regional Chair	25-30	-	25-30	25-30	-	25-30
N Cowie, Principal & Chief Executive	140-145	(27)	110-115	140-145	(28)	110-115
R. McGregor, Vice Principal Curriculum & Quality	105-110	33	140-145	105-110	34	140-145
S Thompson Vice Principal Finance & Resources	105-110	1,159	1,265-1,270	25-30	(3)	25-30

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

- 1 There were no payments made for performance, bonuses, in lieu of pension, or non-cash.
- 2 Only the persons disclosed in the Directors Report who are remunerated are disclosed in the above table.
- 3 The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contribution made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
- 4 For S Thompson, there was a pension transfer during the year from another fund which is why the increases are large.

### 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 2023/24, was £140,000-£145,000 (2022/23 £140,000-£145,000). This was 3.6 (2022/23 3.9) times the median total remuneration for the College which was £38,728 (2022/23 £36,445).

### 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.

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

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

### Senior Officials' Pension

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

Accrued Pension Benefits for senior staff:

Name	Accrued Pension at Pension age at 31 July 2024 £'000	Accrued Lump Sum at Pension age at 31 July 2024 £'000	Real Increase in Pension 1 Aug 2022 to 31 July 2024 £'000	Real Increase in Lump Sum 1 Aug 2022 to 31 July 2024 £'000	CETV at 31 July 2024 £'000	CETV at 31 July 2023 £'000	Real Increase/ (Decrease) in CETV £'000
S Elston, Regional Chair	-	-	-	-	-	-	-
N Cowie, Principal & Chief Executive	45-50	115-120	(0-2.5)	(7.25-7.5)	1,099	943	(7)
R. McGregor, Vice Principal Curriculum & Quality	20-25	-	0-2.5	-	260	173	75
S Thompson, Vice Principal – Finance & Resources	55-60	65-70	55-57.5	67.5-70	1,064	-	-

### 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

Fourteen employees left under voluntary redundancy terms in 2023/24 (2022/23 Twenty). They did not receive any additional compensation, which includes compensation for an actuarial reduction on their pension rights.

Total number of exit packages by cost band

Exit package cost band	2023/24	2022/23
<£10,000	1	2
£10,000 - £25,000	2	3
£25,000 - £50,000	9	13
£50,000 - £100,000	2	2
£100,000 - £150,000	0	0
<b>Total Number of exit packages</b>	<b>14</b>	<b>20</b>
<b>Total cost (£000s)</b>	<b>473</b>	<b>636</b>

### Staff Numbers

Staff Data as at 31 July 2024	Total	Male	Female
Number of Staff (Headcount)	556	236	320
Number of Staff (FTE)	484	224	260
Number of Staff (FTE) on permanent contracts	472	218	254
Number of Staff (FTE) on temporary contracts	12	6	6

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

	Year ended 31 July 2024			Year ended 31 July 2023		
	Male	Female	Total	Male	Female	Total
Directors	1	1	2	1	1	2
Senior employees	2	-	2	6	-	6
Other employees	221	259	480	215	268	483
<b>Total</b>	<b>224</b>	<b>260</b>	<b>484</b>	<b>222</b>	<b>269</b>	<b>491</b>

There were an average of 0.75 FTE agency staff employed each month by the College.

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

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

### Salaries and Related Costs

During the year, the College incurred staffing costs of £33,804,000 (2022/23 £30,974,000) and costs of £2,063,000 (2022/23 £2,382,000) on agency staff. The number of days lost to sickness during the year was approximately 4,524 days (2022/23 4,626). This represented 3.0% (2022/23 3.4%) as a percentage of days available to work. The overall staff turnover for the year was 12.2% (2022/23 14.5%).

The College spent £51,000 on Consultancy during the year (2022/23 £61,000), but there were no off-payment engagements, nor were there any consultancy payments to staff who had left the College's employment.

	2023-24 £'000	2022-23 £'000	Change %
Range of workforce remuneration	(22-24k) – (140-145k)	(22-24) – (140-145)	
% change in salary and allowances for employees as a whole	46	42	9.5%
Highest paid official remuneration	140-145	140-145	0%
Median (total pay and benefits)	51	45	12.1%
Median (salary only)	51	45	12.1%
Ratio	2.81:1	3.15:1	-10.8%
25 <sup>th</sup> percentile (total pay and benefits)	39	34	13.3%
25 <sup>th</sup> percentile (salary only)	39	34	13.3%
Ratio*	3.67:1	4.15:1	-11.7%
75 <sup>th</sup> percentile (total pay and benefits)	51	45	12.1%
75 <sup>th</sup> percentile (salary only)	51	45	12.1%
Ratio	2.81:1	3.15:1	-10.8%

In the financial year 2023/24, the highest paid official received a remuneration of £140k-£145k (2022/23 £140k-£145k). This is 2.81 times the median total remuneration of £46,998 (2022/23 3.15 times the median total remuneration of £45,190).

### Equalities, Diversity and Inclusion

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

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

Public Sector Equality Duty – Interim Report 2023

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

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

[https://d1ssu070pg2v9i.cloudfront.net/pex/nescol/2023/06/16132910/Staff\\_Equality\\_Report.pdf](https://d1ssu070pg2v9i.cloudfront.net/pex/nescol/2023/06/16132910/Staff_Equality_Report.pdf)

Pay Gap Report – Gender & Ethnicity:

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

Learning & Development Equalities Report:

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

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

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

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

The College disability profile as at 31 December 2023 was:

	Total Number	Total % of overall headcount	Male (Number)	Female (Number)
Disability	76	13.8	25	51
No disability	321	58.1	125	196
Prefer not to say	12	2.2	8	4
Unaware/Blank	143	25.9	75	68
Total	552	100.0	233	319

*Note: % Figures have been rounded to one decimal place*

This compares with the College disability profile as at 31 December 2022:

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

*Note: % Figures have been rounded to one decimal place*

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

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

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

### Facility Time for Trade Union Activities

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the College provided the following support through paid facility time for union officials working at the College during the year ended 31 July, 2024.

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

### Percentage of time spent on facility time

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

### Percentage of pay bill spent on facility time

Total cost of facility time	£15,458
Total Pay Bill	£33,804,000
Percentage of the total Pay Bill spent on facility time	0.05%

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

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

## Fair Work Disclosure

FW Principle	Govt expectation	SFC expectation	NESCol's Position	Evidence
<b>Appropriate channels for effective voice, such as trade union recognition</b>	All organisations with a workforce must be able to demonstrate, before they can access a grant, that all workers employed within that organisation have access to effective voice channel(s), including agency workers. Voice exists at both collective and individual levels and organisations will be expected to show how genuine and effective voice is evidenced.	<p><u>8 recommendations</u></p> <p><u>Collective voice channels:</u></p> <ul style="list-style-type: none"> <li>• Providing access to trade unions and making workers aware that they can join a union of their choice.</li> <li>• Involving trade union/worker representatives in key governance and decision-making structures.</li> <li>• Recognising trade unions for the purpose of collective bargaining and encouraging membership, where this is in the workforce's preferred route, and providing appropriate facility time for supporting regular engagement between union/s and members.</li> <li>• Constructive dialogue between the employer, workers and where appropriate a relevant trade union/s to address workplace issues or disputes, e.g. absence management, grievance, health and safety.</li> </ul> <p><u>Individual voice channels:</u></p> <ul style="list-style-type: none"> <li>• Regular surveys are carried out to understand workers views, including how well they feel effective voice is facilitated in the organisation, and are involved in agreeing and progressing improvement action.</li> <li>• Formal and informal arrangements are in place through which meaningful individual and collective dialogue take place, including one-to-ones between workers and management, appraisal/feedback</li> </ul>	<ul style="list-style-type: none"> <li>• We recognise Unison and EIS-FELA as trade unions for all employees</li> <li>• We have regular Unison and EIS management meetings as well as regular informal meetings with union representatives</li> <li>• The Principal provides a weekly all staff bulletin</li> <li>• The Executive Team have introduced face to face Town Hall meetings across all campuses in addition to all staff webinars</li> <li>• We have team meetings across the college.</li> <li>• We also have union representatives, on the Board</li> <li>• We have national bargaining and pay and main terms and conditions are set nationally for all employees, other than the Executive Team</li> <li>• We promote trade union membership during induction and in our Employee Handbook</li> <li>• We have consultation with union reps on key decisions, e.g., proposed restructuring</li> <li>• We have recently conducted an all-staff Employee Voice Survey. The questions were focussed on culture, environment, transparency, engagement, staff voice, senior management engagement</li> <li>• Managers are expected to have</li> </ul>	<ul style="list-style-type: none"> <li>• Action points and notes from meetings shared with all meeting members</li> <li>• Induction programme</li> <li>• Template written statement of T&amp;C of employment</li> <li>• RPA's including collective dispute procedures</li> <li>• Diary and written evidence of team meetings and 1-1 meetings</li> <li>• iCon records</li> <li>• Minutes of Board meetings</li> <li>• Staff survey planning, outcomes and actions</li> <li>• LJNC agendas and minutes</li> <li>• Grievance Policy &amp; Procedure</li> </ul>

		<p>processes, team/organisation meetings.</p> <ul style="list-style-type: none"> <li>• Appropriate collective consultation and a clear route for resolving issues at both individual and collective levels, such as through a grievance or collective dispute procedure.</li> <li>• The organisation promotes a strong culture of openness and transparency and encourages acceptance of different viewpoints.</li> </ul>	<p>regular 1-1 meetings with all in their team</p> <ul style="list-style-type: none"> <li>• We have a personal development review process, iCon, which all employees are expected to participate in</li> <li>• We have a well established Grievance Policy &amp; Procedure</li> <li>• We have a collective disputes procedure as part of the RPA (Recognition and Procedures Agreement) with both recognised trade unions</li> </ul>	
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## 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 2022/23.

### Fees and charges

There are no items to be disclosed under this heading.

### Disclosure of contingent liabilities

There are no items to be disclosed under this heading.

### Disclosure of total losses and total special payments

There are no items to be disclosed under this heading.

### Auditor Scrutiny

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

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

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

**Signed:**

**Susan Elston**  
Regional Chair  
Date:

**Neil Cowie**  
Principal and Chief Executive

## 2.4 INDEPENDENT AUDITOR'S REPORT

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

#### Reporting on the audit of the financial statements

##### Opinion on financial statements

I have audited the financial statements in the annual report and accounts of North East Scotland College and its group for the year ended 31 July 2024 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 Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the affairs of the college and its group as at 31 July 2024 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

##### Basis for opinion

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

##### Conclusions relating to going concern basis of accounting

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

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

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the college and its group. However, I report on the

college's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

### **Risks of material misstatement**

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

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

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

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

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

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

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

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

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

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

detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

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

### **Opinion on regularity**

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

### **Responsibilities for regularity**

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

## **Reporting on other requirements**

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

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

### **Other information**

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

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

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

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

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

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



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

**Matters on which I am required to report by exception**

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

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

I have nothing to report in respect of these matters.

**Conclusions on wider scope responsibilities**

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

**Use of my report**

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

Anne MacDonald CA  
Senior Audit Manager  
Audit Scotland  
Woodhill House Annexe  
Westburn Road  
Aberdeen  
AB16 5GB

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

### 3. FINANCIAL STATEMENTS

#### CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 July 2024 £'000		Year ended 31 July 2023 £'000	
<b>INCOME</b>		<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
Tuition fees and education contracts	3	8,898	6,534	7,678	5,277
Funding body grants	4	40,025	40,025	42,432	42,432
Other income	5	2,827	3,567	2,526	3,736
Investment income	6	1,609	1,604	191	190
<b>Total Income</b>		<b>53,359</b>	<b>51,730</b>	<b>52,827</b>	<b>51,635</b>
<b>EXPENDITURE</b>					
Staff costs	7	33,804	33,086	30,974	30,418
Restructuring costs	7	866	866	1,211	1,211
Other operating expenses	10	19,101	18,255	19,556	18,814
Depreciation	13	2,438	2,391	2,272	2,223
Interest and other finance costs	9	-	-	-	-
<b>Total Expenditure</b>		<b>56,209</b>	<b>54,598</b>	<b>54,013</b>	<b>52,666</b>
<b>(Deficit) before other gains, losses, taxation and shares of operating surplus/(deficit) of joint ventures &amp; associate</b>		<b>(2,850)</b>	<b>(2,868)</b>	<b>(1,186)</b>	<b>(1,031)</b>
Taxation	11	-	-	29	-
<b>Deficit for the year</b>		<b>(2,850)</b>	<b>(2,868)</b>	<b>(1,157)</b>	<b>(1,031)</b>
Unrealised (loss)/surplus on revaluation of Land and Buildings		<b>(1,851)</b>	<b>(1,851)</b>	1,925	1,925
Actuarial (loss)/gain in respect of pension schemes		<b>(1,603)</b>	<b>(1,603)</b>	1,574	1,574
<b>Total comprehensive (loss)/gain for the year</b>		<b>(6,304)</b>	<b>(6,322)</b>	<b>2,342</b>	<b>2,468</b>
Represented by:					
Unrestricted comprehensive (loss)/surplus for the year		<b>(4,453)</b>	<b>(4,471)</b>	417	543
Revaluation reserve comprehensive (deficit)/income for the year		<b>(1,851)</b>	<b>(1,851)</b>	1,925	1,925
		<b>(6,304)</b>	<b>(6,322)</b>	<b>2,342</b>	<b>2,468</b>
<b>(Loss)/Surplus for the year attributable to:</b>					
Non-controlling interest		-	-	-	-
College		<b>(6,304)</b>	<b>(6,322)</b>	<b>2,342</b>	<b>2,468</b>
Total Comprehensive Income for the year attributable to:					
Non-controlling interest		-	-	-	-
College		<b>53,359</b>	<b>51,730</b>	<b>52,827</b>	<b>51,635</b>

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

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

For the year ended 31 July 2024

Group	Income and expenditure account		Revaluation £'000	Total excluding Non-controlling Interest £'000	Non-controlling Interest £'000	Total £'000
	Restricted £'000	Unrestricted £'000				
<b>Balance at 1 August 2022</b>	<b>215</b>	<b>18,520</b>	<b>44,170</b>	<b>62,905</b>	<b>-</b>	<b>62,905</b>
Surplus from the Comprehensive Statement of Income & Expenditure	-	417	-	417	-	417
Transfers between revaluation and income & expenditure reserve	-	(239)	239	-	-	-
Revaluation during year	-	-	1,925	1,925	-	1,925
Addition for the year	200	-	-	200	-	200
Spend for year	(167)	-	-	(167)	-	(167)
<b>Total movement for the year</b>	<b>33</b>	<b>178</b>	<b>2,164</b>	<b>2,375</b>	<b>-</b>	<b>2,375</b>
<b>Balance at 1 August 2023</b>	<b>248</b>	<b>18,698</b>	<b>46,334</b>	<b>65,280</b>	<b>-</b>	<b>65,280</b>
(Deficit) from the Comprehensive Statement of Income & Expenditure	-	(4,453)	-	(4,453)	-	(4,453)
Transfers between revaluation and income & expenditure reserve	-	(231)	231	-	-	-
Revaluation during year	-	-	(1,851)	(1,851)	-	(1,851)
Addition for year	200	-	-	200	-	200
Spend for year	(142)	-	-	(142)	-	(142)
<b>Total movement for the year</b>	<b>58</b>	<b>(4,684)</b>	<b>(1,620)</b>	<b>(6,246)</b>	<b>-</b>	<b>(6,246)</b>
<b>Balance at 31 July 2024</b>	<b>306</b>	<b>14,014</b>	<b>44,714</b>	<b>59,034</b>	<b>-</b>	<b>59,034</b>

College	Income and expenditure account		Revaluation £'000	Total excluding Non-controlling Interest £'000	Non-controlling Interest £'000	Total £'000
	Restricted £'000	Unrestricted £'000				
<b>Balance at 1 August 2022</b>	<b>215</b>	<b>18,425</b>	<b>44,170</b>	<b>62,810</b>	<b>-</b>	<b>62,810</b>
Surplus from the Comprehensive Statement of Income & Expenditure	-	543	-	543	-	543
Transfers between revaluation and income & expenditure reserve	-	(239)	239	-	-	-
Revaluation during year	-	-	1,925	1,925	-	1,925
Addition for year	200	-	-	200	-	200
Spend for year	(167)	-	-	(167)	-	(167)
<b>Total movement for the year</b>	<b>33</b>	<b>304</b>	<b>2,164</b>	<b>2,501</b>	<b>-</b>	<b>2,501</b>
<b>Balance at 1 August 2023</b>	<b>248</b>	<b>18,729</b>	<b>46,334</b>	<b>65,311</b>	<b>-</b>	<b>65,311</b>
(Deficit) from the Comprehensive Statement of Income & Expenditure	-	(4,471)	-	(4,471)	-	(4,471)
Transfers between revaluation and income & expenditure reserve	-	(231)	231	-	-	-
Revaluation during year	-	-	(1,851)	(1,851)	-	(1,851)
Addition for year	200	-	-	200	-	200
Spend for year	(142)	-	-	(142)	-	(142)
<b>Total movement for the year</b>	<b>58</b>	<b>(4,702)</b>	<b>(1,620)</b>	<b>(6,262)</b>	<b>-</b>	<b>(6,262)</b>
<b>Balance at 31 July 2024</b>	<b>306</b>	<b>14,027</b>	<b>44,714</b>	<b>59,047</b>	<b>-</b>	<b>59,047</b>

**CONSOLIDATED AND COLLEGE**  
**BALANCE SHEET**

	Notes	Group 31 July 2024 £'000	Group 31 July 2023 £'000	College 31 July 2024 £'000	College 31 July 2023 £'000
<b>Non-current assets</b>					
Fixed assets	13	106,586	106,644	106,462	106,473
Investment Property	12	2,260	2,450	2,260	2,450
Investments	14	-	-	30	30
		<b>108,846</b>	109,094	<b>108,752</b>	108,953
<b>Current assets</b>					
Stock	15	10	14	10	14
Trade and other receivables	16	2,195	4,478	2,127	5,144
Cash and cash equivalents	22	8,287	8,675	7,961	7,887
		<b>10,492</b>	13,167	<b>10,098</b>	13,045
Less: Creditors: amounts falling due within one year	17	<b>(8,845)</b>	(12,053)	<b>(8,432)</b>	(11,887)
<b>Net current assets</b>		<b>1,647</b>	1,114	<b>1,666</b>	1,158
Total assets less current liabilities		<b>110,493</b>	110,208	<b>110,418</b>	110,111
Creditors: amounts falling due after more than one year	19	<b>(43,660)</b>	(40,946)	<b>(43,572)</b>	(40,818)
Deferred tax (liability)	18	-	-	-	-
<b>Provisions</b>					
Pension provisions	20	<b>(7,799)</b>	(3,982)	<b>(7,799)</b>	(3,982)
<b>TOTAL NET ASSETS</b>		<b>59,034</b>	65,280	<b>59,047</b>	65,311
<b>Restricted Reserves</b>					
Income & Expenditure reserve – restricted reserve	21	306	248	306	248
<b>Unrestricted Reserves</b>					
Income and Expenditure reserve – unrestricted		14,014	18,698	14,027	18,729
Revaluation reserve		44,714	46,334	44,714	46,334
		<b>59,034</b>	65,280	<b>59,047</b>	65,311
Non-controlling interest		-	-	-	-
<b>Total reserves</b>		<b>59,034</b>	65,280	<b>59,047</b>	65,311

The financial statements on pages 42 to 66 were approved and authorised for issue by the Regional Board on 11th December 2024 and signed on its behalf by:

Susan Elston  
Regional Chair

Neil Cowie  
Principal and Chief Executive

**CONSOLIDATED CASH FLOW STATEMENT**

	Notes	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
<b>Cash flow from operating activities</b>			
(Deficit) for the year (before tax)		(2,850)	(1,186)
<b>Adjustment for non-cash items</b>			
Depreciation	13	2,438	2,272
Income	4	(1,477)	(1,283)
Other Group non-cash income			
(Increase)/Decrease in stock	15	4	17
(Increase)/Decrease in debtors	16	2,283	(352)
(Decrease)/Increase in creditors	17	(3,208)	2
(Decrease)/Increase in Deferred Tax	11	-	(29)
Pension accounting adjustments		(1,603)	68
Other non-cash items (including Job Evaluation provision)		4,276	159
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(251)	(191)
Interest payable		-	-
Net cash inflow from operating activities		(388)	(523)
Payments made to acquire fixed assets		(4,231)	(1,723)
		(4,619)	(2,246)
Cash flows from financial activities			
Interest Paid	9	-	-
Interest element of finance lease and service concession payments		-	-
Capital funding used to acquire fixed assets	13	4,231	1,723
Repayments of amounts borrowed		-	-
		4,231	1,723
<b>Increase in cash and cash equivalents in the year</b>		(388)	(523)
Cash and cash equivalents at beginning of year	22	8,675	9,198
Cash and cash equivalents at end of the year	22	8,287	8,675

**Notes to the accounts****For the year ended 31 July 2024****1. STATEMENT OF ACCOUNTING POLICIES****Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (SORP) 2019; 'Accounting in Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2023/24 Government Financial Reporting Model (FReM), issued by the Scottish Government and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

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

These financial statements have also been prepared on the basis that the College remains a going concern. There are further comments on this issue on Page 29-30 of these statements, as part of the Governance Statement from the Board.

**Basis of consolidation**

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

**Income recognition**

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

Income from contracts and other services rendered is included to the extent of completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs.

Income from short term deposits is credited to the income and expenditure account in the period in which it is earned.

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

**Grant funding**

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

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

**Capital grants**

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

**Government social fund grants**

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

**Maintenance of Premises**

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

**Foreign Currency Translation**

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

**Research and Development**

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

**Accounting for retirement benefits**

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

**North East Scotland Pension Fund (NESPF)**

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

**Scottish Public Pensions Agency (SPPA)**

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

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

**Defined Benefit Plan**

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

**Employment benefits**

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

**Finance leases**

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



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

### **Operating leases**

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

### **Fixed assets**

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

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

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

### **Land and buildings**

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

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

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

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

### **Equipment**

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

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

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

### **Intangible assets and Goodwill**

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

Goodwill is subject to periodic impairment review as appropriate.

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

### **Investments**

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

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

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

### **Stock**

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

**Cash and cash equivalents**

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

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

**Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when:

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

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

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence of otherwise uncertain future events not wholly within the control of the College. Contingent liabilities also arise in the circumstances where a provision would otherwise be made but either it is not 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 receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

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

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

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

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

**Agency Arrangements**

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

### Subsequent Expenditure on Fixed Assets

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

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

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

	2023-24 £'000	2022-23 £'000
(Deficit) before other gains and losses (FE/HE SORP basis)	(2,850)	(1,186)
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	1,161	1,161
Operating (deficit) on Central Government accounting basis.	<u>(1,689)</u>	<u>(25)</u>

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

Under the FE/HE SORP, the college recorded an operating deficit of £2,850,000 for the year ended 31 July 2024. After adjusting for the non-cash allocation provided under government rules, the college shows an "adjusted" deficit of £1,689,000 on a Central Government accounting basis.

This demonstrates that the college is operating sustainably within its funding allocation.

## 3. TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2024 £'000		Year ended 31 July 2023 £'000	
	Group	College	Group	College
Full-time home and EU students	4,926	4,926	4,005	4,005
Full-time International students	346	346	269	269
<b>Total fees paid by or on behalf of individual students</b>	<b>5,272</b>	<b>5,272</b>	<b>4,274</b>	<b>4,274</b>
Education contracts:				
Other Tuition	2,364	-	2,401	-
Skills Development Scotland	1,262	1,262	1,003	1,003
	<b>3,626</b>	<b>1,262</b>	<b>3,404</b>	<b>1,003</b>
<b>Total</b>	<b>8,898</b>	<b>6,534</b>	<b>7,678</b>	<b>5,277</b>

**4. FUNDING BODY GRANTS - Adjusted**

	Year ended 31 July 2024 £'000		Year ended 31 July 2023 £'000	
	Group	College	Group	College
<b>Recurrent grant</b>				
Scottish Funding Council (SFC)	36,281	36,281	34,952	34,952
<b>Specific grants</b>				
Childcare funds	465	465	433	433
Release of capital grants	1,477	1,477	1,283	1,283
Other SFC grants	1,802	1,802	5,764	5,764
<b>Total</b>	<b>40,025</b>	<b>40,025</b>	42,432	42,432

**5. OTHER INCOME**

	Year ended 31 July 2024 £'000		Year ended 31 July 2023 £'000	
	Group	College	Group	College
Residences, catering and conferences	1,236	1,236	1,103	1,103
Farming activities	42	42	58	58
Other income	604	1,344	879	2,089
Accommodation recharge	945	945	486	486
<b>Total</b>	<b>2,827</b>	<b>3,567</b>	2,526	3,736

**6. INVESTMENT INCOME**

	Year ended 31 July 2024 £'000		Year ended 31 July 2023 £'000	
	Group	College	Group	College
Other investment income	1,609	1,604	191	190
	<b>1,609</b>	<b>1,604</b>	191	190

**7. STAFF COSTS - Adjusted**

	Year ended 31 July 2024 £'000		Year ended 31 July 2023 £'000	
	Group	College	Group	College
Salaries	26,007	25,560	23,633	23,326
Social security costs	2,765	2,613	2,484	2,344
Other pension costs	5,032	4,913	4,857	4,748
Restructuring costs	866	866	1,211	1,211
	<b>34,670</b>	<b>33,952</b>	<b>32,185</b>	<b>31,629</b>
Teaching departments	17,764	17,701	18,184	18,045
Teaching support services	1,226	1,226	1,235	1,235
Administration and central services	14,737	14,082	11,472	11,055
Premises	77	77	83	83
	<b>33,804</b>	<b>33,086</b>	<b>30,974</b>	<b>30,418</b>
<i>Analysed as:</i>				
Staff on permanent contracts	33,804	33,086	30,974	30,418
Restructuring costs	866	866	1,211	1,211
	<b>34,670</b>	<b>33,952</b>	<b>32,185</b>	<b>31,629</b>
<b>Restructuring costs</b>				
Restructuring costs	866	866	1,211	1,211
	<b>866</b>	<b>866</b>	<b>1,211</b>	<b>1,211</b>

The Other Pension Costs shown above include an amount of £(245,000) (2022-23 (£161,000)) charged as part of Pension Fund adjustments.

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

	Year ended 31 July 2024		Year ended 31 July 2023	
	Number Senior post-holders	Number other staff	Number Senior post-holders	Number other staff
£60,001 to £70,000	-	9	-	9
£70,001 to £80,000	-	9	-	8
£80,001 to £90,000	-	2	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	2	-	2	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	-	-	-
£140,001 to £150,000	1	-	1	-

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

	Year ended 31 July 2024	Year ended 31 July 2023
Average staff numbers by major category:		
Teaching departments	277	284
Teaching support services	58	62
Administration and central services	146	142
Premises	3	3
	<b>484</b>	<b>491</b>
<i>Analysed as:</i>		
Staff on permanent contracts	472	479
Staff on temporary contracts	12	12
	<b>484</b>	<b>491</b>

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

	Year ended 31 July 2024 No.	Year ended 31 July 2023 No.
The number of senior post-holders including the Principal was:	<b>3</b>	<b>3</b>

The emoluments paid to Neil Cowie, Principal and Chief Executive, (who is also the highest paid senior post-holder) were £141,000 (2022-23: £141,000) in salary, and £32,000 (2022-23: £32,000) in employer pension contributions to the Local Government Pension Scheme.

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

**Regional Board**

The total remuneration of the Regional Board including pension contributions, benefits in kind and bonuses but excluding the salaries of employee Board members for normal staff duties amounted to nil (2022-23: £0).

**9. INTEREST AND OTHER FINANCE COSTS**

	Year ended 31 July 2024 £'000		Year ended 31 July 2023 £'000	
	Group	College	Group	College
Pension cost allocation	-	-	-	-
	-	-	-	-

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

	Staff costs £'000	Other operating expenses £'000	Depreciation £'000	Interest Payable £'000	Year Ended 31 July 2024 £'000	Year Ended 31 July 2023 £'000
<b>Group</b>						
Teaching activities	22,765	5,452	28	-	28,245	28,707
Residences and catering	-	1,207	-	-	1,207	1,164
Farm	-	43	-	-	43	37
Premises	145	7,626	2,192	-	9,963	9,973
Administration	10,239	2,567	171	-	12,977	9,869
Other expenses	655	143	47	-	845	670
Agency costs	-	2,063	-	-	2,063	2,382
	<b>33,804</b>	<b>19,101</b>	<b>2,438</b>	<b>-</b>	<b>55,343</b>	<b>52,802</b>
<b>College</b>						
Teaching activities	22,702	4,832	28	-	27,562	28,189
Residences and catering	-	1,207	-	-	1,207	1,164
Farm	-	43	-	-	43	37
Premises	145	7,626	2,192	-	9,963	9,973
Administration	10,239	2,366	171	-	12,776	9,528
Other expenses	-	143	-	-	143	204
Agency costs	-	2,038	-	-	2,038	2,360
	<b>33,086</b>	<b>18,255</b>	<b>2,391</b>	<b>-</b>	<b>53,732</b>	<b>51,455</b>

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
<b>Other operating expenses include:</b>		
Auditors' remuneration (including irrecoverable VAT)		
- external audit services Annual Accounts	64	55
Other Returns	7	7
- internal audit services	12	15
	<b>83</b>	<b>77</b>

## 11. TAXATION

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
<b>Deferred tax</b>		
Increase/(Decrease) in deferred tax liability	-	(29)
<b>Total tax expense</b>	<b>-</b>	<b>(29)</b>

## 12. INVESTMENT PROPERTY

	Group and College 31 July 2024 £'000	Group and College 31 July 2023 £'000
Investment Property – Gordon Centre	2,260	2,450
	<b>2,260</b>	<b>2,450</b>

The College's property at Gordon Centre is not currently being used for operational purposes, and the College is looking to increase the actual income streams achievable from this property. This property was revalued, along with the other College properties revalued, at 31st July, 2024 as per Note 13.

**13. TANGIBLE FIXED ASSETS**

	Freehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Total £'000
<b>Group</b>			
<b>Cost or Valuation</b>			
At 1 August 2023	105,350	5,039	110,389
Additions	3,852	379	4,231
Disposals	-	(125)	(125)
Revaluation	(3,852)	-	(3,852)
Transfers			
<b>At 31 July 2024</b>	<b>105,350</b>	<b>5,293</b>	<b>110,643</b>
<b>Depreciation</b>			
At 1 August 2023	-	3,745	3,745
Charge for the year	2,051	387	2,438
Disposals		(125)	(125)
Revaluation	(2,001)	-	(2,001)
<b>At 31 July 2024</b>	<b>50</b>	<b>4,007</b>	<b>4,057</b>
<b>Net Book Value</b>			
<b>At 31 July 2024</b>	<b>105,300</b>	<b>1,286</b>	<b>106,586</b>
At 31 July 2023	105,350	1,294	106,644
Inherited			
Financed by capital grant	42,892	808	43,700
Other	62,408	478	62,886
<b>At 31 July 2024</b>	<b>105,300</b>	<b>1,286</b>	<b>106,586</b>
<b>College</b>			
<b>Cost or Valuation</b>			
At 1 August 2023	105,350	3,297	108,647
Additions	3,852	379	4,231
Disposals	-	(125)	(125)
Revaluation	(3,852)	-	(3,852)
<b>At 31 July 2024</b>	<b>105,350</b>	<b>3,552</b>	<b>108,901</b>
<b>Depreciation</b>			
At 1 August 2023	-	2,174	2,174
Charge for the year	2,051	340	2,391
Disposals	-	(125)	(125)
Revaluation	(2,001)	-	(2,001)
<b>At 31 July 2024</b>	<b>50</b>	<b>2,389</b>	<b>2,439</b>
<b>Net Book Value</b>			
<b>At 31 July 2024</b>	<b>105,300</b>	<b>1,162</b>	<b>106,462</b>
At 31 July 2023	105,350	1,123	106,473

At 31 July 2024, freehold land and buildings included £8.82m (2023: £10.085m) in respect of freehold land and is not depreciated.

Land and Buildings were revalued at 31st July, 2024 by FG Burnett, Chartered Surveyors, in the capacity of independent valuer and in accordance with the Royal Institution of Chartered Surveyors' Appraisal and



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

#### 14. NON-CURRENT INVESTMENTS

##### Subsidiary Companies £'000

At 1 August 2023 and 31 July 2024

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

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

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

#### 15. STOCK

	Group and College 31 July 2024 £'000	Group and College 31 July 2023 £'000
Catering Stock	10	14
At Year End	10	14

#### 16. TRADE AND OTHER RECEIVABLES - Adjusted

	31 July 2024		31 July 2023	
	Group £'000	College £'000	Group £'000	College £'000
Amounts falling due within one year				
Other trade receivables	566	407	216	36
Other receivables	-	-	-	-
Amounts owed by subsidiary undertakings	-	147	-	147
Prepayments and accrued income	1,629	1,573	4,262	4,961
	2,195	2,127	4,478	5,144

#### 17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - Adjusted

	31 July 2024		31 July 2023	
	Group £'000	College £'000	Group £'000	College £'000
Trade payables	196	196	109	109
Accruals and deferred income	8,649	8,236	11,944	11,778
	8,845	8,432	12,053	11,887

**18. DEFERRED TAX**

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

	<b>31 July 2024</b>		<b>31 July 2023</b>	
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Asset/ (Liability) brought forward	-	-	(29)	-
Other movement in balance	-	-	-	-
Income and Expenditure movement in period	-	-	29	-
Asset/ (Liability) carried forward	-	-	-	-

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

	<b>31 July 2024</b>		<b>31 July 2023</b>	
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deferred income	<b>43,660</b>	<b>43,572</b>	40,946	40,818
	<b>43,660</b>	<b>43,572</b>	40,946	40,818

**20. PROVISIONS**

<b>Group and College</b>	<b>Pension costs arising from early retirement £'000</b>	<b>Job Evaluation Exercise £'000</b>	<b>2024 Total £'000</b>	<b>Pension costs arising from early retirement £'000</b>	<b>Job Evaluation Exercise £'000</b>	<b>2023 Total £'000</b>
At Beginning of Year	<b>3,982</b>	-	<b>3,982</b>	5,788	-	5,788
Additional/ (reduced) provision in period	-	<b>3,817</b>	<b>3,817</b>	(1,806)	-	(1,806)
<b>At Year End</b>	<b>3,982</b>	<b>3,817</b>	<b>7,799</b>	3,982	-	3,982

An amount of £3,982,000 (2022-23: £3,982,000) represents future pension costs arising from early retirements. The amount of £3,817,000 (2022-23: nil) represents a provision made for costs in relation to the national Job Evaluation exercise.

**21. RESTRICTED RESERVES**

Reserves with restrictions are as follows:

	<b>2024 Total £'000</b>	<b>2023 Total £'000</b>
Balance at 1 August 2023	248	215
New Donations	200	200
Expenditure	(142)	(167)
<b>At 31 July 2024</b>	<b>306</b>	<b>248</b>

	<b>2024 Total £'000</b>	<b>2023 Total £'000</b>
<b>Analysis of other restricted funds/donations by type of purpose:</b>		
Prize funds	5	5
Donation for Fraserburgh	301	243
	<b>306</b>	<b>248</b>

**22. CASH AND CASH EQUIVALENTS**

<b>Group</b>	<b>At 1 August 2023 £'000</b>	<b>Cash Flows £'000</b>	<b>At 31 July 2024 £'000</b>
Cash and Cash Equivalents	8,675	(387)	8,287
	<b>8,675</b>	<b>(387)</b>	<b>8,287</b>

<b>College</b>	<b>At 1 August 2023 £'000</b>	<b>Cash Flows £'000</b>	<b>At 31 July 2024 £'000</b>
Cash and Cash Equivalents	7,887	74	7,961
	<b>7,887</b>	<b>74</b>	<b>7,961</b>

**23. CAPITAL AND OTHER COMMITMENTS**

Provision has not been made for the following capital commitments at 31 July 2024

	<b>Year ended 31 July 2024</b>		<b>Year ended 31 July 2023</b>	
	<b>Group £'000</b>	<b>College £'000</b>	<b>Group £'000</b>	<b>College £'000</b>
Capital Commitments authorised and not contracted for	-	-	-	-
Capital Commitments contracted for	1,360	1,360	3,783	3,783
	<b>1,360</b>	<b>1,360</b>	<b>3,783</b>	<b>3,783</b>

**24. CONTINGENT LIABILITIES**

There are no contingent liabilities at 31 July 2024 (2022-23: none).

## 25. LEASE OBLIGATIONS

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

Group	Year ended 31 July 2024			31 July
	Vehicles £'000	Plant & Machinery £'000	Total £'000	2023 £'000
Payable during the year	31	5	36	76
Future minimum lease payments due:				
Not later than 1 year	56		56	46
Later than 1 year and not later than 5	57		57	63
Total lease payments due	113	-	113	109

College	Year ended 31 July 2024			31 July
	Vehicles £'000	Plant & Machinery £'000	Total £'000	2023 £'000
Payable during the year	28	5	33	73
Future minimum lease payments due:				
Not later than 1 year	54	-	54	43
Later than 1 year and not later than 5	57	-	57	63
Total lease payments due	111	-	111	106

## 26. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The items in the College's Balance Sheet at 31 July 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### (a) Pensions Liability

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

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

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

### (b) Valuation of Property

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

estimates will result in material changes in the valuation of assets on the balance sheet. The total value of the College's assets at 31 July 2024 is outlined and broken down by asset category at note 13.

Land and Buildings were independently valued for the purpose of the financial statements by F G Burnett, Property Consultants in 2023/24.

## 27. SUBSIDIARY UNDERTAKINGS

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

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

## 28. RELATED PARTY TRANSACTIONS

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

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

D. Anderson is a Director of Peterhead Engineers Development Limited. The College received income of £61,110 during the year (2022-23 - £56,248), with no payments made either year.

A Rodden was an Energy Transition Programme Director at Energy Transition Zone Ltd. The College received income of £330,706 during the year (2022-23 - £36,015), and made payments of £500,000 during the year (2022-23 nil).

S Elston is a Board Member of College Scotland, and a Board Member of Robert Gordon University (RGU). The College made payments of £77,010 during the year (2022-23 - £68,110) to College Scotland, and for RGU the College made payments of £205,222 (2022-23 - £178,820) and received income of £456,645 during the year (2022-23 - £603).

D Cockburn is Vice Principal for Strategy and Planning at the Robert Gordon University. The College made payments of £205,222 (2022-23 - £178,820) and received income of £456,645 during the year (2022-23 - £603).

J Gifford is a Councillor with Aberdeenshire Council, and a Board Member of King's College Project with University of Aberdeen. For Aberdeenshire council, the College made a payments of £8,922 (2022-2023 - £15,010) and received income of £49,535 during the year (2022-2023 - £43,721). For University of Aberdeen, the College made payments of £74,745 (2022-23 - £65,472), and received income of £54,817 during the year (2022-2023 - £54,915).

L McDermid is Chief Executive of Aberdeen Foyer. The college made payments of £414,249 (2023-2024 - £419,888) and received no income during the year (2023-2024 - £331).

Member	Organisation	Position
S. Elston	College Scotland Robert Gordon University	Board Member Board Member
D. Anderson	Peterhead Engineers Development Ltd	Chairman

J. Gifford	Aberdeenshire Council University of Aberdeen	Councillor Board member of King's College Project
A. Rodden	Energy Transition Zone Ltd	Energy Transition Programme Director
D.Cockburn	Robert Gordon University	Vice Principal for Strategy and Planning
L. McDermid	Aberdeen Foyer	Chief Executive

## 29. STUDENT SUPPORT FUNDS

### Bursaries and other student support funds

	Bursary £'000	Hardship £'000	EMA £'000	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
At 1 August 2023	1,262	-	-	1,262	2,035
Allocation received in period	6,523	2,538	299	9,360	9,063
Repaid to SFC	(1,262)	-	-	(1,262)	(2,035)
Expenditure in period	(6,469)	(2,538)	(299)	(9,306)	(7,801)
<b>At 31 July 2024</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>54</b>	<b>1,262</b>
<b>Represented by:</b>					
Pre received income (to repay)	54	-	-	54	1,262
(to be used in 24/25)	-	-	-	-	-
	<b>54</b>	<b>-</b>	<b>-</b>	<b>54</b>	<b>1,262</b>

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

### FE and HE Childcare Funds

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
At 1 August 2023	-	61
Allocation received in period	465	432
Repaid to SFC	-	(61)
Expenditure in period	(465)	(432)
<b>At 31 July 2024</b>	<b>-</b>	<b>-</b>
<b>Represented by:</b>		
Pre received income	-	-
	<b>-</b>	<b>-</b>

Childcare Fund transactions are included within the College Income and Expenditure Account. The income is included within Funding Body Grants, and the expenditure is included within Other Operating Expenses in accordance with the Accounts Direction issued by the Scottish Funding Council.

### 30. PENSION CONTRIBUTIONS

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

#### Pension Estimates

As a result of a High Court decision on 26 October 2018, pension schemes which have members with Guaranteed Minimum Pensions (GMPs) must take action to address inequalities in those GMPs if they were contracted-out of the State scheme between 1978 and 1997. The High Court ruling on 26 October 2018 creates an obligation on that date for the Trustees to amend the scheme rules to reflect the consequences of the ruling. As the Government believe the judgement itself will not affect benefits, there is no specific allowance for GMP equalization in the accounting liabilities for the year ended 31 July 2024.

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

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

#### North East Scotland Pensions Fund Scheme (NESPF)

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

A formal triennial valuation of the North East Scotland Pension Fund was last carried out at 31 March 2023 by Mercers.

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

	31 July 2024 % pa	31 July 2023 % pa
Pension increase rate	2.7%	2.8%
Salary increase rate	4.1%	4.2%
Discount rate	4.9%	5.2%
Average future life expectancies at age 65 are summarised below for a male (female):		
Current pensioners male/(female)		20.6 (23.0)
Future pensioners in 20 years' time		21.9 (24.7)

The employer contributions for year to 31 July 2025 will be approximately £1,102,000.

The assets in the scheme are:

	Asset allocation value at 31 July 2024 £'000	Asset allocation value at 31 July 2023 £'000
Equities	64,785	57,541
Government Bonds	6,011	6,015
Property	6,901	6,516
Cash	3,228	3,509
Other	30,389	26,665
	<b>111,314</b>	<b>100,246</b>

The total pension cost to the College in the period was £14,000 (2022-23: £2,000,000). The difference is due to a much higher allocation of interest on the assets, and a much reduced current service cost, as per the figures in the table, below.

The contribution rate payable was 18.73% for the year (2022-23: 23.4%).

The amounts recognised in the SOCIE are as follows:

	Year ended 31 July 2024 £'000s	Year ended 31 July 2023 £'000s
<b>Charged to staff costs:</b>		
Current Service Costs	(1,287)	(2,041)
Admin Expenses	(34)	(31)
Curtailments	(51)	0
<b>Total Charged to Staff Costs</b>	<b>(1,372)</b>	<b>(2,072)</b>
<b>Credit/charge for net return on pension scheme:</b>		
Interest Income	5,194	3,516
Interest Cost	(3,836)	(3,444)
<b>Net Interest Earned/(Charged)</b>	<b>1,358</b>	<b>72</b>
<b>Credit/charge to other comprehensive income:</b>		
Return on Assets	(6,619)	981
Other Experience	(4,208)	(3,560)
Gains and losses arising on changes in financial assumptions	(2,344)	28,651
<b>Actuarial Gain</b>	<b>0</b>	<b>0</b>
<b>Total charge to the SOCI</b>	<b>14</b>	<b>2,000</b>
<b>Analysis of the movement in deficit during the year</b>		
Surplus in scheme at start of year, but not recognised in accounts	25,547	1,278
Service Costs	(1,321)	(2,072)
Employer contributions	1,617	2,191
Curtailments	(51)	0
Net interest income	1,369	84
Actuarial gain/(loss)	192	24,066
Surplus in scheme at end of year, but not recognised in accounts	27,353	25,547

According to IAS 19, a surplus in a defined benefit plan should only be recognised to the extent that the College is able to recover the surplus, either through reduced contributions in the future or through refunds from the plan. In this case, no asset is recognised due to the level of future service contribution rates (20.6%) being greater than the rates used by the actuary for the College's future accounting service costs (15.8%). This ensures that the financial position of the pension scheme accurately reflects the economic benefits that can be obtained from the plan.



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

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Opening defined benefit obligation	74,699	101,923
Current service cost	1,287	2,041
Interest cost	3,825	3,432
Contribution by members	527	522
Re-measurement of liabilities	6,427	(25,047)
Effect of curtailments	51	0
Benefits paid	(2,855)	(8,172)
<b>Closing defined benefit obligation</b>	<b>83,961</b>	<b>74,699</b>

\*excludes unfunded benefits

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
<b>History of experience gains/(losses)</b>		
Scheme assets	111,314	100,246
Defined benefit obligation	(83,961)	(74,699)
Impact of asset ceiling	(27,353)	(25,547)
<b>Net Pension Liability</b>	<b>-</b>	<b>-</b>

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

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

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Current service cost	1,287	2,041
Admin Expenses	34	31
Curtailments	51	0
<b>Total operating charge</b>	<b>1,372</b>	<b>2,072</b>

#### Scottish Teachers Superannuation Scheme (STSS)

The College participates in the Scottish Teacher's Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme, with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016, which set an employer contribution rate of 23% - up from the previous rate of 17.2%. However, a Scottish Statutory Instrument (SSI) was passed in June 2024 to agree a further increase in the employer contribution rate from 23.0% to 26.0% of pensionable pay as from 1<sup>st</sup> April, 2024, and an anticipated yield of 9.6% employee contributions.

This SSI was passed to mirror the situation in England and Wales, whereby the UK Government decided to reduce discount rates used in the valuation process, and therefore increase the costs to be borne by employers in the scheme.

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

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

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

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

The employer contribution rate for the period from 1<sup>st</sup> April 2024 is 26% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.6% of pensionable pay.

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

### **Group Personal Pension Plan**

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

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

1. It is the Scottish Funding Council's direction that institutions comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2023-24 (FReM) where applicable. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.
4. Incorporated colleges and Glasgow Colleges' Regional Board must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2024.
5. The annual report and accounts should be signed by the chief executive officer/ Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council  
18 September 2024