



For the future you want



# ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

Scottish Charity Number SC021213



DUGALD STEWART  
NOVEMBER 22, 1753  
DIED JUNE 11, 1828

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## PERFORMANCE REPORT

### MESSAGE FROM THE CHAIR OF THE BOARD OF MANAGEMENT



I am pleased to be writing my first Annual Report message as the Chair of the Board of Management since my appointment in July and I'd particularly like to thank everyone for the warm welcome I have received since arriving. It is an exciting time to be a part of Edinburgh College - a time of immense change and significant opportunity.

First of all, I want to pay tribute to the former Interim Chair, Ann Landels, and the Principal and Chief Executive, Audrey Cumberland. Ann and Audrey demonstrated great leadership steering the College through the difficult times everyone faced during the Coronavirus pandemic. As we move forward, it's important to reflect on and acknowledge the hard work and sustained efforts of everyone at the College who all pulled together to deliver for students and partners. As Chair, I aim to build on that foundation, working with Audrey and Ann (as Vice Chair) and all College staff to deliver an exceptional teaching and learning experience and place the College at the heart of our community.

College education is special and has a crucial role to play in addressing the long-term challenges facing the economy and wider society. As a country, we face a climate crisis, technological developments, demographic changes, poor productivity and endemic regional and social inequalities. Edinburgh College is already leading the way in addressing many of these challenges through innovation, sector leading curriculums and quality teaching. I'm excited to play my role in leading the Board of Management in its endeavour to drive and support the College's reputation as an outstanding institution, which delivers a secure and inclusive environment that supports the wellbeing of its communities for an education that is more than an academic qualification.

The accomplishments of our students are testament to the exceptional standard of education delivered across all curriculum areas. The year 2021/22 has been another fantastic session of academic achievements, award wins and student success stories. The College has an incontrovertible reputation for preparing its students to thrive in the rapidly changing world of work. Our students benefit from a wealth of industry experience via our lecturers and partners, and have access to first-class industry standard facilities across our campuses. In 2022/23 we will continue to ensure that Edinburgh College is a place where everyone, regardless of their background or level of education, feels welcome and supported to fulfil their potential and go onto a positive destination.

Assurances that the Board has received over the past year illustrate that the College has responded positively to many of the significant challenges it has faced. Our new Strategic Plan, focusing on the important pillars of People, Place and Performance, will be launched this year and will ensure that we continue to be an innovative and forward-thinking College which meets the needs of the region and our students.

There's no doubt we, along with colleges across the sector, will face further challenges over the next academic year - but with challenge comes opportunity, and I am confident Edinburgh College is now in a strong position to embrace opportunities and build on the success of recent years.

Under the guidance of our Principal and Chief Executive, the College will continue to innovate and grow in 2022/23, making sure we are meeting the needs of students, employees, businesses, policy makers and our economy. The Board looks forward to working with Audrey and the executive team to implement our new Strategic Plan and continue to cement our place as one of the UK's most outstanding and forward-thinking colleges.

A handwritten signature in black ink, appearing to read 'Nora Senior', written in a cursive style.

**Nora Senior CBE**

Chair of Edinburgh College Board of Management

13 December 2022

## PRINCIPAL AND CHIEF EXECUTIVE'S STATEMENT



Session 2021/22 was another year in which we continued to deliver life-changing education to the people of Edinburgh and beyond.

Our response to the global pandemic continued to be put to the test, with staff committed to doing everything possible to sustain one another, our students and the businesses we supported throughout the crisis. People make our College, and there is an immense sense of pride in what we have achieved.

Alongside our successful response to the pandemic, we updated our Top-Level Risk Register in line with a broad public health risk covering Covid-19, seasonal flu, monkey pox and other noted public health risks. Our occupational health team and Edinburgh College Students Association work closely with College staff on public health campaigns, hand hygiene and ventilation procedures to ensure we provide a safe working and learning environment.

Meanwhile, Brexit had less of an impact on College operations than we had first anticipated, primarily due to the fact most of our students and staff were domiciled in Scotland during the year.

EC People was launched during 2021/22, focusing on our commitment to staff to allow them to thrive and develop within their roles while embracing new, agile and innovative ways of working to best support our students and partners. Staff across the College have implemented the agile model to varying degrees and this is something we will continue to build on during session 2022/23, to ensure we are adapting and innovating to meet the needs of our students and partners.

While the College, and the sector as a whole, faced its challenges, we welcomed 27,647 students through our physical and virtual doors during the year, delivering over 700 courses to support people as they take the next steps in their educational or career journeys.

Edinburgh College is the largest College in Scotland and accounts for around 10 per cent of all the sector's activity. The College has achieved its activity targets for six consecutive years, but it is clear that the current funding models for allocation and distribution across the sector and wider tertiary system as a whole are not fit for purpose – nor are the associated performance measures. In response, the Scottish Funding Council (SFC) published its [Review of Coherence and Sustainability Report](#) which recognises the need to move towards a fair and appropriate distribution of investment across the tertiary landscape. The SFC also recommends Government develops a clear, strategic longer-term vision and intent for the future of tertiary education.

We continue to prioritise the alignment of our curriculum portfolio and delivery models in response, not simply to meet current demand, but to ensure the College delivers education and training relevant to the future skills and economic growth potential of our region.

Our focus on developing the workforce of the future was reinforced as we enhanced our partnerships with industry and introduced new facilities across campuses to provide the training and skills required within the region, now and in the future. October 2021 saw the launch of a Digital Care Hub at our Sighthill Campus, aimed at giving students an enhanced learning experience while developing transferrable skills for careers in health and social care. In April 2022, meanwhile, we launched a Renewables and Energy Efficiency Training Centre at our Granton Campus which will see students, apprentices and industry professionals learn how to use cutting-edge equipment and develop the skills required to build low energy homes, and to modify existing homes to become more energy efficient.

The year again saw staff and students recognised, both nationally and internationally, as they received commendations for outstanding work in sustainability, digital learning, inclusivity, wellbeing, research, pathways, hospitality, hairdressing and design – to name just a few.

We've also continued to strengthen our international portfolio, entering new partnerships in Malawi, Thailand and Germany, as well as building on ongoing projects in Turkey and China. This work, alongside our commercial activities in delivering training opportunities through the Flexible Workforce Development Fund, is cementing our ambition to be a 'go-to' training provider for businesses, not only in our region but across the world.

In May 2022, the Scottish Government announced its multi-year spending plans up to 2026/27. This shows a flat cash settlement over the next four years. All colleges across Scotland face unprecedented financial challenges over the coming years with funding for the academic year 2022/23 reduced by 1.9% compared with 2021-22. This represents a reduction of 5.1% against SFC's revenue budget, a 10% cut in real terms.

The College spends 75.4% of its overall budget on staffing and this is continuing to grow with increases in employer pension contributions and cost of living pay awards driving up staff costs. With the reductions in funding exacerbated by hyper-inflationary cost pressures in energy, and other rising costs this puts further stresses on the College finances resulting in £2.5m of savings planned by 2024/25. We will continue to work closely with the College's Board of Management to deliver the College Financial Strategy, addressing the College's financial challenges whilst achieving our ambitions as the Capital City's College.

Our financial results for the year were better than expected due to robust financial management in a period when the College launched a voluntary severance scheme to realise savings and had to fund all associated costs. The adjusted operating position is a £0.1m deficit on £72.0m income. However, the College's low level of available cash remains a concern for future years, therefore our efforts will continue to be underpinned by rigorous financial discipline to maintain and secure our financial strength by managing cash and liquidity tightly as we remove the targeted savings.

In July this year, the Scottish Government appointed Nora Senior CBE as the new Chair of our Board of Management and, having had the privilege of working with Nora in her capacity as Chair of the Scottish Government's Enterprise and Skills Board previously, I look forward to working with her to build on our current successes and to develop our College further. I would like to give my thanks to Ann Landels for her work and support during her time as Interim Chair of the Board of Management, in what were unusual circumstances for us all during the pandemic.

As we look ahead to session 2022/23, we will see the implementation of our new Strategic Plan which is focused around the three key themes of People, Place and Performance. As Scotland's Capital College our ambition is to fundamentally impact on the educational, social, economic and environmental wellbeing and prosperity of Edinburgh city, Midlothian and East Lothian – by inspiring and transforming its people, employers and communities through lifetime education and skills enhancement. We want to redefine the college experience.

In session 2022/23, we will also celebrate the 10th anniversary of Edinburgh College and I am delighted that our campuses will be filled with staff, students and partners once again as we mark the occasion.

While there are no doubt challenges ahead, our College can build on the strong foundations it has in place as we aim to unlock our full potential.



**Audrey Cumberford MBE FRSE**  
Principal and Chief Executive

## PERFORMANCE OVERVIEW

This section provides information on the purpose and objectives of Edinburgh College, the main issues and risks that it faces, and a high-level assessment of its performance over the year.

## PURPOSE AND ACTIVITIES

Edinburgh College's purpose is to inspire futures, transform lives and support communities by providing excellent education through a quality driven curriculum providing excellent education, skills and training. The College provides further and higher education in the Edinburgh & Lothians and delivers full- and part-time education programmes.

The Principal and Chief Executive, and the Board of Management, have a clear vision that Edinburgh College is seen as a vibrant, dynamic and confident college that inspires success in its students and staff, delivers outstanding performance, and is highly regarded by partners, employers and the wider Scottish, UK and global communities.

The College's strategic direction is set by the Board of Management, informed by education policy as determined by Scottish Ministers and shaped by guidance provided by the SFC. The Financial Memorandum between the College and the SFC sets out the terms under which the College, as a fundable body, receives and is held accountable for the use of public funds.

In seeking to develop a relevant curriculum and provide educational opportunities that meet the social and economic needs of the region, the College works closely with regional partners including other educational institutions, business and industry leaders, and community planning partnerships to enhance educational opportunities to students.

The College, in terms of the Further and Higher Education (Scotland) Act 1992, was established as a free-standing corporate body on 1 April 1993 and is recognised as a charity for the purposes of Section 505 of the Income and Corporation Taxes Act 1988 with Scottish Charity Number SC021213. Edinburgh's Telford College was the host College to merge with Stevenson College Edinburgh and Jewel & Esk College in 2012 to create Edinburgh College. The Post-16 Education Act 2013 designated Edinburgh College as a Regional College in March 2014.

The constitution and proceedings of the Board of Management are determined by Schedule 2 to the Further and Higher Education (Scotland) Act 1992, as amended (the 1992 Act). Its powers are determined by Section 12 of the 1992 Act, as amended.

The Edinburgh College Board and its committees, and the Executive Team structure, are included in the Accountability Report.

Edinburgh College has an Estates and Infrastructure Strategy in place. Full details are set out on page 13.

## Corporate Strategy

The [College's Strategic Plan 2017/22](#) is currently being reviewed and an updated plan will be available in early 2023. The College's values are: 1/ being student centred (we put student experience and welfare at the heart of all decisions we make and everything we do); 2/ trustworthy (we create an open and honest environment which fosters innovation, confidence and success); 3/ responsible (we take ownership for our actions, and always work to high standards and towards continuous improvement); 4/ respectful (we value, support and care about everyone's ideas, opinions and their contribution); and 5/ working together (we work professionally as one team and in partnership with others, sharing knowledge, skills and expertise).

The main strategic priorities of the current plan are still in place, and these are:

### **1. Delivering a superb student experience**

The College will continue to ensure that students are at the centre of College life and are fully engaged with being part of the College community. The College aspires to provide ever-greater amounts of flexibility, support, continued commitment to equality and choice for students in the way they learn.

### **2. Providing an excellent curriculum**

The College will provide a world-class system of vocational education, in which the College will work with schools, employers, and partners to deliver learning that is directly relevant to the job and develops work-ready employees. We will continue to bring about greater access to relevant areas of our curriculum at all levels of further and higher education, with a particular focus on key local and regional employment sectors.

### **3. Supporting and inspiring our people**

The vision of Edinburgh College can only be achieved through the commitment, hard work and innovation of all our people. For the years ahead, we aspire to be an employer of choice committed to equality, and retaining and rewarding a motivated, effective workforce. Our people will feel valued, engaged and supported in all aspects of their professional role.

### **4. Valued in partnership and by communities**

The College will be an active partner and leader within local community planning, committed and responsive to improving outcomes in our local communities. The College will identify areas where new or enhanced partnerships could significantly improve the quality and impact of what we do and move us towards our vision.

### **5. An effective and efficient College**

The College will continue to operate as a highly effective and efficient organisation, rigorously focusing on outcomes and quickly identifying where resources could be better utilised or performance enhanced. There will continue to be a College-wide approach to continuous improvement which recognises best practice, including strong financial and corporate controls, continued commitment to tackling climate change, investment in technology, and high standards of safety and governance. Refer to KPI dashboard 2022 on page 10.

The College has made progress in fulfilling its strategic priorities over the past five years, and within its financial parameters, despite the pandemic and funding challenges.

Edinburgh College prepared and submitted the [2021/22](#) Regional Outcome Agreement (ROA) to the SFC in 2021 and this was published mid-2022.

In addition to meeting the goals set in the Strategic Plan, the College has to satisfy the conditions of the SFC, when agreeing to goals set by them in the ROA. The Agreement maintained the 2019/20 baseline for attainment but also focused activity into:

- Supporting the regional economy and employment.
- Supporting progression into university with advanced standing and employment.
- Increasing numbers of School College Partnership (SCP) senior phase students.
- Increasing % of students from care experienced backgrounds.
- Increasing % of students from SIMD10 data zones.

Further information and detail on the ROA achievements are shown on pages 11 and 12 under the ROA Performance Indicators.



The College is committed to ensuring its performance is aligned to the 11 outcomes of the National Performance Framework (NPF). Specifically, College performance contributes to the following key elements of the NPF:

- We have a globally competitive, entrepreneurial, inclusive and sustainable economy.
- We are open, connected and make a positive contribution internationally.
- We tackle poverty by sharing opportunities, wealth and power more equally.
- We are well educated, skilled and able to contribute to society.
- We have thriving and innovative businesses, with quality jobs and fair work for everyone.
- We respect, protect and fulfil human rights and live free from discrimination.

The College is committed to the fair work convention which believes fair work offers effective voice, opportunity, security, fulfilment and respect. The College signed up to the fair work statement for the college sector through the National Joint Negotiating Committee (NJNC). The College is committed to developing local engagement and partnership working practices and discussions on appropriate facilities time; to further develop policies and practices, in partnership with the trade unions and other key partners, which support people to access and progress in their employment; to work in partnership with the support staff trade unions to develop a national policy on Organisational/Workforce Change whilst continuing to apply good practice locally in terms of employment practices; to work in partnership with the trade unions and other key partners to further develop policies and good practice which support individual and organisational well-being; and to work in partnership with the trade unions, and other key partners, to further develop good practice to ensure that individuals are treated with due regard and respect.

## KEY ISSUES AND RISKS

### Risks

During the year the College identified national bargaining, financial sustainability, the shortfall in commercial income, student retention and attainment, and cyber security breaches as its key top risks. The effect of these risks on the delivery of services is covered in other sections of the performance report. A range of mitigation plans were developed and implemented to reduce the potential impact of each of these risks and through management of these risks there has not been any detrimental impact on the College's performance in the year. These plans included the following actions:

Key Risks	Mitigations
National bargaining	Senior staff present on national work and bargaining groups to influence future decisions and direction, and there is strong partnership working between management, unions and Scottish Government. Strike contingency plans are also in place.
Financial sustainability	Effective cash control and robust financial management. The workforce development plan is regularly reviewed to maintain financial sustainability. Voluntary severance schemes and recruitment freeze carried out in 2021/22 and will likely persist if austerity measures continue.
Shortfall in commercial income	Partnerships with business, colleges and universities to strengthen and build sustainable income platforms. Diversify income streams to minimise reliance on single source contracts. Flexible delivery model to ensure additional capacity building. New commercial and international contract developments and opportunities fulfilled.
Student retention and attainment	Improved business intelligence (predictive analytics), course information and pre-course guidance to aid planning. Course remediation process in place for courses with low PI's to ensure course is still relevant. Enhance support to students during challenging economic circumstances.
Cyber security breaches	Increased intrusion detection and testing, business continuity readiness and secure configurations of college systems through new Security Operations Centre (SOC). Regular investment in cyber resilience and staff awareness training and development. College to maintain cyber essentials plus accreditation. Regular cyber testing, and stress-testing business continuity plans.

National bargaining is now recognised as a high risk within our top-level risk register. Impact of EU withdrawal has been removed from the top-level risk register with oversight now being undertaken through review of the operational risk registers. The Covid-19 risk has been incorporated into a wider public health risk and is considered a low risk. The national bargaining and financial sustainability risks are expected to continue into the future unless there is additional funding provided by the Scottish Government to cover the cost of living pay demands from unions and high inflation related to supplies and services. An emerging risk is the shift from full-time students to part-time students which will potentially affect credit funding. This exposure strongly relates to the outdated funding model which is being reviewed by the SFC in its review of coherent provision and sustainability.

## PERFORMANCE SUMMARY

Edinburgh College provided education to 27,647 unique students during the year to 31 July 2022, and in doing so over-achieved its core plus ESF credits activity target of 187,741 by 1% for the year. The student overall retention rate was 82.8% (as in the previous year), a significant achievement given the disruption caused by the pandemic.

There was a shift from full-time to part-time provision with a 30% increase on 2020/21. This increase was led by courses funded through the Flexible Work Development Fund (FWDF) and Young Person Guarantee (YPG) skills boost courses. The College has refocused part-time provision into courses where there is increased demand, to rapidly upskill the population in sectors such as technology (especially data science) and care as well as basic entry-level employability programmes, all key to the College's and the regional economy's success in equipping students for work. The College is working with a number of partners in the Edinburgh and South East Scotland City Region Deal to advance this strategy. These partners include community planning partners in the local authorities, Skills Development Scotland (SDS), DYW, universities, third sector partners and the Capital City Partnership. The impact of the pandemic will continue to affect scheduled part-time courses, but improved online delivery models will help mitigate some of this risk.

The College increased its counselling provision, assisted by additional funding, supporting students through online drop-ins and partner referrals, to provide better information on funding, timetabling and other tutorial support. With the pandemic leading to limited or restricted access to campuses across 2021/22 many services continued online, although options were provided to students if face-to-face support was required.

### Key Performance Indicators

The College's Strategic KPI Dashboard is monitored by the Board of Management on a quarterly basis. The Dashboard includes the following agreed performance indicators:

- Student Activity (Credits)
- Unique Student Enrolments
- Student Retention Rate
- Student Positive Destinations
- Financial Adjusted Operating Position
- Gross Carbon Footprint (Carbon Emissions).

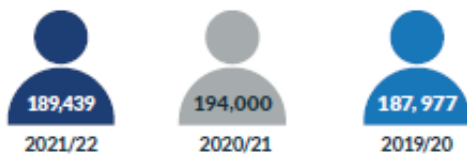
In 2021/22, the College exceeded its credit target (187,741) by 1,698 credits through increased flexibilities offered by the SFC due to public health restrictions in campuses which limited opening times in the year. There was also an increase in the number of unique student enrolments in the year at 27,647 – a rise of 3,439 compared to 2020/21. This increase relates to the shift from full-time to part-time study plus the gradual reopening of campus buildings. The student retention rate in 2021/22 has remained the same as the prior year at 82.8%, and work will be undertaken to improve this retention rate in 2022/23. Student positive destinations has improved year-on-year by 2% to 96%, demonstrating that the majority of students who studied at the College moved into a job, set up their own business, or progressed to higher education study.

# KPI Dashboard 2022



### STUDENT ACTIVITY (CREDITS)

Source: from FES2 CALC Credits



### ADJUSTED OPERATING SURPLUS/DEFICIT

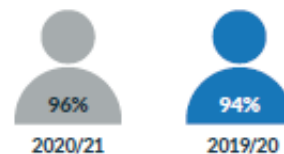


### UNIQUE STUDENT ENROLMENTS

Source: Application and Enrolment Summary

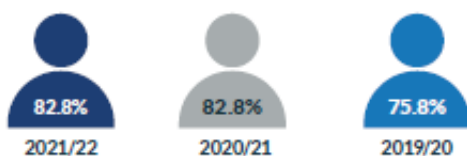


### STUDENT POSITIVE DESTINATIONS

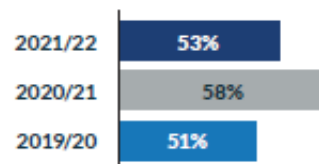


### STUDENT RETENTION RATE

Source: PI Report - (Recognised Qualifications)



### CARBON EMISSIONS



The new strategic themes for 2022/23 are People, Place and Performance. The key goals include delivering a superb and distinctive student experience, where our staff and stakeholders are proud of what they collectively achieve. The College will deliver outstanding business support in our region and beyond, and will lead successful and impactful collaborations. It will strive to enhance its technological readiness and digital performance and maximise the benefits of technology-enabled learning, teaching, student support and operations.

The College intends to measure its success in terms of student achievements, staff satisfaction, its contribution to local, regional, and national initiatives and sustainable practices embedded throughout learning, teaching and operations. The College will also improve its investment in digital services and plans to deliver a balanced budget.

## PERFORMANCE ANALYSIS

### OPERATIONAL REVIEW

#### Regional Outcome Agreement (ROA) Performance Indicators

In accordance with SFC guidance and the 2021/22 ROA, the College is required to publish and report progress against targets for national priorities. These indicators monitor performance against the College's objectives.

Most KPIs are measures of credits, student numbers, achievement and retention, all of which are linked to funding and financial performance, and the reputation of the College.

KPI	Purpose	2021/22	2020/21	2019/20
		Actual (at 31 July)	Actual (at 31 July)	Actual (at 31 July)
<b>Student activity (credits)</b>	Measure of student activity	189,439	194,000	187,977
<b>Performance against credit activity target</b>	Measures student activity performance against target	101%	103%	100%
<b>Unique student enrolments</b>	Measures number of students	27,647	24,208	24,850
<b>Full-time applications</b>	Measures student demand	17,670	18,280	20,968
<b>Student retention rate</b>	Measures percentage of unique students completing studies (RQ*)	82.8%	82.8%	75.8%
<b>Adjusted operating position as % of total income</b>	Measures AOP as % of total income	-0.2%	1.3%	0.8%
<b>Non SFC income as a % of income</b>	Measures non SFC income as a % of total income	17.1%	16.3%	18.7%
<b>Staff costs (excluding exceptional staff costs) as a % of total income</b>	Measures staff costs excluding exceptional staff cost as a % of total income	80.0%	78.1%	76.0%

\*RQ: Recognised Qualifications

The College's self-evaluation model has been embedded into the planning process and incorporates stakeholder engagement (from industry) within the evaluation and planning of course provision. New Employer engagement has been key to growth in programmes associated with FWDF and in key skills areas identified by SDS. The College works with over 2,000 employers and representative stakeholders in the region. The majority of new courses were in key sector areas such as construction, computing, engineering, health and care.

#### Student Activity Performance Highlights

Delivery of widening access and progression targets

Delivery of widening access and progression targets: actual figures at 31 July each year.	2021/22	2020/21	2019/20
<b>Student Gender Balance</b>	47.6% Female 50.6% Male 1.8% Other	49.8% Female 49.9% Male 0.3% Other	52.7% Female 47.2% Male 0.1% Other
<b>Students with a Disability</b>	28.5%	27.5%	17.6%
<b>Ethnic Minority Students (home)</b>	11%	7.4%	9.0%
<b>Students from SIMD10 Data Zone</b>	7.1%	7.2%	8.9%
<b>School College Partnership (SCP) Pupils (Senior Phase)</b>	486	492	484

<b>Proportion of credits delivered to care-experienced learners</b>	6.9%	7.6%	6.1%
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Edinburgh College is committed to equality of opportunity and outcome for students and staff who share protected characteristics, and to a culture that respects difference. In 2021, Edinburgh College published its [Equality Outcome and Mainstreaming Progress Report 2021-25](#) (including Equality Outcomes and Gender Action Plan) following awareness training workshops to staff, to meet equalities legislation and set out the progress the College has made towards mainstreaming equality across the College, reporting to the Board of Management, and the Learning, Teaching and Student Experience (LTSE) Committee. An update on positive progress was provided to the Board of Management in June 2022.

### **SIMD10 (Scottish Index of Multiple Deprivation for 10% of most deprived postcodes)**

SIMD10 student numbers have decreased slightly since the College's Schools College Partnership (SCP) provision was severely disrupted due to the pandemic. However, the risk is now mitigated by the ability to prioritise SCP in 2021/22 working within schools such as Castlebrae, Wester Hailes Education Centre, Newbattle High School and Ross High School in SIMD10 data zones.

### **SCP Senior Phase Numbers**

SCP numbers relating to Developing Young Workforce (DYW) pupils was not achieved this year. The target for DYW courses, where school pupils in senior phase attended vocational courses with recognised qualifications at Level 5+ was 492 students. The College enrolled 471 students, 21 students short of target. This was due to recruitment which was adversely affected by Covid-19, in particular foundation apprentices (FAs) where work placements were not available. Schools have reprioritised on 'lost learning' within their institutions and as a result in 2022/23 we expect a return to the higher original delivery levels and targets.

### **Care Experienced Students**

The College has a very close working relationship with the 'Hub for Success', connecting with the Local Authorities Children's Partnerships, ensuring the best transition support is possible. As shown in the table above, there has been a 0.7% drop in the proportion of credits for Care Experienced Students from 2020/21 to 2021/22 due to numbers attending more part-time courses rather than full-time courses.

### **Student satisfaction**

In 2021/22, 84% of students replying to the College's 'satisfaction survey' report said that they felt their course had prepared them with the appropriate knowledge and skills for the workplace. Overall College satisfaction stood at 90%, one point below target. A key point in the College's Action Plan following the Education Scotland Progress visit in December 2021 is to increase the numbers of participants in the survey.

The Covid-19 pandemic necessitated the rapid movement of the curriculum into a fully developed remote learning and teaching environment. This accelerated the progress in the College's published [Digital Strategy](#) and wider ambition; leading to increased accessibility and wider opportunities for new learning during 2021/22. A [new professional learning prospectus](#) was developed in 2021 to reflect this activity.

### **Improved support to increase progression to university**

Edinburgh College has one of highest proportions of articulating students in Scotland. In 2020/21 (latest data), 59.7% of students progressing or articulating to university did so with advanced standing, 6% more students than in the previous year. The College's commitment to articulation continues - especially for learners from the most deprived data zones and associated degree routes. This is reflected in the mapping of the learner journey from SCP provision to articulating university courses.

### **Student Destination**

96% of students' known destinations from both FE and HE courses were positive in 2020/21 (the most recent evidence available). In 2019/20, the figure was 94%.

## Analysis of Achievement:

KPI	2021/22	2020/21	2019/20
<b>The percentage of enrolled students achieving a recognised qualification</b>	Actual (at 31 July)	Actual (at 31 July)	Actual (at 31 July)
<b>Full-time FE aged 16-19</b>	55.8%	50.6%	58.5%
<b>Full-time FE</b>	60.6%	57.5%	58.5%
<b>Full-time HE</b>	64.8%	72.0%	74.4%
<b>Part-time HE</b>	80.8%	78.5%	60.0%
<b>Part-time FE</b>	75%	68.7%	54.6%

The table above shows that the percentage of enrolled students achieving a recognised qualification has improved during 2021/22 for four of the five student modes of attendance. Whilst there has been an improvement, the College will continue to measure further progress in improving the learner outcomes in teaching and student assessments. Services to support learning and evaluation have been developed in 2022 following the Education Scotland Progress visit which took place in December 2021 around the key themes of: curriculum, learning teaching and assessment, services to support learning, learner engagement, evaluation to facilitate improvement and learner progress and outcomes.

The College received a satisfactory grading and developed an action plan based on Education Scotland's key recommendations which is being monitored at the Board's Learning, Teaching and Student Experience Committee.

### Estate and Infrastructure Strategy

The College's vision is to have an estate that is fit for purpose, technologically advanced, future proofed, sustainable and cost efficient. It will be a learning, social and working environment that meets the needs of current and future students, staff and commercial clients. The College estate is based across four main campuses at Sighthill, Granton, Milton Road and Midlothian. During the year the College continued to invest in technology, its curriculum areas and the maintenance of its buildings in accordance with the SFC's capital funding criteria, regulatory compliance and work prioritisation through estate risk management.

The strategic aims are:

- To ensure that the needs of students and teaching drive the shape of the estate.
- To develop a more environmentally sustainable estate.
- To ensure a high quality, well run, cost efficient and well-maintained estate which has the potential to generate more income.

In meeting these objectives, the College ensures that capital expenditure adheres to the 2017 SFC Condition Survey Report, and that other capital receipts are spent in accordance with funding criteria. The College focuses on effective management of utility and maintenance costs; reducing the College's carbon footprint, and increasing revenue generated from the use of the estate where possible. In achieving its targets, the estate and infrastructure strategy is strongly aligned to the success of its environmental sustainability strategy.

In 2021/22, projects included the upgrading and refurbishment of College buildings; this included repurposing areas to create new learning spaces for care, construction and STEM. There is a newly built digital care hub, dentistry and pharmacy at Sighthill campus all offering strong potential for sustainable commercial income streams. At Midlothian campus two workshops and a metal cutting and storage space have been created, in addition to the repurposing of rooms to form a small electrical workshop which increases STEM capacity. At

Granton campus a fine art workshop space, childcare practical classroom and a new joinery workshop have been created.

The College continued to improve the estate condition through regular repair and maintenance, and spending wisely to improve its sustainability credentials which included new and upgraded lighting across all campuses and improved security of buildings for staff, students and stakeholders.

During 2021-22 there was further investment in the College's IT core infrastructure and systems, including the purchase of new laptops. The College continues to modernise and upgrade its campus networks at the Milton Road and Sighthill campuses to incorporate modern control architecture to provide the policies, automation and analytics required to adapt to change, simplify and scale operations, and to protect against threats.

All staff and students' systems have been upgraded to the best-in-class license available from Microsoft, providing not only the usual business applications, but also offering advanced security, compliance and analytical capabilities. This includes the technology to discover, classify, label and protect sensitive documents and emails; security features to guard against sophisticated attacks such as phishing and computer software vulnerability; a powerful business analytics platform, and a cloud-based solution that helps protect the College from many types of advanced cyber-attacks. Our cyber-security capabilities have also improved through a new managed Security Operations Centre (SOC) and Managed Detection and Response (MDR) service.

## **SUSTAINABILITY REPORT 2021/22**

### **Environmental Sustainability Strategy**

The College is named as a 'major player' by the Scottish Government in the Climate Change (Scotland) Act 2009 and complies with Scottish Government sustainability reporting in line with the requirements of the Act.

The College's Environmental Sustainability Strategy 2019-24 sets out our vision to be 'a college at the cutting edge of environmental sustainability through its learning, teaching, partnerships and core operations' and to 'reduce carbon emissions by 75% from the 2013/14 baseline and be carbon neutral by 2030'.

### **Report on progress made during session 2021/22**

In October 2021, during the lead up to the COP26 Climate Conference in Glasgow, Edinburgh College, along with all of Scotland's other colleges, signed the Climate Emergency Statement which commits us all to taking specific actions to avert the Climate Emergency.

In November 2021, over 70 managers undertook Carbon Literacy Training. Each was asked to pledge to deliver a personal action and a work action to reduce their climate impact. The pledges include: developing a climate module for curriculum, incorporating sustainability into HR practices and a review of vending machines.

In February 2022, the work of the College and the Students Association was recognised when we won the Net Zero award at the Edinburgh Chamber of Commerce Business Awards.

The College held its first Sustainable Education Week in October 2021, using the interest generated around COP26 to stimulate action in the curriculum. A range of activities were undertaken across all curriculum areas. It has now become an annual fixture in the College calendar.

Edinburgh College Students Association's Going Green project continued to deliver student-facing climate action via its Community Fridges, Swap Shops, Climate 101 student awareness sessions and more. Whilst the funding from the Climate Challenge Fund ended in March 2022, a large part of the work will continue. This project was highly commended in the 2022 Green Gown Awards in the Student Engagement Category.

Over the last year a number of new partner initiatives have been initiated, including working on future low carbon heat options and building efficiency with Edinburgh City Council and other local organisations. The College continues to be an active member of the Environmental Association of Universities and Colleges,

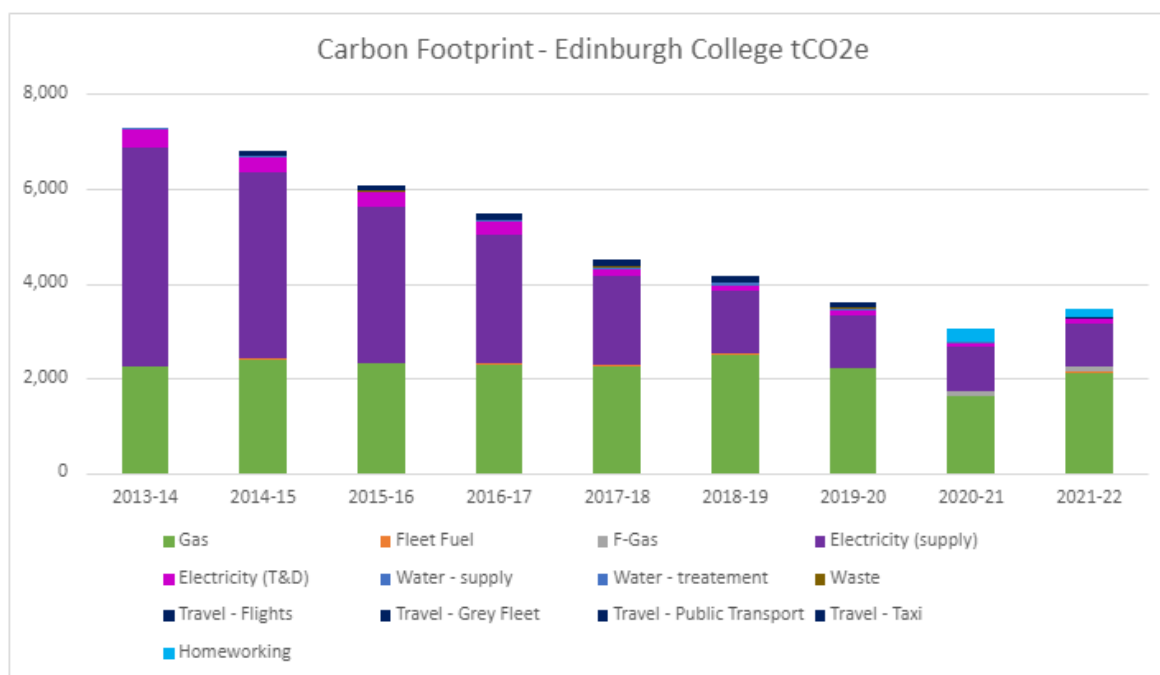


chairing the Community Engagement and Smaller Institutions groups. We are active participants on the College Development Network's Climate Emergency Experts Group.

The College has two community gardens, which are used extensively as part of the learning experience of students in the College. The College has also spent considerable time enhancing biodiversity on its estate and is a member of the Edinburgh Biodiversity Action Plan.

### Carbon Emissions

For the year 2021/22 the College has achieved a 53% reduction in emissions from the baseline. This is a 5% decrease from 2020/21 (58%, this is a revised final figure for 2020/21 updated from 57% as previously reported) which is due to increased campus activity following Covid-19 lockdowns. The College is required to report progress annually to the Scottish Government as part of its Public Bodies Climate Change Duty.



Maintaining the previous year's Covid-19 level of carbon reduction and achieving future year targets will be challenging, not least in terms of addressing the emissions associated with heating, which is primarily gas. However, the College is currently working with the Scottish Government's Non-Domestic Energy Efficiency (NDEE) procurement framework to invest in further efficiencies in the College estate. This includes exploring the options to decarbonize, as a proof of concept, at our Midlothian Campus using the NDEE framework. The intention is to apply for funding to achieve these benefits from the Scottish Government Energy Efficiency Grant Scheme.

### FINANCIAL REVIEW

Edinburgh College continued to manage the adverse financial impact of the pandemic, particularly within international and commercial income which is now progressing to pre-Covid-19 contract levels. Also, in view of the flat cash funding settlement the College identified a savings target of £6m in order to maintain financial sustainability to 2024/25. During the year the College spent £1.5m on staff voluntary severance in order to progress savings towards the £6m target for future years. However, despite this large cost and as a result of robust financial management, additional funding support for deferred students due to Covid-19 and other planned cost savings throughout the year, the College's Adjusted Operating position shows a deficit of £0.1m for the year compared to a 2020/21 surplus of £0.9m.

The Statement of Comprehensive Income shows a deficit of £8.1m for the year compared to a 2020/21 deficit of £6.6m. The income and expenditure figures in the table below are adjusted for exceptional staff and pension

costs that are included in the deficit for the year. Prior to these adjustments the income and expenditure result showed a positive movement of £0.3m (surplus of £0.4m compared to the 2020/21 surplus of £0.1m).

The income and expenditure position is summarised below:

	2021/22 £m	2020/21 £m
<b>Income</b>	72.0	70.3
<b>Expenditure</b>	(71.6)	(70.2)
<b>Exceptional staff costs</b>	0.4	0.1
<b>Annual leave provision movement</b>	(1.6)	(0.7)
<b>FRS 102 Pension costs (actuarial revaluation)</b>	0.1	(0.6)
<b>Early retirement revaluation</b>	(7.5)	(5.7)
	0.5	0.3
<b>Deficit for the year</b>	(8.1)	(6.6)
<b>Actuarial gain/(loss) on pension</b>	75.9	20.3
<b>Revaluation of buildings in the year</b>	15.6	6.9
<b>Total comprehensive income for the year</b>	83.4	20.6

## Income

Income of £72.0m is higher by £1.7m in comparison to 2020/21 (£70.3m). The Scottish Funding Council recurrent and other non-recurring grants increased by £0.8m. Tuition fees and education contracts increased by £0.7m and other operating income increased by £0.9m. These increases were offset by a reduction in income received from the Job Retention Scheme of £0.8m in 2020/21.

## Expenditure

Expenditure at £71.6m is higher by £1.4m in comparison to 2020/21 (£70.2m). This was mainly the result of increases in staff costs (cost of living increases). Other Operating Expenses are £0.6m lower than 2020/21 as a result of reduced spend on small capital items offset by higher costs associated with teaching and administration aligned with the campuses being open for the full year compared to the closures that were in place in 2020/21 due to Covid-19.

## Balance Sheet

Fixed assets at the year-end total £178.8m, a net increase of £10.8m compared to the prior year. This is the result of a valuation exercise resulting in the indexation on land and buildings at 31 July 2022 increasing by £15.6m, and depreciation charges of £5.7m during the year being offset by additions of £0.9m, consisting mainly of the SFC funded high priority backlog maintenance projects and IT spend in the year.

Net current liabilities increased by £0.3m as a result of increased creditors at the year-end offset by an increase in debtors and cash.

At 31 July 2022, the College had an accumulated surplus of £67.3m (2020/21: £1.9m deficit) on its Income and Expenditure Account, and in complying with FRS102 s28 (Retirement Benefits) the pension liability decreased by £68.4m to a pension asset of £25.0m (2020/21: decreased from £58.1m deficit to £43.5m deficit) which is included in the Income and Expenditure Account reserve. The main changes in the pension valuation for 2021/22 are the increase in the discount rate from 1.6% to 3.5%, and a decrease in the pension increase rate from 2.85% to 2.75%.

## Cash Flow

There was a net cash inflow of £0.2m (2020/21: £3.8m). At 31 July 2022 the College held cash and deposits of £5.5m (2020/21: £5.3m), of which £0.9m (2020/21: £1.1m) related to student support funds. These are

managed in accordance with the College's Financial Regulations and SFC's funding guidance. The College held long-term debt of £8.4m (2020/21: £8.9m) which is attributable to the Milton Road and Midlothian campuses redevelopment in 2009/10.

### The College Estate and Capital Resources

The College has capital assets of £178.8m (£171.7m related to the estate), and in 2021/22 received capital funds of £3.0m (2020/21: £2.8m) to maintain its estate, ICT infrastructure and systems. The College has underpinned this capital investment with net recurring expenditure of approximately £4.7m (2020/21: £6.8m) to cover the operating costs of the estate.

### Cash Budget for priorities

Colleges are also required to comply with Central Government budgeting rules. In addressing the impact of these budgeting rules, the Scottish Government and SFC committed to providing the cash budget previously earmarked for depreciation for use on specified priorities.

Spend of the College's cash budget for priorities, and impact on the operating position for the academic year, is detailed in the table below.

Table of cash budget for priorities spend	2021/22 £'000	2020/21 £'000
<b>Revenue priorities</b>		
Pay award	874	874
Estates costs	861	1,008
<b>Total impact on operating position</b>	<b>1,735</b>	<b>1,882</b>
<b>Capital priorities</b>		
Loan repayments	541	389
Payments against provisions pre-1 April 2014	271	276
<b>Total Capital</b>	<b>812</b>	<b>665</b>
<b>Total cash budget for priorities (CBP) spend</b>	<b>2,547</b>	<b>2,547</b>

### Adjusted operating positions

Under Central Government budgeting rules, the non-cash depreciation and pension adjustments are reported under separate budget lines from the operating position. The accounts direction requires the disclosure of an adjusted financial position. This removes the impact from accounting adjustments for pensions from the College's deficit. It also removes the impact of the College spending net depreciation funding on those items prioritised by the SFC. The adjusted position on this basis is shown in the table below.

	2021/22 £'000	2020/21 £'000
<b>Deficit before other gains and losses</b>	(8,081)	(6,593)
<b>ADD BACK:</b>		
▪ Depreciation (net of deferred capital grant release) on both government funded and privately funded assets (Note a)	2,834	2,680
▪ Pension adjustment – Net service cost (Note b)	6,709	4,823
▪ Pension adjustment - Net interest cost (Note c)	750	846
▪ Non-cash pension adjustment – Early retirement provision year-end valuation charged to SOCI (Note d)	(489)	(264)
▪ Non-cash pension adjustment – Early retirement provision interest (Note d)	58	57
▪ Non-cash provision adjustment – Others (note e)	(1,103)	-
<b>DEDUCT:</b>		
▪ CBP allocated to loan repayments and other capital items (Note f)	(812)	(665)
<b>Adjusted operating (deficit)/surplus</b>	<b>(134)</b>	<b>884</b>

The Adjusted operating deficit above for 2021/22 is 0.2% of the College's £71.6m operating expenditure as noted in the income and expenditure summary above. The SFC has been made aware of the above deficit and has not indicated any concerns and has offered liquidity support if required. The SFC acknowledges that having unfunded voluntary severance costs will affect the College's adjusted operating position.

#### Explanation for adjusting items:

**Note a:** Depreciation does not have a cash impact on the College and capital expenditure and will largely be funded by government grants, therefore the charge is taken out. See note 12 for depreciation and note 2 for deferred capital grants.

**Note b:** The adjustments to the pensions charge represent the net service cost (i.e. the present value of projected benefits resulting from employee service in the current year less cash contributions paid). See note 23.

**Note c:** The net interest cost is the interest accumulated on the pension asset/liability and this is offset against the current year's interest earned on pension assets. See note 23.

**Note d:** The early retirement provision adjustment relates to the change in the assumptions and the interest rate during the year. See note 18.

**Note e:** The Non-cash provision adjustment – Others relates to the removal of the Granton accommodation provision during the year. See note 18.

**Note f:** Cash budget for priorities is included in income but the loan repayment is not reflected in the costs therefore this amount is adjusted. See table of cash budget for priorities spend.

#### Creditor Payment Policy

It is the College's policy to agree payments with its suppliers in advance and to make payment, where practicable, in accordance with those terms, subject to satisfactory performance by the supplier. Where necessary, suppliers are made aware of the terms of payment. The College adheres to "The Better Payment Practice Code". The average number of creditor days for 2021/22 was 13 days (2020/21: 22 days). The decrease relates to capital invoices of £0.25m which were due at 31 July 2021, £5k of capital invoices were

due at 31 July 2022. There was no interest paid under the Late Payment of Commercial Debts (Interest) Act 1998.

*Audrey Cumberland*

**Audrey Cumberland MBE FRSE**  
Principal and Chief Executive  
13 December 2022

## **ACCOUNTABILITY REPORT**

### **CORPORATE GOVERNANCE REPORT**

#### **DIRECTORS' REPORT**

The membership of the Board of Management during the year to 31 July 2022 is outlined at pages 22 to 24 and includes all members who served for part or the whole of the reporting period. The respective Register of Interests for these members is available on the [College website](#).

The Board complies with the Code of Good Governance for Scotland's Colleges ('the Code') as developed and owned by the college sector. Further to this, the Board has adopted and operates under the model code of conduct developed by the Standards Commission. There has been no requirement during the year to report any personal data-related incidents to the Information Commissioners Office.

The Board's authority, reserved matters and the delegation of authority are set out in the Scheme of Delegation. Delegation of authority in relation to financial decision-making is further detailed in the College's Financial Regulations. Both documents are published on the College's [website](#).

All agendas, minutes and relevant reports from Board and Committee meetings are published online in the interests of ensuring transparent decision-making, and in accordance with the model Publication Scheme for public authorities provided by the Scottish Information Commissioner.

The Executive team comprises:

**Audrey Cumberland**

- Principal and Chief Executive

**Alan Williamson**

- Chief Operating Officer

**Jon Buglass**

- Vice Principal, Innovation, Planning and Performance

**Michael Jeffrey**

- Vice Principal, Corporate Development

**Jonny Pearson**

- Vice Principal, Education and Skills

These members also influence the decisions of the College as a whole.

#### **STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES**

The Board of Management defines its overall responsibilities in accordance with the Code:

- to lead the College and set its strategic direction and values
- to ensure effective management and financial controls to support the student experience within a framework of public accountability and transparency

- to deliver high quality learning and outcomes.

In addition, the Board of Management is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year. The Board of Management also confirms that the annual report and accounts as a whole are fair, balanced and understandable. The Board of Management also confirms that as far as it is aware there is no relevant audit information of which the auditors are unaware, and that it has taken all reasonable steps to make it aware of any relevant audit information and to establish that the entity's auditors are aware of this information.

The Board of Management governance framework sets out the roles, accountabilities and expectations for board members, board committees, staff and students. The Board of Management Articles of Governance are publicly available via the [college website](#).

## CORPORATE GOVERNANCE STATEMENT

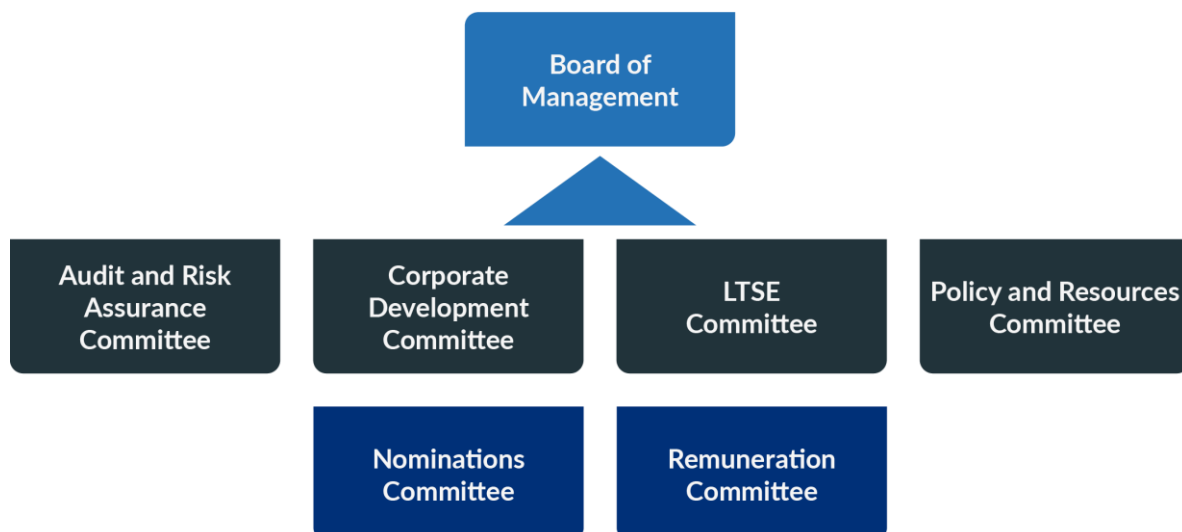
### Introduction

The College is committed to complying with best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles of the Code of Conduct for Members of the Board of Management of Edinburgh College, and the 2016 Code of Good Governance for Scotland's Colleges. It is a condition of the Financial Memorandum that Edinburgh College meets the principles of good governance set out in the Code of Good Governance for Scotland's Colleges.

### Governance Framework

The Board and its committees play a vital role in the oversight of College business and hold management accountable for performance against targets and performance indicators, specifically Regional Outcome Agreement targets, the recommendations of self-evaluation activity against the 'How Good is Our College' framework and the delivery of key College strategies and plans.

All committees operate under the authority of, and with terms of reference approved by, the Board. Meetings of the Board and its committees are conducted in accordance with the Standing Orders and Scheme of



Delegation approved by the Board on 15 June 2021, and minutes of these meetings are published on the College's [website](#). To support the orderly and effective conduct of virtual and hybrid meetings of the Board and its committees, an annex to the Standing Orders was also approved by the Board on 15 June 2021.

Fig1: Edinburgh College Board and committee structure.

The key responsibilities of each committee of the Board are set out below.

### **Audit and Risk Assurance Committee**

The Audit and Risk Assurance Committee's remit and terms of reference address those principles listed under Audit and Risk Management in the Code and conform to guidance in the Audit Committee Handbook incorporated in the Scottish Public Finance Manual. The Committee assesses its performance against the checklist from the handbook as part of its annual evaluation process.

The Audit and Risk Assurance Committee met four times in 2021/22. The Committee comprises three non-executive members and one co-opted member. During the year the College had three non-executive members with relevant financial experience. As a result of non-executive members leaving towards the end of the year, a recruitment drive is underway for two more members with financial experience. The College's internal and external auditors were represented at all meetings. The College's internal auditors regularly present the findings from internal audits and monitor implementation of agreed management actions in response to these audits. The Chair of the Board and Principal and Chief Executive attend meetings annually but are not members of the Committee. Committee members meet with auditors without members of the College Executive present for part of a meeting at least once per year.

### **Corporate Development Committee**

The remit of the Corporate Development Committee is to oversee commercial and international development, communications, marketing and external engagement, and to foster constructive relationships with external stakeholders including community planning partners. To ensure that the College fulfils its statutory obligations under the Community Empowerment (Scotland) Act 2015, the Committee has invited community planning partners to meetings throughout the year to discuss the achievement of each partner's local outcome.

The Corporate Development Committee met four times in 2021/22. The Committee comprises four non-executive board members, a non-lecturing staff member and a student member. During the year, the non-executive membership was reduced to three.

### **Learning, Teaching and Student Experience (LTSE) Committee (previously Academic Council)**

The LTSE Committee retains oversight of learning and teaching, the student experience and engagement, curriculum management, continuing professional development, and quality enhancement and assurance. Within that remit, the LTSE Committee reviews both Education Scotland reports and student surveys, and monitors the implementation of relevant action plans.

The LTSE Committee met four times in 2021/22. The Committee includes lecturing staff and student board members alongside three non-executive members, and an extended co-opted membership of staff and students.

### **Nominations Committee**

The Nominations Committee oversees recruitment of non-executive members to the Board in compliance with education legislation and the College Sector Board Appointments: 2014 Ministerial Guidance. It reviews membership of the Board and its committees, skills balance and attendance and undertakes succession planning.

In all such activities, the Nominations Committee, on behalf of the Board, seeks to uphold the Equality and Diversity Policy of Edinburgh College, which reflects equality legislation and best practice. While recommendations for appointment are made wholly on the basis of merit, the Board's guiding principle is to advance equality of opportunity, and vacancies are advertised widely to encourage applications from under-represented groups. With regards to gender balance, on 31 July 2022 the Board comprised 67% women and 33% men.

The Nominations Committee meets as required and not less than once per year. In 2021/22 it met on three occasions. The Committee is chaired by the Chair of the Board.

### Policy and Resources Committee

The terms of reference of the Policy and Resources Committee require its membership to include representation of all other Committees to enable it to fulfil a broad strategic remit which includes College policy, public funding and financial management, human resources and organisational development, and estates and infrastructure. The Committee scrutinises and recommends the College's annual budget to the Board for approval and retains strategic oversight of matters of corporate social responsibility. It considers the Estate and Infrastructure Strategy and ensures that the College's buildings are fit for purpose, are environmentally sustainable where possible, and maintained to an appropriate standard.

Further to this, the Committee oversees and reports to the Board on the implementation of the Edinburgh College Strategic Plan 2017/22.

The Policy and Resources Committee met four times during 2021/22. The Committee is chaired by the Vice Chair of the Board.

### Remuneration Committee

Information on the Remuneration Committee is covered in the Remuneration and Staff Report below.

## Board of Management

### Membership

The Board comprises a Chair appointed by Scottish Ministers, the Principal and Chief Executive, 12 non-executive members whose appointments are made in accordance with the relevant guidance and approved by both the Chair and Scottish Ministers, two staff members elected respectively by the academic and support staff of the College and two student members nominated by the Students' Association of the College.

The College's Board of Management is drawn from industry and the professions. The wide experience of the Board ensures the strategic direction of the College is set in conjunction with industry's needs and that due attention is paid to maintaining a financially sustainable College.

Nora Senior CBE was appointed as Chair of the Edinburgh College Board of Management by the Scottish Government, through an open public appointments process, on 4 July 2022. Prior to this appointment, Ann Landels (a Non-Executive Board Member) had acted as Interim Chair of the Board since 1 November 2019.

Nigel Paul, a Non-Executive Board Member, fulfilled the role of Interim Vice Chair from 01 November 2019 until 1 March 2022. On 14 December 2021, the Board agreed that Fiona Riddoch would act as Interim Vice Chair from 1 March 2022 until the end of her tenure on 30 June 2022. Following the appointment of the new Chair of the Board, Ann Landels reassumed her position as Vice Chair of the Board from 4 July 2022.

The Board has in place a board secretary whose duties are consistent with those set out in the Code of Good Governance for Scotland's Colleges.

The members who served the College during the year were as follows:

Board Member	Status of appointment	New appointment during the year and subsequently, up to the date of signing of accounts	Month of departure from the Board during the year and subsequently, up to the date of signing of the accounts
Nora Senior CBE	Regional Chair	04/07/2022	



Board Member	Status of appointment	New appointment during the year and subsequently, up to the date of signing of accounts	Month of departure from the Board during the year and subsequently, up to the date of signing of the accounts
Audrey Cumberford	Principal and Chief Executive		
Bruce Cassidy	Staff Representative (Support)		
Mike Cowley	Staff Representative (Lecturing)		02/12/2021
Stewart Darling	Industry, Commerce or Public Sector Representative	15/12/2021	
Rose Dodgson	Vice President of Edinburgh College Students' Association		30/06/2022
Fiona Doring	Industry, Commerce or Public Sector Representative	01/07/2022	
Lesley Drummond	Industry, Commerce or Public Sector Representative		
Becky Duff	Industry, Commerce or Public Sector Representative	01/07/2022	
David Elder	President of Edinburgh College Students' Association	01/07/2022	
Daniel Holland	Staff Representative (Lecturing)	07/10/2022	
Janyce Holmes	Industry, Commerce or Public Sector Representative		30/09/2022
Alex Killick	Industry, Commerce or Public Sector Representative		
Ross Laird	Industry, Commerce or Public Sector Representative		
Ann Landels*	Industry, Commerce or Public Sector Representative		
Skye Marriner	Vice President of Edinburgh College Students' Association	01/07/2022	
Antonia McAlindin	Industry, Commerce or Public Sector Representative		29/09/2021
Kerry McCormack	Industry, Commerce or Public Sector Representative	15/12/2021	
Ian McLaughan	Industry, Commerce or Public Sector Representative	01/07/2022	
Nigel Paul	Industry, Commerce or Public Sector Representative		01/03/2022
Gwen Raez	Industry, Commerce or Public Sector Representative		
Fiona Riddoch	Industry, Commerce or Public Sector Representative		30/06/2022
Azra Sharif-Qayyum	Industry, Commerce or Public Sector Representative		09/02/2022

Board Member	Status of appointment	New appointment during the year and subsequently, up to the date of signing of accounts	Month of departure from the Board during the year and subsequently, up to the date of signing of the accounts
Judith Sischy	Industry, Commerce or Public Sector Representative		04/09/2021
Jeanette Stevenson	Industry, Commerce or Public Sector Representative		
Richard Swan	Staff Representative (Lecturing)	02/12/2021	31/08/2022
Jordan Wyllie	President of Edinburgh College Students' Association		30/06/2022

\* Ann Landels held the position of Interim Chair of the Board from 1 November 2019 to 4 July 2022

### Professional Advisors

Internal Auditor: BDO, Edinburgh

Bankers: Royal Bank of Scotland, Edinburgh

Solicitors: Anderson Strathern LLP, Edinburgh

### External Audit

External Auditor: Audit Scotland

Stuart Nugent (Audit Scotland) is appointed under the Public Finance and Accountability (Scotland) Act 2000 to carry out the external audit of Edinburgh College.

### Committees

The following table shows the committees that each current member of the Board of Management served on during the year:

	LTSE Committee	Audit and Risk Assurance	Corporate Development	Nominations	Policy and Resources	Remuneration
<b>Member from start of period to 4 September 2021</b>						
Judith Sischy	✓	✓				
<b>Member from start of period to 29 September 2021</b>						
Antonia McAlindin					✓	
<b>Member from start of period to 2 December 2021</b>						
Mike Cowley	✓					
<b>Member from start of period to 9 February 2022</b>						
Azra Sharif-Qayyum			✓	✓		
<b>Member from start of period to 1 March 2022</b>						
Nigel Paul		✓		✓	✓	
<b>Member from start of period to 30 June 2022</b>						
Rose Dodgson	✓		✓		✓	
Janyce Holmes		✓			✓	

Fiona Riddoch	✓			✓	✓	
Jordan Wylie	✓			✓		✓
<b>Member from start of period to Present</b>						
Bruce Cassidy			✓	✓		
Audrey Cumberland	✓					
Lesley Drummond		✓	✓	✓	✓	
Alex Killick				✓	✓	✓
Ross Laird		✓				✓
Ann Landels			✓	✓	✓	
Gwen Raez			✓			✓
Jeanette Stevenson	✓			✓		
<b>Member from 15 December 2021 to Present</b>						
Stewart Darling		✓				
Kerry McCormack	✓					
<b>Member from 4 June 2022 to Present</b>						
Nora Senior CBE				✓	✓	
<b>Member from 1 July 2022 to Present</b>						
Fiona Doring			✓			
Becky Duff	✓					
David Elder	✓		✓		✓	
Skye Marriner	✓			✓		✓
Ian McLaughlan		✓				

In line with a recommendation from the 2019 Board Effectiveness Review, the Board agreed on 22 September 2020 that a Student Board Member should sit on the Policy and Resources Committee and the Remuneration Committee with immediate effect. This means that a Student Board Member sits on all committees of the Board, with the exception of the Audit and Risk Assurance Committee.

The non-Board membership of the LTSE Committee, at the start of the academic year 2021/22, was as follows: Iris Aitchison, Rebecca Agnew, Victoria Browning, Laura Craig, Julian Henderson, Ethelinda Lashley-Scott, Kevin Maloney, Neil Manning, Sandra Morrison and Ryan Quinn.

Ian Doig (Industry, Commerce or Public Sector Representative) is a co-opted member of the Audit and Risk Assurance Committee. Ian Doig's tenure as a co-opted independent member of the Committee is extended to 31 July 2023.

In furtherance of the action relating to good governance and partnership working, representatives from EIS-FELA and UNISON were invited to attend all meetings of the Board of Management in the academic year 2021/22.

### Meetings and Attendance

The Board met four times between 1 August 2021 and 31 July 2022, with a further 21 meetings of the various committees of the Board also taking place within this period.

Within the academic year 2021/22, the Board held two physical meetings (in March and June 2022) with all other meetings of the Board and its committees continuing to operate virtually within the remit of its Standing Orders and associated terms of reference. All Board and committee meetings held in the period were quorate.

Overall attendance at Board and committee meetings remained high at 93%, an increase of 2% from the previous academic year. Attendance across the Board and its committees throughout 2021/22 was as follows:

- Board of Management 95% (2020/21: 88%)
- LTSE Committee 95% (2020/21: 96%)
- Audit and Risk Assurance Committee 87% (2020/21: 94%)
- Corporate Development Committee 94% (2020/21: 96%)
- Nominations Committee 86% (2020/21: 65%)
- Policy and Resources Committee 100% (2020/21: 100%)
- Remuneration Committee 88% (2020/21: 92%)

### **Induction and Development**

All new members receive a formal induction provided by the College, in line with the Board's Induction and Development Procedures. Other development sessions during the year focused on health and safety, unconscious bias and key strategic matters with implications for the College, including cyber-security, risk appetite and equality and diversity.

### **Evaluation**

The Board undergoes a robust evaluation process at the end of each academic year. This included individual review meetings with the then Interim Chair of the Board, committee operational reviews and a review of the Interim Chair's performance led by the Interim Vice Chair as senior independent director. The Interim Vice Chair's report on the Chair's performance was presented to the Board on 14 June 2022.

Further to the qualitative data collected, a quantitative online survey comprising a series of questions focusing on current governance arrangements at the College and future enhancements was conducted.

The outcome of a self-evaluation process was very positive. The key areas identified for further improvement included:

- the need for the Board to evaluate both the benefits and drawbacks of holding exclusively online committee meetings.
- the proposed use of the College email account by Non-Executive Board Members, to ensure compliance with cyber-security measures adopted by the College.

The Board, at each of its meetings in 2021/22, continued to monitor progress against recommendations arising from the 2021/22 Board Effectiveness Review through its Improvement Plan.

The Interim Chair of the Board and the Principal and Chief Executive held two Board Briefing Sessions, on 25 August 2021 and 3 February 2022, to keep the Board up-to-date with developments in response to the Covid-19 pandemic. Further to this, two Board Strategy Sessions were held on 26 October 2022 and 26 April 2022.

### **Risk Management**

The Risk Management Policy and Procedures reflect the College's approach to risk management and assurance and the evaluations of internal controls, and are part of the College's internal control and corporate governance arrangements. An updated Risk Management Policy and Procedures were approved by the Audit and Risk Assurance Committee on 07 October 2020, and reviewed again on 12 October 2022. There were no known significant lapses of data security during the year.

The Audit and Risk Assurance Committee receives regular reports from the College's internal Risk Management and Assurance Group. This group reviews internal controls and assurances through its 'three lines

of defence' framework, reviews the College's operational risks and proposes updates to the Top-Level Risk Register. Any proposed changes to the Top-Level Risk Register are highlighted and discussed by the Audit and Risk Assurance Committee, prior to a Summary Top-Level Risk Register being presented to the Board of Management. Directors and Assistant Principals of departments are also invited to attend this committee to provide a statement on risk assurance and risk mitigation in relation to their areas of expertise.

As part of its annual review, the 'three lines of defence' framework was considered by the Audit and Risk Assurance Committee on 13 October 2021 and 12 October 2022.

The Audit and Risk Assurance Committee has also undertaken a series of risk 'deep dives' throughout the academic year 2021/22. These focused on cyber-security, environmental sustainability, course completion and student destinations, and commercial income.

The College's Risk Management and Assurance Framework includes:

- a Risk Management Policy
- a risk appetite statement
- operational risk registers, managed by each member of the Senior Management team aligned to their respective operational plans, which cover all College business
- the Edinburgh College Top-Level Risk Register, which identifies the major risks drawn from operational risk registers, risks identified by the Board of Management and its committees, and risks identified by the Executive team and Senior Management team
- a 'three lines of defence' internal control and assurance framework, and counter-fraud maturity model linked to the College's Top-Level Risk Register.

The Risk Management and Assurance Framework is overseen by the College's Risk Management and Assurance Group (RMAG), which reports into the Audit and Risk Assurance Committee. This group meets every three months to review the Top-Level Risk Register, and a rolling review programme of operational risk registers and business continuity plans. It also recently reviewed the College's risk appetite statement.

In line with the efforts of the College to return to business as usual by the start of the academic year 2021/22, it was agreed by the RMAG that the Covid-19 Risk Register would be maintained at an operational level. On 14 June 2022, the Board noted that the Covid-19 Risk Register would be reviewed in full before the start of the next academic year, and incorporated in a wider public health risk that covered seasonal viruses and other vaccination programmes.

The Board of Management is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that have been in place for the period up to the date of approval of these financial statements which accords with good practice as outlined in the UK Corporate Governance Code 2016. This process is regularly reviewed by the Board of Management.

## **Statement on Internal Control**

### **Scope of responsibility**

The Board of Management is responsible for ensuring the effectiveness of the College's systems of internal control.

The Board of Management has delegated the day-to-day responsibility to the Principal and Chief Executive, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding public funds and assets for which the Principal and Chief Executive is responsible, in accordance with the Financial Memorandum between the College and SFC. The Principal and

Chief Executive is also responsible for reporting to the Board of Management any material weaknesses or break-down in internal control.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the College's policies, aims and objectives, to evaluate the likelihood of those risks occurring and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2022, and up to the date of approval of the annual report and financial statements.

The following internal audit reports have been reviewed by the Audit and Risk Assurance Committee in the financial year to 31 July 2022:

Audit	Overall Conclusion	Grading of Recommendations
Covid-19 Health & Safety	Substantial	1 Low risk exposure
IT Services	Moderate	2 Moderate risk exposure; 1 Low risk exposure
Development & Delivery of Digital Learning	Substantial	No risk exposure
Workforce Planning	Moderate	3 Moderate risk exposure; 1 Low risk exposure
Course Planning & Timetabling	Substantial	2 Low risk exposure
Cash Handling	Moderate	2 Moderate risk exposure; 3 Low risk exposure
Student Application, Induction & Enrolment	Substantial	3 Low risk exposure
Equalities	Moderate	1 Moderate risk exposure; 4 Low risk exposure

All recommendations and management actions continue to be monitored by the Audit and Risk Assurance Committee at each of its meetings through regular progress updates against a summary report of internal audit recommendations, and through the Top-Level Risk Register.

### The risk and control framework

The system of internal control is based on a framework of regular management reporting, administration procedures including the segregation of duties, and a system of delegation and accountability. In particular it includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Management
- regular reviews by the Board of Management of monthly, periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- appropriate assurances through a 'three lines of defence' framework aligned to top risks
- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, and the Board ensures that there is objectivity and independence in the selection of auditors for non-audit work through a competitive tendering process. The work of the internal audit service is informed by an analysis of the top risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board of Management on the recommendation of the Audit and Risk Assurance Committee.

The Chair of the Audit and Risk Assurance Committee provides the Board of Management with an annual report on its activities and internal audits conducted during the year. The report includes the Chair of the Audit and Risk Assurance Committee's independent opinion on the adequacy and effectiveness of the College's system of risk management, internal controls and governance procedures.

### **Review of Effectiveness**

The Principal and Chief Executive has responsibility for reviewing the effectiveness of the systems of internal control. The review of the effectiveness of the systems of internal control is informed by:

- the work of the internal auditor. The conclusion in their annual report was that Edinburgh College has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks
- the work of the Executive team and senior managers within the College who have responsibility for the development and maintenance of the internal control framework and annual assurance statements
- comments and recommendations made by the College's external auditor
- the College's Risk Management Assurance Group.

The Principal and Chief Executive has been advised on the implications of the result of the review of the effectiveness of the systems of internal control by the Audit and Risk Assurance Committee which oversees the work of the internal auditor, and associated plans to address weaknesses to ensure continuous improvement of the control systems in place. On the basis of these assurances, the Principal and Chief Executive is able to confirm that sound systems of governance, risk management and assurance, and internal controls are consistent with the requirements of the SPFM and the SFC's accounts direction which have operated for the year ended 31 July 2022 and up to the date of approval of the annual report and accounts.

The Executive team receives 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 faculties and departments. The Executive team and Audit and Risk Assurance Committee also receive regular reports from internal audit, which include management recommendations for improvement. The Audit and Risk Assurance Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The Board of Management's agenda includes a standing item for consideration of the College's risks and controls and it receives reports thereon from the Executive team and the Audit and Risk Assurance Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Board met on 13 December 2022 and approved the year-end financial statements, taking account of Audit and Risk Assurance Committee recommendations and the external auditors report.

### **Internal Control Statement**

The internal auditor has expressed the opinion that the risk management activities and controls were found to be suitably designed to achieve the specific risk management, control, governance and value for money arrangements. Additionally, based on their verification reviews and sample testing, the risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable, but

not absolute assurance that the related risk management, control, governance and value for money objectives were achieved for the period under review.

### **Going Concern**

The annual financial statements have been prepared on a 'going concern' basis.

The College meets its day-to-day and medium to long-term funding requirements through a combination of cash draw-down from the SFC and income generated from commercial and international activities. The College has a term loan provided by its bankers and under the terms of the loan agreement the College must meet certain financial covenants which were met during 2021/22. In the academic year 2021/22, the Board of Management began the process of developing a new Edinburgh College Strategic Plan which will outline key strategic priorities beyond 2022. It is expected that the new Strategic Plan will be agreed and implemented before the end of the academic year 2022/23.

The Board of Management recognises that the most significant risk to the College relates to financial sustainability and the College's ability to manage its activities and deliver its outcomes within the current funding environment. The College launched a staff voluntary severance scheme during the year in which it requires efficiency savings of £6m over the next two years to enable it to operate within its reduced funding level. The College is also targeting growth in recurring alternative income (non-SFC) to help mitigate future pay and funding pressure. The Key Issues and Risks section of the Performance Report on page 8 outlines the College's top key risks (which include financial sustainability) and their mitigation plans. The uncertainties relating to the effects of the duration of the pandemic and withdrawal from the EU on the further education sector will still require careful management by the College.

Funding allocations are confirmed by the SFC on an annual basis and the 2022/23 allocation has been agreed. The College continues to provide five-year financial forecasts to the SFC annually or as required.

The College believes that the SFC will provide the funding required and therefore it is appropriate to prepare the accounts using the going concern basis.

Compliance with the 2016 Code of Good Governance for Scottish Colleges

The Edinburgh College Board of Management complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, and it has complied throughout the year ended 31 July 2022.

### **Conclusion**

The Board of Management is content that the arrangements in place relating to corporate governance are effective.

The College Board determine that given the guidance there is no need to prepare a Parliamentary Accountability Report. There are no significant losses or special payments that need to be reported in accordance with Managing Public Money. The College's Contingent Liabilities are detailed in note 27.

Based on the information above, it is the opinion of the Principal and Chief Executive and the Board of Management that there was an ongoing process for identifying, evaluating and managing the College's significant risks, that it had been in place for the year ended 31 July 2022 and up to the date of approval of the annual report and accounts.

Approved by order of the members of the Board of Management on 13 December 2022.



## REMUNERATION AND STAFF REPORT

### Remuneration Policy

Under the College's Financial Regulations, which are consistent with the Code of Good Governance for Scotland's Colleges, the Board of Management has the authority to appoint, grade, suspend, dismiss and determine the pay and conditions of service of the Principal and Chief Executive and other senior post-holders.

Under its Scheme of Delegation, the Board delegates authority to the Remuneration Committee to consider, approve and report to the Board on decisions regarding the remuneration, package, terms and conditions and, where appropriate, severance payments of the Principal and Chief Executive and the Executive team.

The Remuneration Committee comprises three independent non-executive board members, one of whom is appointed Chair, and a Student Board Member. The Chair of the Board may not be Chair of the Remuneration Committee.

The Remuneration Committee meets as required and not less than once per year.

Remuneration of Regional Chair and Senior Management including salary and pension entitlements

Remuneration (salary, benefits in kind and pensions) – audited

The following table provides detail of the remuneration and pension interests of senior management and the Chair of the Board of Management:

Name	Year ended 31 July 2022			Year ended 31 July 2021		
	Salary	Pension Benefit	Total	Salary	Pension Benefit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Ann Landels, Interim Chair of the Board of Management (Leaving date 3 July 2022*)</b>	25 - 30	-	25 - 30	30 - 35	-	30 - 35
<b>Nora Senior, Chair of the Board of Management (Start date 4 July 2022**)</b>	0 - 5	-	0 - 5	-	-	-
<b>Audrey Cumberland, Principal and Chief Executive</b>	150 - 155	0 - 2.5	150 - 155	150 - 155	40 - 45	190 - 195
<b>Alan Williamson, Chief Operating Officer***</b>	95 - 100	0	95 - 100	95 - 100	30 - 35	125 - 130
<b>Jonny Pearson, Vice Principal</b>	85 - 90	30 - 35	115 - 120	75 - 80	20 - 25	100 - 105
<b>Jon Buglass, Vice Principal</b>	85 - 90	35 - 40	120 - 125	75 - 80	20 - 25	100 - 105
<b>Michael Jeffrey, Vice Principal</b>	85 - 90	20 - 25	105 - 110	75 - 80	20 - 25	95 - 100

\* The salary for Ann Landels for the year ended 31 July 2022 is pro-rata after taking into account her leaving date of 3 July 2022. Her full-year equivalent would have fallen into the £30k - £40k band.

\*\* The salary for Nora Senior for the year ended 31 July 2022 is pro-rata after taking into account her starting date of 4 July 2022. Her full-year equivalent would have fallen into the £30k - £40k band

\*\*\* The pension benefit for Alan Williamson for the year ended 31 July 2022 is noted as 0 per actuarial valuation. This figure would have been shown as negative due to the increase in the Consumer Price Inflation index between 31 July 2021 and 31 July 2022.

There were no performance related payments or bonuses paid in the year (2020/21: £nil).

There were no benefits in kind or non-cash benefits paid in the year (2020/21: £nil).

Board members not listed above received no remuneration.

The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

Further details on senior post-holders emoluments are noted in Note 8.

### Board Member Remuneration

The Regional Chair is entitled to receive remuneration in accordance with instruction from Scottish Government. There is no remuneration for non-executive director posts on the Board of Management.

Expenses incurred are paid as a result of carrying out the duties of the appointment including reasonable travel and subsistence.

### Accrued Pension Benefits

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

Both STSS and LGPS were final salary schemes until 31 March 2015, meaning that members' benefits were based on the final year's pay and the number of years that the person has been a member of the scheme. From 1 April 2015, both schemes became career average schemes, meaning that benefits are based on the career average earnings of the member, and the number of years that the person has been a member of the scheme.

The schemes' normal retirement age is the state retirement age.

Contribution rates are set annually for all employees, and depend on the salary of the employee. 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 final pensionable pay to 31 March 2015, career average earnings from 1 April 2015, and years of pensionable service.

### Senior Officials' Pension – audited

Pension benefits are provided to senior officials 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 and related lump sum at pension age at 31 July 2022	Real increase in pension and related lump sum 1 August 2021 to 31 July 2022	Cash equivalent transfer value at 31 July 2022	Cash equivalent transfer value at 31 July 2021	Real increase in cash equivalent transfer value
	£'000	£'000	£'000	£'000	£'000
<b>Audrey Cumberford MBE FRSE</b>					
Pension	55 – 60	0 – 2.5			
Related lump sum	105 – 110	(2.5 – 5)			
Transfer value			1,121	1,047	31
<b>Alan Williamson</b>					

<b>Pension</b>	45 – 50	(0 – 2.5)			
<b>Related lump sum</b>	75 – 80	(5 – 7.5)			
<b>Transfer value</b>			1,044	1,008	(74)
<b>Jonny Pearson</b>					
<b>Pension</b>	25 – 30	0 – 2.5			
<b>Related lump sum</b>	50 – 55	0 – 2.5			
<b>Transfer value</b>			515	451	45

Jon Buglass					
Pension	30 – 35	0 – 2.5			
Related lump sum	60 – 65	2.5 – 5			
Transfer value			579	509	49
Michael Jeffrey					
Pension	15 – 20	0 – 2.5			
Related lump sum	-	-			
Transfer value			182	155	19

### Cash Equivalent Transfer Value

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 become 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 relevant service and not just their current appointment.

In considering the accrued pension benefits 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 that any 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.

Note 8 to the accounts provides information on senior post holders' remuneration.

### Compensation for Loss of Office - audited

Sixty-two employees left the College under voluntary severance arrangements during the year. They received compensation payments totaling £1,530k. The cost to the College of strain costs in pensions (as required under the scheme rules) was £21k.

The table below summarises the exit packages by cost band:

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages (audited) by cost band
<£10,000	-	7	7
£10,000 - £25,000	-	23	23
£25,000 - £50,000	-	31	31
£50,000 - £100,000	-	1	1
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
<b>Total number of exit packages</b>	-	62	62
<b>Total Cost (£'000)</b>	-	1,530	1,530

#### Fair Pay – Pay Multiples

	2021/22	2020/21	Change %
<b>Range of workforce remuneration</b>	£18,216 to £152,000	£17,678 to £152,000	3.0 to 0
<b>Highest paid official remuneration</b>	152,000	152,000	0
<b>Median (total pay and benefits)</b>	38,256	40,310	-5.1
<b>Median (salary only)</b>	38,256	40,310	-5.1
<b>Ratio</b>	4.0:1	3.8:1	
<b>25th percentile (total pay and benefits)</b>	26,013	27,206	-4.4
<b>25th percentile (salary only)</b>	26,013	27,206	-4.4
<b>Ratio</b>	5.8:1	5.6:1	
<b>75th percentile (total pay and benefits)</b>	43,357	42,357	2.4
<b>75th percentile (salary only)</b>	43,357	42,357	2.4
<b>Ratio</b>	3.5:1	3.6:1	

All Edinburgh College staff received a £1k per FTE cost of living increase as at 1 September 2021; this increase ranged from 1.0% to 5.5% depending on pay level. The Principal and Chief Executive declined the increase. The reason for the negative movements in the median and 25<sup>th</sup> percentile pay, relates to there being more agency staff in 2021/22 who are paid different rates to Edinburgh College staff.

## Staff Report - audited

Staff Numbers	2021/22 Number	2020/21 Number
The average number of persons (including senior post-holders) employed by the College during the year, expressed as full-time equivalents, was:		
Senior Management	5	5
Teaching Staff	479	478
Teaching Support	28	29
Administration and Central Services	424	423
Premises	34	36
Catering and Residences	1	1
Other Income Generating Activities	37	35
<b>Total</b>	<b>1,008</b>	<b>1,007</b>

Staff Costs	2021/22 £000	2020/21 £000
Senior Management	695	662
Teaching Staff	29,295	27,024
Teaching Support	965	994
Administration and Central Services	18,509	18,269
Premises	1,155	1,147
Catering and Residences	39	36
<b>Other expenditure</b>		
Revaluation of Early Retirement Provision	(489)	(264)
FRS102 s28 Pensions Adjustments	6,709	4,823
Other income generating activities	1,263	1,227
Job Evaluation Cost Estimate	1,127	1,127
Movement in Employee Leave Accrual	(142)	559
<b>Total</b>	<b>59,126</b>	<b>55,604</b>

The number of staff, including senior post-holders and the Principal and Chief Executive who received emoluments, excluding pension contributions and payments for loss of office in excess of £60,000, in the following ranges was:

	2021/22 Senior Post Holders	2021/22 Other Staff	2020/21 Senior Post Holders	2020/21 Other Staff
£60,001 - £70,000	-	1	-	-
£70,001 - £80,000	-	6	3	9
£80,001 - £90,000	3	-	-	-
£90,001 - £100,000	1	-	1	-
£100,001 - £110,000	-	-	-	-
£110,001 - £120,000	-	-	-	-
£120,001 - £150,000	-	-	-	-
£150,001- £200,000	1	-	1	-
	5	7	5	9

### Staff Profile

At 31 July the College employed 498 male members of staff and 684 female members of staff.

The Executive team (including the Principal and Chief Executive) are included within the above staff figures. The composition of the Executive team is four male members of staff and one female member of staff, and all are on permanent contracts.

The proportion of staff sickness absence during 2021/22 was 3.1% (2020/21: 2.1%).

Overall staff turnover for 2021/22 was 11.7% (2020/21: 10.4%).

### Salaries and Related costs – audited

	2021/22 Directly employed staff on permanent UK contracts £'000	2021/22 Other staff including short term contract, seconded and agency staff £'000	2021/22 Total £'000	2020/21 Total £'000
Wages and salaries	38,214	284	38,498	37,121
Social security costs	3,978	2	3,980	3,673
Other pension costs	7,884	5	7,889	7,710
<b>Total</b>	<b>50,076</b>	<b>291</b>	<b>50,367</b>	<b>48,504</b>
Average number of FTE	1,008	6	1,014	1,011

The split of directly employed staff is 58% female and 42% male and other staff is 82% female and 18% male.

## Trade Union relationships

The College strives to work in partnership with the recognised trade unions (EIS-FELA and Unison) on issues affecting our employees. We work together within the framework of the Recognition & Procedure Agreements and meet on a regular basis.

## Facility time

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 for the Government reporting period from 1 April 2021 to 31 March 2022.

Relevant union officials	
Number of employees who were relevant union officials during the relevant period:	Full-time equivalent employee number:
17	15

Percentage of time spent on facility time	
Percentage:	Number of employees:
0%	-
1%-50%	16
51%-99%	1
100%	-

Percentage of pay bill spent on facility time	
Total cost of facility time:	£0.1m
Total pay bill:	£50m
Percentage of the total pay bill spent on facility time:	0.2%

Paid trade union activities	
Estimated time spent on trade union activities as a percentage of total paid facility time hours:	42%

## Off-Payroll working through an intermediary (IR35) – workers engaged through a company

The HM Treasury off-payroll working arrangements are in place to ensure that where an individual would have been an employee if they were providing their services directly, they pay broadly the same tax and NICs as an employee. The College has a procedure to ensure that if it plans to offer temporary employment to someone who works through their own intermediary, the off-payroll working rules are applied accordingly.

## Health and Safety

The Edinburgh College Board of Management is fully committed to compliance with all relevant health, safety and fire legislation. The health and safety policy states how all foreseeable hazards and risks are identified and assessed in order to reduce or eliminate the likelihood of accidents, incidents and cases of occupational ill health.



## **Disability policy**

In most cases of absence, returning to the same post with the same duties will be considered College policy. However, under the Equality Act 2010, the College has a duty to consider any reasonable adjustments to either the post duties or the physical environment that would help an employee return to work. This law extends to both physical and mental disabilities defined as falling within the scope of the Act.

It may be necessary to consider making reasonable adjustments to the post or the workplace to enable an employee to return to work. In this instance the Access to Work Team at the DWP may be able to assist with a full assessment and information about grants available to the College. This will ensure that the financial implications for making any necessary adjustments are fully considered. It may not always be possible to make reasonable adjustments, but each case will be fully evaluated with the involvement of the employee. Suitable alternative employment will be offered if available and if suitable for the individual case.

## **Monitoring**

Performance reports relating to health and safety, staff turnover, sickness, and absence, are regularly reviewed and monitored.

## **Equality and Diversity Policy**

Edinburgh College is committed to equality of opportunity and to a culture that respects difference. We are committed to providing an inclusive ethos and environment, where everyone feels welcome, supported and respected. We believe that, as an employer and public body, we can play a leading role in the promotion of equality and diversity more widely. We recognise that equality of access to education is crucial in unlocking many significant opportunities in life.

We aim to help remove barriers and advance equality for groups who experience disadvantage in our society, including people with disabilities, carers or those from other vulnerable groups. Our Equality, Diversity and Inclusion Policy statement sets out our key principles and duties relating to equality, while further policies and procedures cover related issues connected with staff and student experience.

As part of our Public Sector Equality Duty, every two years we report on our progress in achieving our equality aims, and every four years we develop a new set of Equality Outcomes. Our most recent report was in April 2021, when we published an Equality Report covering:

- Progress towards the achievement of our Equality Outcomes 2017/21 which set out where we want to be in terms of eliminating discrimination, advancing equality of opportunity, and fostering good relations between people of different groups.
- Progress we have made in achieving our previous Equality Outcomes.
- Progress we have made towards integrating equality into the day-to-day working of the College.
- Gender pay gap information.
- Ethnicity pay gap information.

## **Career management and employability**

The College supports career development through an annual 'Enhance' development review for all employees and has a dedicated training budget to support employee requests identified. Our organisational development team have rolled out a Management Training Programme to support the development of middle and senior managers in a range of areas. A global view on career management is also undertaken through ongoing work in relation to workforce planning.

## Employee Participation and Development

There is staff representation on the Board of Management and relevant committees. Consultation takes place in regular meetings held with unions. Staff development is facilitated through continuing professional development and a development and review process designed to support employees in their career progression.



Audrey Cumberford MBE FRSE  
Principal and Chief Executive

13 December 2022



Nora Senior CBE  
Chair of Board of Management

13 December 2022

## REPORTING ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion on financial statements

I have audited the financial statements in the annual report and financial statements of Edinburgh College for the year ended 31 July 2022 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including the Statement of Principal 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 in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2022 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 18 March 2022. The period of total uninterrupted appointment is one year. I am independent of the college 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 college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the college's current or future financial sustainability. However, 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 Board of Management for the financial statements**

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

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

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

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:

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

The extent to which 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 Board of Management 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 audited part 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 part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

### Other information

The Board of Management is responsible for other information in the annual report and financial statements. The other information comprises the Performance Report and the Accountability Report excluding the audited part 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 Corporate 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 Corporate 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 Corporate 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 part 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 financial statements, 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 120 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.



### **Stuart Nugent**

Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Stuart Nugent is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000.

14 December 2022

## FINANCIAL STATEMENTS

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 July 2022

	Notes	2021/22 £000	2020/21 £000
<b>INCOME</b>			
Scottish Funding Council Grants	2	59,649	58,820
Tuition Fees and Education Contracts	3	9,394	8,649
Other Grant Income	4	611	1,346
Other Operating Income	5	2,312	1,458
Investment Income	6	5	2
<b>Total Income</b>		<b>71,971</b>	<b>70,275</b>
<b>EXPENDITURE</b>			
Staff Costs – Recurring	7	57,575	54,856
Other Staff Costs – Exceptional	7	1,551	748
Other Operating Expenses	9	13,933	14,588
Depreciation	12/13	5,686	5,255
Interest and other Finance Costs	10	1,307	1,421
<b>Total Expenditure</b>		<b>80,052</b>	<b>76,868</b>
Deficit for the year before other gains and losses		(8,081)	(6,593)
Loss on disposal of fixed assets		(28)	(18)
<b>Deficit for the year</b>		<b>(8,109)</b>	<b>(6,611)</b>
Actuarial gain/(loss) in respect of pension schemes	23	75,902	20,270
Unrealised surplus on revaluation	20	15,573	6,949
<b>Total Comprehensive income for the year</b>		<b>83,366</b>	<b>20,608</b>

The Statement of Comprehensive Income is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 29 provides details of the adjusted operating position on a Central Government accounting basis.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 July 2022

	Income and expenditure reserve £000	Revaluation reserve £000	Total £000
Balance at 1 August 2020	(16,780)	49,281	32,501
Deficit from the income and expenditure statement	(6,611)	-	(6,611)
Other comprehensive income	20,270	6,949	27,219
Transfers between revaluation and income and expenditure reserves	1,228	(1,228)	-
<b>Total comprehensive income for the year</b>	<b>14,887</b>	<b>5,721</b>	<b>20,608</b>
Balance at 31 July 2021	(1,893)	55,002	53,109
Deficit from the income and expenditure statement	(8,109)	-	(8,109)
Other comprehensive income	75,902	15,573	91,475
Transfers between revaluation and income and expenditure reserves	1,422	(1,422)	-
<b>Total comprehensive income for the year</b>	<b>69,215</b>	<b>14,151</b>	<b>83,366</b>
Balance at 31 July 2022	67,322	69,153	136,475

There are no endowment or restricted reserves.

Included within the income and expenditure reserve is a positive balance of £24,980k which relates to the pension asset.



## BALANCE SHEET AS AT 31 July 2022

	Notes	2021/22 £000	2020/21 £000
Fixed Assets			
Tangible Fixed Assets	12	178,650	167,816
Intangible Fixed Assets	13	182	266
		178,832	168,082

Current Assets			
Stock		86	84
Debtors	14	7,709	5,844
Cash and cash equivalents		5,494	5,289
		13,289	11,217

Current Liabilities			
Less: Creditors – amounts falling due within one year	15	(17,320)	(14,991)
Net Current Assets/(Liabilities)		(4,031)	(3,774)

Total Assets less Current Liabilities		174,801	164,308
Less: Creditors – amounts falling due after more than one year	16	(60,256)	(62,819)
Less: Provisions for liabilities and charges	18	(3,050)	(4,917)
Net assets excluding pension asset/(liability)		111,495	96,572
Net pension asset/(liability)	23	24,980	(43,463)
Net Assets/(Liabilities) including Pension Asset/(Liability)		136,475	53,109

Reserves			
Income and Expenditure Account		67,322	(1,893)
Revaluation Reserve	20	69,153	55,002
Total Reserves		136,475	53,109

The financial statements on pages 44 to 71 were approved and authorised for issue by the Board of Management and signed on its behalf by:



Nora Senior CBE  
Chair of Board of Management  
13 December 2022



Audrey Cumberford MBE FRSE  
Principal and Chief Executive  
13 December 2022

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 July 2022

	Notes	2021/22 £000	2020/21 £000
Cash Flow from operating activities			
Deficit for the year		(8,109)	(6,611)
Adjustment for non-cash items			
Depreciation		5,686	5,255
Deferred capital grants released to income	2	(2,852)	(2,575)
Decrease/(increase) in stock		(2)	5
(Increase)/decrease in debtors	14	(1,865)	(1,166)
Increase/(decrease) in creditors	15	2,514	4,081
(Decrease)/increase in provisions	18	(1,867)	(769)
Pension costs less contributions payable	23	6,709	4,823
(Gain)/loss on sale of assets		28	18
Adjustment for investing or financing activities			
Investment income	6	(5)	(2)
Interest payable	10	1,307	1,421
<b>Net Cash (Outflow)/inflow from operating activities</b>		<b>1,544</b>	<b>4,480</b>
<b>Cash flows from investing activities</b>			
Investment income	6	5	2
Payments made to acquire fixed assets		(1,137)	(2,516)
Deferred capital grant received	19	891	2,767
		(241)	253
<b>Cash flows from financing activities</b>			
Interest paid	10	(557)	(575)
Repayments of amounts borrowed	17	(541)	(389)
		(1,098)	(964)
<b>Increase in cash and cash equivalents in the year</b>		<b>205</b>	<b>3,769</b>
Cash and cash equivalents at beginning of the year		5,289	1,520
<b>Cash and cash equivalents at end of the year</b>		<b>5,494</b>	<b>5,289</b>

## 1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the 2021/22 Government Financial Reporting Manual (FReM) issued by HM Treasury and in accordance with applicable Accounting Standards. They have been prepared in a form prescribed by Scottish Ministers and in accordance with paragraph 28 of Schedule 2 of the Further and Higher Education (Scotland) Act 1992, the Charities and Trustee Investment (Scotland) Act 2005 (the 2005 Act), the Charities Accounts (Scotland) Regulations 2006 (the 2006 Regulations) and in accordance with the Accounts Direction and other guidance published by the Scottish Funding Council.

The annual financial statements have been prepared on a 'going concern' basis. For further information refer to the Going Concern section in the Accountability Report on page 29.

### Basis of Accounting

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain fixed assets.

The accounting policies contained in the FReM apply International Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the College for the purposes of giving a true and fair view has been selected. The particular policies adopted by the College in dealing with items that are considered material to the financial statements are set out below.

### Significant judgements and estimates

In the application of the Group's accounting policies, the Board of Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Board of Management relies on external professionals for certain assumptions;

- Independent Actuarial services for pension assumptions
- Independent Chartered Surveyors for Non-Current Asset valuations

Defined benefit pension schemes are volatile which can be seen from the movement in the LPF pension valuation included on the balance sheet, this has moved from a £44m pension deficit in 2020/21 to a £25m pension asset in 2021/22. The main reason for this change is the movement in discount rate year on year from 1.6% to 3.5%. Any future change in discount rate could also have a dramatic effect on the balance sheet. Based on sensitivity analysis from the LPF actuaries, a 0.1% decrease in the Real Discount Rate could see a decrease in the pension asset by £2.7m.

### Continuing Activities

The results reported in this statement of accounts are derived from the continuing activities of Edinburgh College.

## Group Accounts

The financial statements include the College only. In accordance with FRS 102 section 9, the activities of the Students' Association and Edinburgh College Development Trust have not been consolidated because the College does not control those activities.

## Recognition of Income

Edinburgh College has adopted the accruals model for recognition of revenue grants from the Scottish Funding Council, and such grants are credited to the Statement of Comprehensive Income in the period in which the related costs are recognised.

Edinburgh College has adopted the accruals model for recognition of capital grants from the Scottish Funding Council or other governmental bodies received in respect of the acquisition or construction of fixed assets, and such grants are treated as deferred capital grants within liabilities and amortised in line with depreciation over the life of the assets.

Grants received from non-governmental bodies are recognised when performance-related conditions related to the grant are met.

Income from tuition fees is recognised in the period for which it is received, and includes all fees chargeable to students or their sponsors.

## Foreign Currency Translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

## Post-Retirement Benefits

Retirement benefits (apart from enhanced early retirements) to employees of the College are provided by the Scottish Teachers' Superannuation Scheme (STSS), and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded. Contributions to the STSS are charged as incurred.

The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a projected benefit method such that contributions to the STSS scheme are charged to the Statement of Comprehensive Income to spread the cost of pensions over employees' working lives with the College, in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll.

The assets of the LGPS are measured using closing market values. The LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employees' service in the period, is charged to the statement of comprehensive income. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in other comprehensive income.

The costs of enhanced early retirement benefits are borne directly by the College. The College has made provision for the enhanced pensions paid to former employees of the STSS who have taken early retirement.

The STSS enhanced pension provision is revalued annually, in accordance with actuarial factors.

## **FRS 102 Section 28**

Under the definitions set out in Financial Reporting Standard (FRS) 102 Section 28, Retirement Benefits, the STSS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS 102 Section 28 and has accounted for its contribution to the scheme as if it were a defined contribution scheme. The College has set out in note 23 the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

### **Employee Benefits**

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employee 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.

### **Tangible Fixed Assets**

Fixed assets are capitalised at their cost of acquisition and/or installation. The threshold for capitalisation of assets is £10,000; however, individual assets whose costs fall below the threshold, but are of a similar type and are easily identifiable, will be grouped. All capitalised assets are detailed on a fixed asset register and are regularly reviewed for impairment.

#### **a. Land and Buildings**

Land and buildings are stated in the balance sheet at valuation less amounts written off by way of depreciation. They have been valued at depreciated replacement cost on an existing use basis, which is considered to be equivalent to open market value on an existing use basis. Heritable land is not depreciated. Heritable buildings are depreciated over the expected useful economic life to the College of up to 50 years with no residual value. Revaluations are recognised in other comprehensive income. A full revaluation on land and buildings is carried out every five years with an interim indexation valuation at year three or whenever market conditions require such a valuation.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. Related government grants are released to the Statement of Comprehensive Income over the useful economic life of the related asset on a basis consistent with the depreciation policy. Related non-government grants are recognised in the Statement of Comprehensive Income when any performance-related conditions are fulfilled.

Where land and buildings are acquired from other income, they are capitalised and depreciated over their useful economic life up to 50 years.

Finance costs which are directly attributable to the construction of buildings are capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Buildings or work under construction are accounted for at cost. These assets are not depreciated until they are brought into use.

The cost of routine corrective maintenance is charged to the Statement of Comprehensive Income in the period it is incurred.

#### **b. Equipment**

Equipment costing less than £10,000 per individual item is charged to the Statement of Comprehensive Income in the year of acquisition. However, individual assets whose cost falls below the threshold and pose a

risk of fraud or theft, but are of a similar type are grouped together and capitalised. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

Plant, Equipment, Furnishings and Fittings – up to 10 years

Computer Equipment – up to five years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the Capitalisation Policy. Related government grants are released to the statement of comprehensive income over the expected useful economic life of the related equipment. Related non-government grants are recognised in the Statement of Comprehensive Income when performance-related conditions are met.

Where equipment is acquired from other income, it is capitalised and depreciated over the expected useful economic life of the equipment.

Equipment is carried at depreciated historical cost, which is used as a proxy for fair value. Depreciated historical cost is deemed to be more appropriate than revaluing for equipment as it is common for such assets to reduce in value, rather than increase, as they are utilised by the College.

### **Intangible Assets**

Intangible assets are carried at fair value, these include software or development costs. They are amortised on a straight-line basis over estimated useful lives of five years.

The college shall recognise an intangible asset only if:

- (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- (b) the cost or value of the asset can be measured reliably.

### **Leased Assets**

Leasing agreements that transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The relevant assets are included under fixed assets and the capital element of leasing commitments is shown as an obligation under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets. Assets held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Expenditure in respect of operating leases is charged on a straight-line basis over the lease term.

### **Taxation**

The College has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue & Customs as a charity for the purposes of section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax. For this reason, the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

### **Financial Instruments**

Edinburgh College discloses the carrying amounts of financial assets and financial liabilities in the balance sheet and in the debtor and creditor notes to the accounts.

Debtors are measured at transaction price less any impairment.

Creditors are measured at transaction price.

Cash for the purposes of the Statement Cash Flows comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand.

### **Stock**

Stocks are valued at the lower of cost or net realisable value. No account is taken of stock held in academic departments as these amounts are not material.

### **Provisions and Contingent Liabilities**

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A contingent liability arises either as:

- possible obligation arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of some uncertain future event not wholly within the College's control, or a
- present obligation that arises from a past event but is not recognised because either:
  - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities being a possible obligation, are not recognised but are disclosed in note 27.

### **Agency Arrangements**

The College acts as an agent in the collection and payment of student support funds including bursary funds, discretionary funds, educational maintenance allowances and Covid-19 specific FE and HE hardship/discretionary funds. Related payments received are not included in the income and expenditure account and are shown separately in note 25, except for a small notional sum of the grant received which is available to the College to cover administration costs relating to the grant.

FE and HE childcare student support funds receivable and payable are shown in the Statement of Comprehensive Income, and are shown separately in note 26.

### **Reserves**

There are no endowment or restricted reserves. The value of College reserves as well as being affected by annual surplus and deficits is the result of actuarial valuations of pension schemes as well as regular revaluations of land and buildings.

### **Accounting standards issued not yet adopted**

#### **IFRS 16 – Leases**

The standard will come into effect for accounting periods beginning after 1 April 2022, when the distinction between finance and operating leases is removed and all leases become "on balance sheet". The FReM interprets and adapts IFRS 16 for the public context in several ways. Information is currently being gathered to identify all right of use and leased assets not currently capitalised. The full impact has not yet been determined. These assets will be included on the statement of financial position from 1 August 2022.

## 2. FUNDING COUNCIL GRANTS

	2021/22 £000	2020/21 £000
SFC Recurrent Grant	47,266	46,829
National Transitional Training Fund and Young Persons Guarantee	73	1,758
FE childcare funds	823	767
Release of Deferred Capital Grants	2,852	2,575
SFC Capital Grant	2,463	3,020
Job Evaluation Grant	1,127	1,127
SFC financial sustainability funding	-	1,288
Deferred Student Funding	1,010	-
Other SFC Grants	4,035	1,456
	59,649	58,820

## 3. TUITION FEES AND EDUCATION CONTRACTS

	2021/22 £000	2020/21 £000
FE Fees – UK	358	408
FE Fees – non EU	882	431
HE Fees	4,840	5,381
SDS Contracts	689	250
Education Contracts	1,841	1,431
Other Contracts	784	748
	9,394	8,649

## 4. OTHER GRANT INCOME

	2021/22 £000	2020/21 £000
Other Grants	604	533
Government Grant Coronavirus Job Retention Scheme	7	813
	611	1,346

The grant for the Coronavirus Job Retention Scheme supported four staff (2020/21: 295) furloughed during the year.



## 5. OTHER OPERATING INCOME

	2021/22 £000	2020/21 £000
Residences and Catering	297	140
Nursery Income	1,094	928
Other Income	921	390
	2,312	1,458

## 6. INVESTMENT INCOME

	2021/22 £000	2020/21 £000
Bank Interest Receivable	5	2
	5	2

## 7. STAFF COSTS

Information on the staff numbers and related staff costs are included on page 35 under 'Staff Report – audited' in the Remuneration and Staff Report.

	2021/22 £000	2020/21 £000
Recurring Staff Cost		
Salaries	38,324	37,058
Pensions	7,889	7,710
Social Security Costs	3,980	3,673
Apprenticeship Levy	177	170
Revaluation of Early Retirement Provision	(489)	(264)
FRS 102 s28 Pensions Adjustments	6,709	4,823
Estimated Job Evaluation Cost	1,127	1,127
Movement in Employee Leave Accrual	(142)	559
<b>Total Staff Costs - Recurring</b>	<b>57,575</b>	<b>54,856</b>
Exceptional Staff Costs		
Redundancy	-	2
Voluntary Severance	1,530	736
Pension Strain Costs	21	10
<b>Total Staff Costs - Exceptional</b>	<b>1,551</b>	<b>748</b>
	<b>59,126</b>	<b>55,604</b>

## 8. SENIOR POST-HOLDERS' EMOLUMENTS

### Emoluments of the Board of Management

The total remuneration of the Board of Management, including pension contributions and benefits in kind but excluding the salaries of employee Board members classed as normal staff, amounted to:

	2021/22 £	2020/21 £
Salaries as Board Members	31,680	31,680
	<b>31,680</b>	<b>31,680</b>

The Salary as Board Member relates to the Chair of the Regional Board, appointed by the Scottish Ministers. The Chair receives remuneration in line with rates specified by the Scottish Government. An Interim Chair was appointed from 1 November 2019 and left the post on 3 July 2022. The new Chair was appointed on 4 July 2022.

## Emoluments of Senior Post-holders

	2021/22 Number	2020/21 Number
The number of Senior post-holders including the Principal and Chief Executive was	5	5
The emoluments of Senior post-holders (excluding NI), including the Principal and Chief Executive was:	2021/22 £000	2020/21 £000
Salaries	509	486
Employers' Pension Contribution	114	107
	623	593

The above emoluments include amounts paid to the Principal and Chief Executive. The Principal and Chief Executive's emoluments for the year totalled:

	2021/22 £000	2020/21 £000
Salary	151	152
Employers' Pension Contribution	35	35
	186	187

The Principal and Chief Executive and senior post-holders are ordinary members of their appropriate pension scheme and contributions are paid at the same rates as other scheme members.

## 9. OTHER OPERATING EXPENSES

	2021/22 £000	2020/21 £000
Teaching	3,411	3,090
Administration	4,228	3,467
Premises	4,551	6,662
Planned Maintenance	68	51
Other income generating activities	525	417
Other employee related costs	153	71
Childcare	823	767
Agency Staff	174	63
	13,933	14,588

Other operating expenses include:

	2021/22 £000	2020/21 £000
Auditor's Remuneration (including irrecoverable VAT):		
External Auditor's Remuneration – Audit	31	31
Internal Audit (including Student Support Funds Audit)	28	37
Operating lease payments	328	309

## 10. INTEREST COSTS

	2021/22 £000	2020/21 £000
Pension Finance Cost – interest on early retirement provision	58	57
Pension Finance Cost – FRS102 s28 Net interest cost	750	846
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	499	518
	1,307	1,421

## 11. TAXATION

The College was not liable for any corporation tax arising out of its activities during the year.

## 12. TANGIBLE FIXED ASSETS

	Land & Buildings £000	Plant & Equipment (Owned) £000	Computers £000	Fixtures & Fittings £000	Total £000
<b>COST OR VALUATION</b>					
At 1 August 2021	162,170	6,032	9,998	16,224	194,424
Additions	292	129	341	129	891
Disposals	-	(3,822)	(3,684)	(7,604)	(15,110)
Interim indexation	11,485	-	-	-	11,485
At 31 July 2022	173,947	2,339	6,655	8,749	191,690
<b>DEPRECIATION</b>					
At 1 August 2021	2,197	4,765	8,458	11,188	26,608
Charge for Year	4,099	238	443	822	5,602
Disposals	-	(3,822)	(3,656)	(7,604)	(15,082)
Interim indexation	(4,088)	-	-	-	(4,088)
At 31 July 2022	2,208	1,181	5,245	4,406	13,040
<b>NET BOOK VALUE</b>					
At 31 July 2022	171,739	1,158	1,410	4,343	178,650
At 31 July 2021	159,973	1,267	1,540	5,036	167,816
Represented by: Inherited	8,784	-	-	-	8,784
Financed by: Capital Grant	48,290	1,137	1,410	4,192	55,029
Other	114,665	21	-	151	114,837
At 31 July 2022	171,739	1,158	1,410	4,343	178,650

To comply with the Government financial reporting manual (FRem), the basis of valuation of land and buildings is a current value basis. Land and buildings were independently valued as at 31 July 2020 by external valuers Avison Young, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with RICS Valuation – Global Standards effective from 31 January 2020. The basis of valuation used was depreciated replacement cost. As at the valuation date due to the effects of Covid-19, there was a shortage of market evidence for comparison purposes, to inform opinions of value. The valuation was therefore reported as being subject to ‘material valuation uncertainty’. For the 2020/21 accounts the valuer reviewed this ‘material valuation uncertainty’ clause and confirmed their opinion that the asset values previously reported as at 31 July 2020 would not require to be altered and are accordingly considered correct and fair.

The Government financial reporting manual (FRem) sets out guidance for the College to consider how best to apply the valuation requirements to ensure that the Balance Sheet gives a true and fair view of the value of the assets. The value of assets will be monitored annually and valuation undertaken when deemed necessary.

At 31 July 2022 the College has supplemented the 31 July 2020 quinquennial valuation and 31 July 2021 indexation with an indexation valuation update from external valuers Avison Young. This would not have been due until 31 July 2023, however this was carried out due to the expected movement in the market over the

year to 31 July 2022. Taking various factors into account they concluded that a positive indexation factor of 10% was appropriate to land and buildings which totaled £15.6m.

If land and buildings were reported on a cost basis, the carrying value would be £108.5m (2020/21: £111.5m).

Land and buildings with a net book value of £171.7m (2020/21: £160m) have been funded from Exchequer Funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council to surrender the proceeds.

There is a standard security with Grange Estates over the Hardengreen land (Midlothian campus).

### 13. INTANGIBLE ASSETS

	Total £000
<b>COST OR VALUATION</b>	
At 1 August 2021	1,309
Additions	-
Disposals	-
At 31 July 2022	1,309
<b>AMORTISATION</b>	
At 1 August 2021	1,043
Charge for the period	84
Disposals	-
At 31 July 2022	1,127
<b>NET BOOK VALUE</b>	
At 31 July 2022	182
At 31 July 2021	266
Represented by: Inherited	-
Financed by: Capital Grant	182
Other	-
At 31 July 2022	182

## 14. DEBTORS

	2021/22 £000	2020/21 £000
Amounts falling due within one year:		
Trade Debtors	785	293
Other Debtors	29	176
Debts due from Students	9	32
Prepayment and Accrued Income	6,886	5,343
	7,709	5,844

## 15. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2021/22 £000	2020/21 £000
Trade Creditors		496	1,182
Payments received in advance		470	320
Other Taxation and Social Security		1,539	938
VAT		125	43
Bank Loans	17	568	541
Funding Council Grants		1,367	1,383
Accruals, Deferred Income and Other Creditors		9,959	7,822
Deferred capital grants - government	19	2,796	2,762
		17,320	14,991

## 16. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Note	2021/22 £000	2020/21 £000
Bank loan	17	7,840	8,408
Deferred Capital Grants - Government	19	52,416	54,411
		60,256	62,819

## 17. BORROWINGS

	2021/22 £000	2020/21 £000
Bank Loan Repayable:		
In one year or less	568	541
Between one and two years	601	567
Between two and five years	2,002	1,900
In five years or more	5,237	5,941
	8,408	8,949

The Bank Loan is repayable by instalments up to March 2031 and February 2034, with a capital repayment of £568K due in 2022/23. The average interest rate for the duration of the loan is expected to be 5.97%. The interbank borrowing rate LIBOR was phased out by UK regulators in December 2021. The variable interest rate element of Edinburgh College loans from Bank of Scotland is referenced to LIBOR. The College agreed with the lending bank to reference the interest rate to base rate after this date. The effect of this change on the overall interest rate is expected to be immaterial.

## 18. PROVISIONS FOR LIABILITIES AND CHARGES

	Early Retirement Pension Costs £000	Others £000	Total £000
At 1 August 2021	3,751	1,166	4,917
Amounts used during the year	(270)	-	(270)
Movement in provision	(489)	(1,166)	(1,655)
Interest applied	58	-	58
At 31 July 2022	3,050	-	3,050

The pension provision relates to unfunded liabilities as a result of the early retirement of former teaching staff in advance of the normal retirement age. The pension provision has been revalued by Hymans Robertson as at 31 July 2022.

In 2010/11 the College entered into a contract for the placement of students in residential accommodation. In 2021/22 a settlement was agreed to end this contract, therefore the remainder of the provision brought forward at 1 August 2021 has now been written back.



## 19. DEFERRED CAPITAL GRANTS

	Funding Council Grants £000	Other Government Grants £000	Total £000
At 1 August 2021	56,754	419	57,173
Received during year			
Land and Buildings	292	-	292
Fixtures, Fittings & Equipment	599	-	599
Release to Income and Expenditure Account			
Land and Buildings	(1,296)	(9)	(1,305)
Fixtures, Fittings & Equipment	(1,536)	(11)	(1,547)
At 31 July 2022	54,813	399	55,212

## 20. REVALUATION RESERVE

	2021/22 £000	2020/21 £000
At 1 August 2021	55,002	49,281
Release of revaluation reserve in respect of depreciation on land and buildings	(1,422)	(1,228)
Revaluation of land and buildings in year	15,573	6,949
At 31 July 2022	69,153	55,002

## 21. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2021 £000	Cash Flows £000	Other Non-Cash Flows £000	At 31 July 2022 £000
Cash	5,289	205	-	5,494
Debt due within one year	(541)	541	(568)	(568)
Debt due after one year	(8,408)	-	568	(7,840)
	(3,660)	746	-	(2,914)

## 22. FINANCIAL COMMITMENTS

	2021/22 £000	2020/21 £000
At 31 July 2022 the College had total commitments under non-cancellable operating leases for Plant and Equipment and vehicles as follows:		
Payable within one year	174	187
Payable between two and five years	166	128
Payable over five years	64	64
	404	379

## 23. PENSION AND SIMILAR OBLIGATIONS

### Retirement Benefits

The College participates in two main pension schemes for the College's staff, the Scottish Teachers' Superannuation Scheme (STSS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS). The STSS provided benefits based on final pensionable salary for teaching staff up until 31 March 2015, and based on career average revalued earnings from 1 April 2015. The LGPS provides similar benefits for other staff of the College.

TOTAL PENSION COST FOR THE YEAR	2021/22 £000	2020/21 £000
<b>STSS:</b>	5,060	4,954
<b>LGPS:</b>	2,829	2,756
S28 Pensions Movement	6,709	4,823
Total pension cost	14,598	12,533
LGPS Pension Strain Cost	21	10
Total Pension cost for year	14,619	12,543

### Local Government Pension Scheme (LGPS)

The LGPS is a pension scheme providing benefits based on final pensionable pay until 31 March 2015 and on career average revalued earning from 1 April 2015. The assets and liabilities of the scheme are held separately from those of the College. Pension scheme assets are measured using closing market values. Pension scheme liabilities are measured using a projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the statement of comprehensive income. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in other comprehensive income.

Contributions to the scheme are determined by an actuary on the basis of triennial valuations using the Projected Unit Method.

The scheme is administered in accordance with the Local Government Pension Scheme (Benefits Membership and Contributions) (Scotland) Regulations 2008, the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 2008.

The total contributions made for the year were £3,709k of which employer's contributions totaled £2,829k and employees' contributions totaled £880k.

From 1 April 2021 the employers' contribution rate payable is 19.1%. As of this date, the employees' contribution rates did not change, however the salary bandings for each rate have increased. Surpluses and deficits are spread over employees' future service lives.

### FRS102 Section 28

Formal LPF actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The most recent formal valuation date was 31 March 2020. Hymans Robertson LLP carried out an actuarial valuation as at 31 July 2022 for accounting purposes. The actuary projected the valuation results of the latest formal valuation date forward to 31 July 2022 using approximate methods. The roll-forward allows for changes in financial assumptions, additional benefit accrual and estimated cash flows over the period.

The principal assumptions of the most recent valuation of the Local Government Pension Scheme are as follows:

	2021/22	2020/21
Rate of increase in salaries	3.25%	3.35%
Rate of increase for pensions / inflation	2.75%	2.85%
Discount rate for liabilities	3.50%	1.60%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age of 65 are:

	Males	Females
Current Pensioners	20.3 years	23.1 years
Future Pensioners	21.6 years	25.0 years

The assets and liabilities in the scheme and the expected rates of return were:

ASSETS (WHOLE FUND)	Long term rate of return at 31 July 2022	Value at 31 July 2022 £000	Long term rate of return at 31 July 2021	Value at 31 July 2021 £000
Equities	2.7%	107,702	2.8%	101,859
Bonds	2.7%	21,237	2.8%	19,806
Property	2.7%	10,619	2.8%	8,488
Cash	2.7%	12,135	2.8%	11,318
<b>Total market value of assets</b>		<b>151,693</b>		<b>141,471</b>

Present value of scheme liabilities:				
Funded		126,330		184,389
Unfunded		383		545
<b>Surplus/(Deficit) in the scheme</b>		<b>24,980</b>		<b>(43,463)</b>

Analysis of the amount charged to the Statement of Comprehensive Income (SOCl)	2021/22 £000	2020/21 £000
Current service cost	(8,772)	(7,590)
Past service cost	(19)	(6)
<b>Total operating charge</b>	<b>(8,791)</b>	<b>(7,596)</b>
Analysis of net return on pension scheme:		
Interest Income on Plan Assets	2,278	1,844
Interest cost	(3,028)	(2,690)
<b>Total</b>	<b>(750)</b>	<b>(846)</b>
Credit/charge to other comprehensive income:		
Return on assets gain/(loss)	6,244	18,917
Other experience	(284)	10,659
Losses arising on changes in financial assumptions	69,172	(17,293)
Gains and losses arising on changes in demographic assumptions	770	7,987
<b>Actuarial gain/(loss)</b>	<b>75,902</b>	<b>20,270</b>
<b>Total charge to the SOCl</b>	<b>66,361</b>	<b>11,828</b>

Movement in deficit during year	2021/22 £000	2020/21 £000
At 1 August 2021	(43,463)	(58,064)
Movement in year:		
Current service cost	(8,772)	(7,590)
Employer contributions	2,827	2,733
Contributions in respect of unfunded benefits	33	40
Past service cost	(19)	(6)
Net finance costs	(750)	(846)
Effect of business combinations and disposals	(778)	-
Actuarial gain/(loss)	75,902	20,270
Surplus/(Deficit) in scheme at 31 July 2022	24,980	(43,463)

Reconciliation of defined benefit obligation	2021/22 £000	2020/21 £000
Liabilities at start of year	184,934	189,676
Current service cost	8,772	7,590
Interest cost	3,028	2,690
Contributions by members	880	856
Actuarial (gain)/loss	(69,658)	(12,693)
Past Service cost	19	6
Effect of business combinations and disposals	1,986	-
Estimated Unfunded benefits paid	(33)	(40)
Estimated Benefits paid	(3,215)	(3,151)
Liabilities at end of year	126,713	184,934

Reconciliation of fair value of employer assets	2021/22 £000	2020/21 £000
Opening fair value of employer assets	141,471	131,612
Interest income on plan assets	2,278	1,844
Contributions by members	880	856
Contributions by the employer	2,827	2,733
Contributions in respect of unfunded benefits	33	40
Actuarial gain/(loss)	6,244	7,577
Effect of business combinations and disposals	1,208	-
Estimated Unfunded benefits paid	(33)	(40)
Estimated Benefits paid	(3,215)	(3,151)
Closing fair value of employer assets	151,693	141,471

Amounts for the current and previous accounting periods	2021/22 £000	2020/21 £000
Fair value of employer assets	151,693	141,471
Present value of defined benefit obligation	(126,713)	(184,934)
Surplus/(Deficit)	24,980	(43,463)
Experience Gains on liabilities	(284)	10,659

### Scottish Teachers' Superannuation Scheme (STSS)

The College participates in the Scottish Teachers' Superannuation Scheme which is an unfunded multi-employer defined benefit scheme providing benefits based on final pensionable pay until 31 March 2015, and career average revalued earnings from 1 April 2015. The assets of the scheme are held separately from those of the College.

The costs of enhanced early retirement benefits are borne directly by the College. The College has made provision for the enhanced pensions paid to former employees of the STSS who have taken early retirement. The STSS enhanced pension provision is re-valued annually in accordance with actuarial factors.

A full actuarial valuation was carried out at 31 March 2016. As the scheme is unfunded there can be no surplus or shortfall. Employer contribution rates are reviewed every four years following a scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when costs are actually incurred and they reflect past experience of the scheme.

The main results and principal assumptions of the most recent valuation of the STSS are as follows:

Valuation date	31 March 2016
Valuation method	Prospective benefits
Value of notional assets	£21.5 billion
Principal financial assumptions as at 31 March 2016:	
Rate of return (discount rate)	2.8%
Salary scale increases per annum	CPI inflation plus 2.2%
Pension increases per annum	2.0%

The College pays a contribution rate of 23% from 1 September 2019 to 31 March 2023 per the outcome of the 2016 valuation. The pension charge recorded by the College during the accounting period was equal to the contributions payable.

### FRS 102 Section 28

Under the definitions set out in Financial Reporting Standard (FRS) 102 Section 28, Retirement Benefits, the STSS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contribution to the scheme as if it were a defined contribution scheme. The College has set above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

## 24. RELATED PARTY TRANSACTIONS

Due to the nature of the College's operations and the composition of the Board of Management (drawn from local, public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Management or key Managers of the College, including close family members, may have an interest. All transactions involving organisations in which a member of the Board of Management or a close family member may have an interest are conducted at arm's length and in accordance with the College's financial regulations and procurement procedures.

The Scottish Funding Council and the Scottish Government: Education and Lifelong Learning Directorate are regarded as related parties. During the year the College had various transactions with these bodies and with other entities for which they are regarded as the sponsor department, including Student Awards Agency for Scotland and a number of other colleges and higher education institutions.

The College had transactions (over £5k) during the year, or worked in partnership with, the following publicly funded or representative bodies in which members of the Board of Management or key Managers of the College hold official positions.

Member	Organisation	Position	Sales £000	Purchases £000
Alan Williamson	Hibernian Community Foundation Lothian Pension Fund	Board member Committee & Board member	- -	40 3,687 (pension payments)
Ann Landels	Colleges Scotland	Board Member	-	86
Michael Jeffrey	Energy Skills Partnership	Committee member	30	-
David Elder Skye Marriner	Edinburgh College Students Association	President Vice President	308	273 (grants awarded)

## 25. BURSARY FUND AND OTHER STUDENT SUPPORT FUNDS

	FE Bursary £000	EMA £000	Other £000	Total for 2021/22 £000	Total for 2020/21 £000
Balance brought forward	819	(6)	269	1,082	423
Allocation received in the year	10,866	332	1,908	13,106	12,523
Expenditure	(10,734)	(325)	(1,016)	(12,075)	(12,264)
Repaid as Clawback	(822)	-	(404)	(1,226)	(300)
College contribution to funds	-	-	-	-	-
Virements	-	-	-	-	700
Balance carried forward	129	1	757	887	1,082
Represented by:					
Repayable to/(due from) Scottish Funding Council	129	1	292	422	376
Repayable to Scottish Government	-	-	465	465	336
Retained by college for students in 22/23	-	-	-	-	370
	129	1	757	887	1,082

FE Bursary, FE Hardship, Educational Maintenance Allowances, HE Hardship and the student support element of Young Persons Guarantee/National Transition Training Fund grants are available solely for students; the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

During 2021/22, £281k included above within 'Other' was received from the SFC as Covid-19 specific FE funds. Of this, £151k was spent, £100k was not drawn down and the balance of £30k is due back to the SFC at 31 July 2022. In addition to this, £366k included above within 'Other' was received from the SAAS in 2020/21 as Covid-19 specific HE funds. Of this, in 2021/22, £33k was spent and the balance of £333k is due back to the Scottish Government at 31 July 2022.



## 26. FE AND HE CHILDCARE FUNDS

	2021/22 £000	2020/21 £000
Balance brought forward	11	13
Allocation received in year	829	1,471
Expenditure	(824)	(762)
Repaid to funding council as clawback	(11)	(11)
Virements	-	(700)
Balance carried forward	5	11
Represented by:		
Repayable to Scottish Funding Council	5	9
Retained by college for students in 22/23	-	2
	5	11

Further and Higher Education Childcare Fund transactions are included within the College Statement of Comprehensive Income in accordance with the Accounts Direction issued by the Scottish Funding Council. No Covid-19 funds were used to fund childcare spend during 2021/22.

## 27. CONTINGENT LIABILITIES

The valuation of defined benefit and unfunded liabilities at 31 July 2022, as disclosed in Note 23, does not include an allowance for potential costs in light of the recent employment tribunal case of Goodwin v Department for Education. The ruling concluded that a female member in an opposite sex marriage has been treated less favourably than a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. Where schemes contain provisions deemed discriminatory, those provisions must be dis-applied as being contrary to the non-discrimination rule set out in section 61 of the Equality Act 2010. The actuary has noted that the approximate impact of this is very small for a typical Fund (c0.1-0.2% of obligations). Therefore, they do not believe there are sufficient grounds to apply an additional adjustment to account for this in a standard Results Schedule, given the level of additional work and fees that would be involved (and indeed the highly approximate nature of applying an unknown remedy).

## 28. POST BALANCE SHEET DATE EVENTS

No events occurred between 1 August 2022 and the date these Financial Statements were signed that would materially affect the information provided.

## 29. ADJUSTED OPERATING POSITION ON CENTRAL GOVERNMENT ACCOUNTING BASIS

	2021/22 £000	2020/21 £000
Deficit before other gains and losses (FE/HE SORP basis) for academic year	(8,081)	(6,593)
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	2,834	2,680
Operating surplus/ (deficit) on Central Government accounting basis for academic year	(5,247)	(3,913)

Following reclassification, colleges receive additional non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. As a result, colleges show a deficit equivalent to net depreciation (where funds are spent on revenue items) in order 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 before other gains and losses of £7.9m for the year ended 31 July 2022. After taking account of the Government non-cash budget, the College shows an “adjusted” deficit of £5.1m on a Central Government accounting basis.

The deficit is attributable to other factors reflected in the adjusted operating table and the College has therefore operated sustainably within its funding allocation.

## 30. CAPITAL COMMITMENTS

Capital commitments contracted for but not provided in the financial statements amounted to £1,511k (2020/21: £375k).

## APPENDIX 1

### ACCOUNTS DIRECTION FOR SCOTLAND'S COLLEGES 2021/22

1. It is the Scottish Funding Council's direction that institutions<sup>1</sup> comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts<sup>2</sup>.
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2021/22 (FReM) where applicable. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.
4. Incorporated colleges and Glasgow Colleges' Regional Board must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2022.
5. The annual report and accounts should be signed by the chief executive officer/Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council

18 July 2022

1 The term "institutions" includes colleges and Glasgow Colleges' Regional Board.

2 Glasgow Colleges' Regional Board's accounts are prepared on a consolidated basis, incorporating the results of City of Glasgow College, Glasgow Clyde College and Glasgow Kelvin College. New College Lanarkshire's accounts are also prepared on a consolidated basis, incorporating the results of South Lanarkshire College.



Midlothian Campus



Granton Campus



Sighthill Campus




# ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022



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