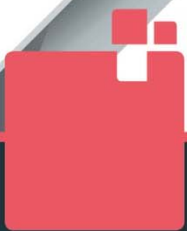




For the future you want



# ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Scottish Charity Number SC021213





DUGALD STEWART  
NOVEMBER 22, 1753  
DIED JUNE 11, 1828

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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 College Board presents its annual report and the audited financial statements for the year ended 31 July 2021.



## **PERFORMANCE REPORT**

### **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.

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

Throughout 2020/21, Edinburgh College experienced another year of providing education and training to students in what have continued to be challenging times for everyone. It has been a pleasure to serve as interim Chair of the Edinburgh College Board of Management throughout the year, and to witness the Edinburgh College community coming together to deliver for our people and the region in new, innovative, and inspiring ways during the pandemic.

As we persevered to navigate our way through the pandemic, staff and students excelled in continuing to work and study primarily online; in supporting each other to adapt to the 'new normal'; and in developing our College to support the economic and social recovery needed across not only Edinburgh but wider Scotland. The College's response to these unprecedented challenges has been outstanding.

Whilst we may still be in the midst of the coronavirus, it is important that we now look forward with optimism and build upon the work we've done and the partnerships we've established to play a central role in the recovery.

This year has seen the College strengthen and develop partnerships with organisations across Edinburgh, the Lothians and the world. As a pillar of the community and city, we've teamed up with St James Quarter, Fashion Retail Academy, Edinburgh International Conference Centre, City of Edinburgh Council, other colleges in East Central Scotland – to name a few - to provide for our students and communities.

Although the pandemic has presented us with many challenges, it has also provided opportunities for our College to grow and develop. Online delivery of courses has enabled us to expand our global reach and in 2020/21, we delivered online courses to delegates in countries as far as sub-Saharan Africa.

Despite the extremely challenging and worrying times many of us have experienced over the past year, our staff have demonstrated a resilience and passion for supporting students and

colleagues that makes me proud to be Edinburgh College's interim Chair. Staff have worked tirelessly to guide students, including some of our most vulnerable, every step of the way to ensure a positive outcome. Amidst an unpredictable landscape and continuously changing guidance, staff had to adapt how they delivered for our students throughout the year and demonstrated an unwavering commitment. I would like to express my sincere thanks to all staff on behalf of the Board of Management.

This past year has seen changes at Board level, with the appointment of three new non-executive members; Alex Killick, Antonia McAlindin and Janyce Holmes. Each of whom bring fresh insights and skills, as well as a new perspective to the work of the Board. I would also like to give special thanks to Niki McKenzie – a Non-Executive Board Member and former Chair of the Remuneration Committee – whose tenure as a member ended in March 2021, following seven years of valuable service to the Board.

In August 2020, we welcomed student Board members Jordan Wyllie and Rose Dodgson to the Board, and I am pleased that both sabbatical officers have been re-elected to continue in their roles for another year. Similarly, I am also pleased to welcome Support Staff Board Member, Bruce Cassidy, for another four-year term following his re-election to the role in December 2020.

Celebrating successes during hard times is of the utmost importance and I would like to congratulate those staff and students who have received recognition at numerous national and international awards this year. The College has been recognised for its fantastic academic work, as well as the role it has played in widening access to education and in raising awareness of the challenges faced by some of the most vulnerable members of the community. This remains another key focus for our College as we strive to open our doors (both physically and virtually) to everyone.

In December 2020, Principal Audrey Cumberford along with central figures from education and business, launched the 'The Scottish College of the Future' Report which sets out a vision for the future of Scotland's colleges and focuses on education and skills development, lifetime learning opportunities and symbiotic relationships between colleges and businesses. Whilst there are challenges still to be faced, now is a crucial time for our College to build upon the work already happening, the dedication of our staff and the recommendations of the report to ensure we are providing the best possible learning experiences for our students and are supporting our local communities and businesses.

I welcomed the Scottish Funding Council Review of Coherent Provision and Sustainability and look forward to the sector developments proposed in the Review.

We must also all work together to meet the climate challenge, and having made good progress during 2020-21 we updated our sustainability strategy to help meet the climate challenges ahead.

I am fortunate to continue to serve on an interim basis with the support of outstanding Board colleagues who work hard to provide strategic leadership and governance oversight. I am extremely grateful for their support given throughout the year both to me and to the Principal and Executive Team.

Despite the unprecedented challenges faced over the past year, as Interim Chair I am highly confident in the ability of the College to continue to serve the region and deliver in new, innovative and inspiring ways.

*Ann Landels*

**Ann Landels**

Interim Chair of Edinburgh College Board of Management  
14 December 2021

## **PRINCIPAL AND CHIEF EXECUTIVE'S STATEMENT**



The past year has been one of the most challenging in the College's history, and I am immensely proud of the commitment and dedication of staff throughout this unimaginable pandemic.

I would also like to express my deepest condolences to the families of employees who lost their lives and to all who have lost loved ones this year due to the pandemic.

Our college is emerging stronger and I would like to thank all my colleagues for their extraordinary agility, creativity and adaptability as we worked so hard to support our students and each other through lockdowns. The safety of staff and the safety of our students has been, and will continue to be, paramount throughout the pandemic.

As we have faced the immediate challenges of the pandemic, we have seen continued disruption in learning and teaching and the need to adapt quickly to significant changes to the ways of working for our staff. Our significant in-year investment in digital technology enabled us to respond quickly and securely to the demands for remote working, and we will continue our investment in technology in the following years.

During the year we have also been investing more in mental health support for our staff and students and I am conscious of the toll the last year has taken. Safeguarding remains a priority with arrangements in place to ensure learners feel, and are safe on college premises and during off site activities. Our continual focus on safeguarding initiatives impacts positively on the health and wellbeing of us all. The climate emergency presents an even greater challenge than the pandemic, and we continue to accelerate efforts to improve environmental sustainability.

It has also never been more crucial for us, as a College, to work with partners to address the skills gaps and support the development, upskilling and reskilling of workforces across the city and country. This year, saw the introduction of our Skills Boost and Accelerator courses, designed to deliver skills and opportunities to individuals who have been impacted by the economic downturn caused by the Coronavirus pandemic, including providing a direct route into healthcare jobs at a time when the NHS is most in need. Through this work, and our work in delivering training opportunities through the Flexible Workforce Development Fund, the College is establishing itself as the 'go to' provider for businesses in our region.

Notwithstanding this year's challenging operating environment, we have delivered a strong performance with the College exceeding its credit target of 187,869 by 6,131 credits, a key measure in securing full funding, and we provided education and training to 24,208 unique students, through a variety of teaching models.

However, international and commercial markets were severely impacted by the pandemic which adversely affected the college's overseas contracts. These contracts are expected to become more challenging in future years as governments introduce new policies following the UK's departure from the EU.

Our financial results were better than expected due to robust financial management, access to the job retention scheme, and receipt of funding support from the SFC. The adjusted operating position is a £0.9m surplus on £70.3m 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.

In the year ahead, we are finalising a refreshed College Strategy 'Our Future Our Strategy' which coalesces around People, Place and Performance. As Scotland's Capital College our ambition is to fundamentally impact on the educational, social, economic and environmental well-being and prosperity of Edinburgh city, Mid and East Lothian – by inspiring and

transforming its people, employers and communities through lifetime education and skills enhancement. Securing positive outcomes for our students and providing excellent business support for businesses of all sizes in our region, remain at the forefront of our priorities.

The College continued the five phased plan to enable the College to respond to the Covid-19 Pandemic. The Plan is referred to as the 5R plan (Response, Resilience, Return, Reimagine and Reinvent, Reform). This 5R plan indicates key actions, responsibilities and timescales required to move the College through the phases.

This Plan aligns to the Scottish Government framework and route map:

<https://www.gov.scot/publications/coronavirus-covid-19-framework-decision-making-scotlands-route-map-through-out-crisis/>, and any action delivered in this plan will be informed by the Government's phased approach.

Although the outlook is uniquely uncertain as we exit from lockdown, our priority is to ensure that the college is well placed to serve our students, partners and stakeholders. We are expecting to explore more agile ways of working for our staff, building on our experience over the last 18 months.

Our agility, adaptability and responsiveness must be at the heart of how we do things. There is no doubt that our experience over recent times has accelerated this commitment and created an environment in which we have successfully navigated the pandemic and are clear how we now build on what we have learned.

*Audrey Cumberland*

**Audrey Cumberland MBE FRSE**

Principal and Chief Executive

## **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. The College provides further and higher education in the Edinburgh & Lothian regions and delivers full and part-time education programmes.

The Principal 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 & global communities.



The College's strategic direction is set by the Board of Management, informed by education policy as determined by Scottish Ministers and, by guidance provided by the SFC. Whilst 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 education providers, business leaders and community planning partnerships.

Edinburgh College, as an incorporated college in Scotland, is a public body constituted under statute and a Scottish charity (SC021213). It was designated a Regional College in March 2014 under the Post-16 Education (Scotland) Act 2013.

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 strategy in place, full details are included on page 17.

## **Corporate Strategy**

The [College's Strategic Plan 2017/22](#) sets out the main priorities for the period as outlined below. The Plan has five key strategic aims:

### **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.

### **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 being 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.

### **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, retaining and rewarding a motivated effective workforce. Our people will feel valued, engaged and supported in all aspects of their professional role.

### **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.

### **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.

In September 2017, the Board of Management approved a new Strategic Plan setting out Edinburgh College's strategic aims over the next five years to 2022.

The College is making good progress in fulfilling these priorities within set timescales, and within its financial parameters, despite the pandemic. Edinburgh College prepared and submitted its 2020/21 Regional Outcome Agreement to the SFC in early 2021.

The Agreement maintained the 2018/19 baseline for attainment but also refocused 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.

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.

## KEY ISSUES AND RISKS

### Risks

During the year the College identified financial sustainability; the shortfall in commercial income; student retention and attainment; cyber security breaches; the impact of EU withdrawal and the impact of Covid-19 as its key top risks. These risks have not changed significantly during the year and no significant emerging risks have been identified. The effect of these risks on the delivery of services is covered in other sections of the performance report. The College also maintains a separate Covid-19 Pandemic Risk Register.

A range of mitigation plans were implemented to reduce the potential risks associated with each area. This included the following actions:

|                                |  |
|--------------------------------|--|
| Financial sustainability       | Effective cash control and robust cost management. A workforce development plan in place to maintain financial sustainability.   |
| Shortfall in commercial income | New products/service in development (including more on-line) to anticipate and meet future market demand. Enhanced utilisation of business intelligence and sector networks to create new opportunities. |

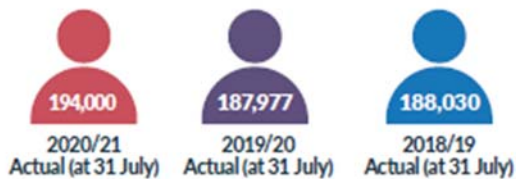
|                                     |   |
|-------------------------------------|---|
| Poor student, retention, attainment | Improved business intelligence (predictive analytics), course information and pre-course guidance. Course remediation process in place for courses with low PI's to ensure course is still relevant.  |
| Cyber security breaches             | Increased intrusion detection and testing, business continuity readiness and secure configurations of college systems. College to maintain cyber essentials plus accreditation. Regular staff awareness training.   |
| Impact of EU withdrawal             | Planning in place to engage further international students (EU and NON-EU) to increase diversity income and resilience in student numbers to cover loss in European funding and decrease in pre-settled/settled student numbers.  |
| Covid-19                            | Return to campus phase of 5R plan now underway for 2021/22 academic year. Campus Access Monitoring System in place for track and trace, and CO2 monitors in place. Alternative working arrangements in place for staff (work from home) and regular communications updates. |



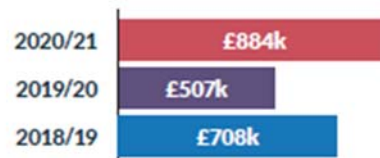
# KPI Dashboard

## 2021

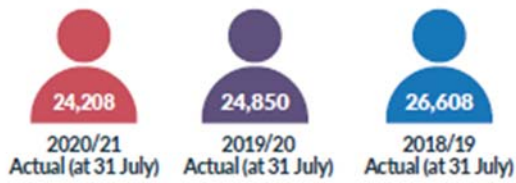
### STUDENT ACTIVITY (CREDITS)



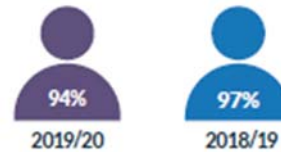
### ADJUSTED OPERATING SURPLUS



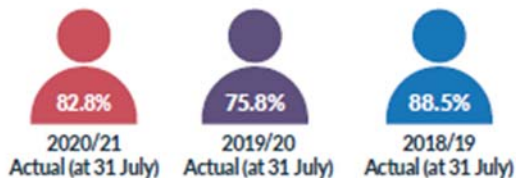
### UNIQUE STUDENT ENROLMENTS



### STUDENT POSITIVE DESTINATIONS (WHERE KNOWN)

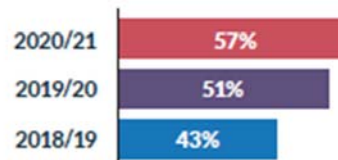


### STUDENT RETENTION RATE



### CARBON EMISSIONS

Reduction in emissions from the 2013/14 baseline (7,271 tCO<sub>2</sub>e).



Edinburgh College provided education to 24,208 unique students during the year to 31 July 2021, and in doing so overachieved its credit target of 187,869 by 3% for the year. The student retention rate was 82.8% (improved from 75.8% in 2019/20), a significant achievement given the pandemic lockdown.

In the 2020/21 academic year the College continued a trend of growth in part time provision with a 15% increase on 2019/20. However the success of this mode of study focused on short employer led courses funded through the Flexible Work Development Fund (FWDF), Individual Training Accounts (ITA), and National Transitional Training Fund (NTTF) and Developing the Young Workforce (DYW) skills boost or 'Fast Track' HN 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), Construction 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 effect of the pandemic will continue to affect scheduled part-time courses, however improved online delivery models will help mitigate 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 about funding, timetabling and other tutorial support. With the pandemic leading to the closure and limited access of campuses across 2020/21 many services such as these moved online.

Further details of the year's performance are described in the next section, Operational Review. Going Concern considerations are covered in the Accountability Report. Details of the College's Governance & Risk Management arrangements are provided in the Corporate Governance Report.

## **PERFORMANCE ANALYSIS**

### **OPERATIONAL REVIEW**

#### **Key Performance Indicators**

On 30 March 2020, the Board of Management agreed a Strategic KPI Dashboard for monitoring by members on a quarterly basis. The Dashboard included the following performance indicators:

- Gross Carbon Footprint;
- Commercial Income;
- Total Credits;
- Staff Costs as Percentage of Income;
- Financial Adjusted Operating Position;
- Enrolment, Recruitment and Retention.

The end of year performance of the College against the Strategic KPI Dashboard was reviewed by the Board of Management on 29 September 2021. These performance indicators are covered in the Performance Report.

In accordance with SFC guidance and the 2020/21 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 the financial performance and reputation of the College.

| KPI  | Purpose   | 2020/21                | 2019/20                | 2018/19                |
|--|---|------------------------|------------------------|------------------------|
|  |   | Actual<br>(at 31 July) | Actual<br>(at 31 July) | Actual<br>(at 31 July) |
| Student activity (credits)                                       | Measure of student activity   | 194,000                | 187,977                | 188,030                |
| Performance against credit activity target                       | Measures student activity performance against target                          | 103%                   | 100%                   | 100%                   |
| Credits per staff FTE  | Measure of credits per staff FTE  | 197                    | 184                    | 179                    |
| Unique student enrolments  | Measures number of students   | 24,208                 | 24,850                 | 26,608                 |
| Full-time applications   | Measures student demand   | 18,280                 | 20,968                 | 18,351                 |
| Student retention rate   | Measures percentage of unique students completing studies (RQ*)               | 82.8%                  | 75.8%                  | 88.5%                  |
| Adjusted operating position as % of total income                 | Measures AOP as % of total income   | 1.3%                   | 0.8%                   | 1.0%                   |
| Non SFC income as a % of income                                  | Measures non SFC income as a % of total income                                | 16.3%                  | 18.7%                  | 21.7%                  |
| Staff costs (excluding exceptional items) as a % of total income | Measures staff costs excluding exceptional staff costs as a % of total income | 78.1%                  | 76.0%                  | 74.8%                  |

\*RQ: Recognised Qualifications

## Curriculum focus on employer needs and the regional economy

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 courses supported by SFC through NTTF and DYW funding have enabled the College to deliver 6,131 additional credits to more students to facilitate their employment and progression. Employer engagement has been key to growth in programmes associated with DYW 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 offered were in key sector areas such as Construction, Computing, Engineering, Health and Care. Financial Services have work placements or work integrated learning as part of the course.

## Student Activity Performance Highlights

### Delivery of widening access and progression targets

| Delivery of widening access and progression targets          | 2020/21                                 | 2019/20                                  | 2018/19                                  |
|--|---|--|--|
|  | Actual (at 31 July)                     |  |  |
| Student Gender Balance                                       | 49.8% Female<br>49.9% Male<br>0.3 Other | 52.7% Female<br>47.2% Male<br>0.1% Other | 53.0% Female<br>47.0% Male<br>0.0% Other |
| Students with a Disability                                   | 27.5%                                   | 17.6%                                    | 19.1%                                    |
| Ethnic Minority Students (home)                              | 7.4%                                    | 9.0%                                     | 10.2%                                    |
| Students from <a href="#">SIMD10</a> Data Zone*              | 7.2%                                    | 8.9%                                     | 8.8%                                     |
| School College Partnership (SCP) Pupils (Senior Phase)       | 492                                     | 484                                      | 304                                      |
| Proportion of credits delivered to care-experienced learners | 7.6%                                    | 6.1%                                     | 3.0%                                     |

\*Students from SIMD10 Data Zone 2019/20 and 2018/19 figures revised after update received from the SFC

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) 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 Academic Council Committee.

#### 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 with schools in SIMD10 data zones such as Castlebrae, Wester Hailes Education Centre, Newbattle High School and Ross High School.

#### SCP Senior Phase Numbers

The College increased the numbers of pupils attending College from S3 and above, and the College target to increase the number of DYW pupils has been achieved this year. The target for DYW courses, where School Pupils in senior phase attended vocational courses with recognised qualifications at Level 5+ was 350 students. The performance measures for 2020/21 at 492 students enrolled reflects strong working SCP partnerships and effective strategic planning.

#### 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 an increase in Care Experienced students in 2020/21 and this trend is expected to continue in 2021/22.

#### Student satisfaction

In 2020/21, 84% of students surveyed during the satisfaction survey reported that they felt the course had prepared them with the knowledge and skills for the workplace with overall College satisfaction at 82%. Although remaining high, this was a drop of 3% and 9% respectively from the previous year, likely reflecting the impacts of the pandemic. Further analysis will be conducted in 2021/22.

The Covid-19 pandemic in 2020 necessitated the rapid movement of the curriculum into a fully developed remote learning and teaching context. This has accelerated the College's published Digital Strategy and wider ambition; this will lead to increased accessibility and wider opportunities for new learning to take place in 2021/22. A [new professional learning prospectus](#) was developed in 2020 to reflect this activity.

### Improved support to increase progression to University

Edinburgh College has one of highest proportions of articulating students in Scotland. In 2019/20 (last data) 60.2% of students did so with advanced standing, compared to 55.3% in 2018/19. This is the highest in the sector (above 20 students progressing). The College's commitment to articulation continues - especially for learners from the most deprived data zones and is reflected in the mapping of the learner journey from SCP provision to articulating University courses.

### Student Destination

94% (2018/19: 97%) of students known destinations were positive in 2019/20, the most recent evidence available. The small reduction reflects the impact of the pandemic on students who would have gained employment post-course; 3% of students were unable to work due to illness or caring responsibilities which was an increase.

### **Analysis of Achievement:**

| KPI  | 2020/21                | 2019/20                | 2018/19                |
|--|------------------------|------------------------|------------------------|
| The percentage of enrolled students achieving a recognised qualification | Actual<br>(at 31 July) | Actual<br>(at 31 July) | Actual<br>(at 31 July) |
| Full-time FE aged 16-19  | 50.6%                  | 58.5%                  | 46.5%                  |
| Full-time FE   | 57.5%                  | 58.5%                  | 56.0%                  |
| Full-time HE   | 72.0%                  | 74.4%                  | 69.8%                  |
| Part-time HE*  | 78.5%                  | 60.0%                  | 75.5%                  |
| Part-time FE   | 68.7%                  | 54.6%                  | 66.2%                  |

The table above shows the percentage of enrolled students achieving a recognised qualification has increased during 2020/21 for Part-time students but decreased for Full-time students. This deterioration is the effect of remote learning for younger and students on lower level courses. Appropriate measures to address an improvement were developed in the College's self-evaluation report. The College's [Evaluative Report and Enhancement Plan](#) explains in greater detail the changes that were put in place. Measures of success have also been greatly impacted by students completing with partial success. A full review of the College's attainment and improvement plan will be conducted by the College and will be enhanced by the Education Scotland visit in November 2021.

## Estates and Digital 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 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 prioritization through estates risk management.

The Covid-19 pandemic necessitated the rapid movement of the curriculum into a fully developed remote learning and teaching context. This has accelerated the College's published Digital Strategy. The College is also maintaining the Cyber Essentials Plus accreditation.

The Estates strategic aims are:

- To ensure that the needs of students and learning 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 2018 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. In achieving its targets, the estates strategy is strongly aligned to the success of its environmental sustainability strategy.

In 2020/21, projects included the upgrading and refurbishment of College buildings, this included upgrading classrooms to include decoration, ceiling, flooring and replacement furniture. Also, the completion of phase 3 of our CCTV installations, upgrading our fire and intruder alarm systems in accordance with industry recommendations, essential roofing repairs/replacement, phase 2 of car park repairs, new flooring, and more general fabric and maintenance repairs. The College continued to improve on sustainable items which included new and upgraded lighting controls across all campuses, all contributing to the security of buildings for staff, students and stakeholders.

## SUSTAINABILITY REPORT 2020/21

### Environmental Sustainability Strategy

The College's strategy outlines its commitment to sustainability and how it will reduce carbon emissions, adapt to climate change and act in a sustainable manner in line with its obligations. The College continues to deliver its 2019-24 Environmental Sustainability Strategy which sets out the 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 2020/21

The key focus for the College is on the following areas: energy, water, carbon; waste; travel and transport; community growing and biodiversity; sustainable procurement & fair trade; sustainable education and external partnerships.

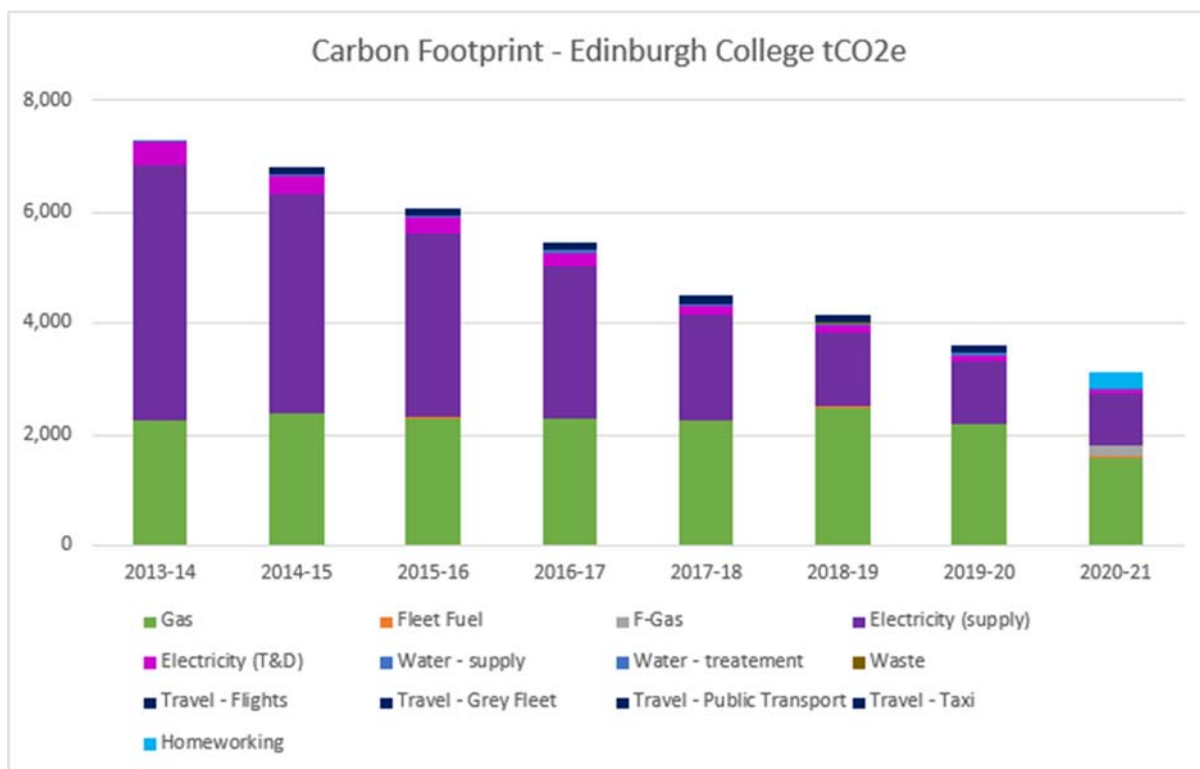
The College is a signatory of the United Nations Sustainable Development Goals (SDG) Accord and will continue to incorporate the SDG's within the running of the organisation. As part of the accord the College is required to report progress annually. The College has also spent considerable time enhancing biodiversity on its estate and is a member of the Edinburgh Biodiversity Action Plan. The College has been named as a 'major player' by the Scottish Government in the Climate Change (Scotland) Act 2009. In addition, our role in sustainable education provides a clear mandate to lead in sustainability in everything we do.

The College encourages the use of Fairtrade products, retaining our Fairtrade status awarded jointly with Edinburgh College Students' Association in June 2019. The College is also a member of the Scottish Fair-Trade Forum, and complies with Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009.

### Carbon Emissions

For the year 2020/21 the College has achieved a 57% (6% increase from 2019/20) reduction in emissions from the baseline. This was mainly achieved through the decarbonization of the electricity grid, with gas consumption remaining fairly static. The College is required to report progress annually to the Scottish Government as part of its Public Bodies Climate Change Duty





Maintaining this Covid-driven level of reduction, and achieving the agreed targets will be challenging, particularly addressing the emissions associated with heating, which is primarily gas. However, we are currently working with the Scottish Government's Non-Domestic Energy Efficiency (NDEE) procurement framework to invest in further efficiencies in the college estate.

The College has two community gardens, which are used extensively as part of the learning experience of students in the College. ECSA have continued delivering their Go-Green project, funded by the Climate Challenge Fund.

## FINANCIAL REVIEW

As in the previous year the financial impact of the pandemic on Edinburgh College has been considerable particularly as income includes a high level of international & commercial exposure which was adversely affected. However, as a result of robust financial management, additional government funding to address the effects of the pandemic, access to the Job Retention Scheme as well as cost savings from campus closures, the Adjusted Operating position in the year shows a surplus of £0.9m for the year compared to a 2020 surplus of £0.5m.

The Statement of Comprehensive Income shows a deficit of £6.6m for the year compared to a 2020 deficit of £4.6m. The income and expenditure figures in the table below adjust for exceptional staff and pension costs that are included in the deficit for the year. When this is

done the result represents a positive variance of £1.2m (Surplus of £0.1m compared to the 2020 deficit of £1.1m).

The income and expenditure position is summarised below:

|   | 2020/21<br>£m | 2019/20<br>£m |
|---|---------------|---------------|
| Income  | 70.3          | 67.3          |
| Expenditure                                       | (70.2)        | (68.4)        |
|   | <b>0.1</b>    | <b>(1.1)</b>  |
| Exceptional staff costs                           | (0.7)         | -             |
| Annual leave provision movement                   | (0.6)         | (0.1)         |
| FRS 102 Pension costs (actuarial revaluation)     | (5.7)         | (2.8)         |
| Early retirement revaluation                      | 0.3           | 0.2           |
| Provision for future student accommodation losses | -             | (0.8)         |
| <b>Deficit for the year</b>                       | <b>(6.6)</b>  | <b>(4.6)</b>  |
| Actuarial gain/(loss) on pension                  | 20.3          | (29.7)        |
| Revaluation of buildings in the year              | 6.9           | 8.4           |
| <b>Total comprehensive income for the year</b>    | <b>20.6</b>   | <b>(25.9)</b> |

### Income

Income of £70.3m is higher by £3.0m in comparison to 2019/20. Scottish Funding Council Recurrent and other non-recurring grants increased by £4.0m. This was offset by the ongoing reduction of International and Commercial income of £1.0m as a result of Covid-19. Edinburgh College received Job Retention Scheme income of £0.8m in 2020/21 (2019/20 - £1.0m). Other income including Childcare funds was £0.6m lower than 2019/20.

### Expenditure

Expenditure at £70.2m is higher by £1.8m in comparison to 2019/20. This was mainly the result of increases in staff cost of living and pension contribution increases, offset by savings made as a result of the voluntary severance scheme. Other Operating Expenses are £0.4m higher than 2019/20 as a result of increased grant funded spend on small capital items

offset by lower costs associated with income contractions relating to Covid-19, together with savings aligned to campus closures.

### **Balance Sheet**

Fixed assets at the year-end totaled £168.1m, a net increase of £4.4m compared to the prior year. This is the result of the indexation on buildings at 31 July 2021 totaling £6.9m, depreciation charges of £5.3m during the year offset by additions of £2.8m, consisting mainly of the SFC funded high priority backlog maintenance projects and IT spend in the year, and disposals of £0.5m.

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

At 31 July 2021, the College had an accumulated deficit of £1.9m (2019/20: £16.8m) on its Income and Expenditure Account, and in complying with FRS102 s28 (Retirement Benefits) the pension liability decreased by £14.6m to £43.5m (2019/20: increased from £32.5m to £58.1m) which is included in the Income and Expenditure Account reserve.

### **Cash Flow**

There was a net cash inflow of £3.8m (2019/20: £0.6m). At 31 July 2021 the College held cash and deposits of £5.3m (2019/20: £1.5m), of which £1.1m (2019/20: £0.4m) related to student support funds. These are managed in accordance with the College's Financial Regulations. The College held long-term debt of £8.9m (2019/20: £9.3m) 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 £168.1m (£160.0m related to the estate), and in 2020/21 received capital funds of £2.8m (2019/20: £1.5m) to maintain its estate, ICT infrastructure and systems. The College has underpinned this capital investment with net recurring expenditure of approximately £6.8m (2019/20: £4.8m) 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.

| <b>TABLE OF CASH BUDGET FOR PRIORITIES SPEND</b>    | <b>2020/21<br/>£'000</b> | <b>2019/20<br/>£'000</b> |
|---|--------------------------|--------------------------|
| <b>Revenue priorities</b>                           |                          |                          |
| Pay award   | 874                      | 874                      |
| Estates costs                                       | 1,008                    | 971                      |
| <b>Total impact on operating position</b>           | <b>1,882</b>             | <b>1,845</b>             |
| <b>Capital priorities</b>                           |                          |                          |
| Loan repayments                                     | 389                      | 354                      |
| Lennartz cash payments                              | -                        | 65                       |
| Payments against provisions pre-1 April 2014        | 276                      | 283                      |
| <b>Total Capital</b>                                | <b>665</b>               | <b>702</b>               |
| <b>Total cash budget for priorities (CBP) spend</b> | <b>2,547</b>             | <b>2,547</b>             |

### **Adjusted operating position**

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.



|   | 2020/21<br>£'000 | 2019/20<br>£'000 |
|---|------------------|------------------|
| <b>Deficit before other gains and losses</b>  | (6,593)          | (4,625)          |
| <b>ADD BACK:</b>  |                  |                  |
| <ul style="list-style-type: none"> <li>• Depreciation (net of deferred capital grant release) on both government funded and privately funded assets (Note a)</li> </ul> | 2,680            | 2,468            |
| <ul style="list-style-type: none"> <li>• Pension adjustment - Net service cost (Note b)</li> </ul>  | 4,823            | 2,214            |
| <ul style="list-style-type: none"> <li>• Pension adjustment - Net interest cost (Note c)</li> </ul>   | 846              | 600              |
| <ul style="list-style-type: none"> <li>• Non-cash pension adjustment - Early retirement provision year-end valuation charged to SOCI (Note d)</li> </ul>                | (264)            | (182)            |
| <ul style="list-style-type: none"> <li>• Non-cash pension adjustment - Early retirement provision interest (Note d)</li> </ul>  | 57               | 98               |
| <ul style="list-style-type: none"> <li>• Non-cash provision adjustment - Others (Note e)</li> </ul>   | -                | 817              |
| <b>DEDUCT:</b>  |                  |                  |
| <ul style="list-style-type: none"> <li>• CBP allocated to loan repayments and other capital items (Note f)</li> </ul>   | (665)            | (702)            |
| <ul style="list-style-type: none"> <li>• Cash paid out on provisions for liabilities and charges - Others (note e)</li> </ul>   | -                | (181)            |
| <b>Adjusted operating surplus</b>   | <b>884</b>       | <b>507</b>       |

#### 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 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 provision made for the Granton accommodation during the year. Cash paid out on provisions for liabilities and charges – Others relates to the cash paid out on provisions created in previous years. 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 2020/21 was 22 days (2019/20: 10 days). The increase relates to capital invoices of £0.25m which are due at 31 July 2021 and an increase in July 2021 invoices due to increased lead times for some orders. 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  
14 December 2021

## **ACCOUNTABILITY REPORT**

### **CORPORATE GOVERNANCE REPORT**

### **DIRECTORS' REPORT**

The membership of the Board of Management during the year to 31 July 2021 is outlined at page 29, 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 22 September 2020, 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 at its committees, an annex to the Standing Orders was agreed 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 2020/21. The committee comprises four non-executive members and one co-opted member. Four members have recent relevant 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 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.

### **Academic Council**

The Academic Council 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 Academic Council reviews both Education Scotland reports, student surveys and monitors the implementation of relevant action plans.

The Academic Council met four times in 2020/21. The committee includes academic staff and student board members alongside three non-executive members, and an extended co-opted membership of staff and students.

### **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 partners local outcome. The Corporate Development Committee met four times in 2020/21. The committee



comprises four non-executive board members, a non-teaching staff member and a student member.

### **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, at 31 July 2021 the Board comprised 65% women and 35% men.

The Nominations Committee meets as required and not less than once per year. In 2020/21 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 Estates 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 2020/21. 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.

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

| <b>Board Member</b>      | <b>Status of appointment</b>                                 | <b>New appointment during the year and subsequently, up to the date of signing of accounts</b> | <b>Month of departure from the Board during the year and subsequently, up to the date of signing of the accounts</b> |
|--------------------------|--|--|--|
| <b>Ann Landels</b>       | Interim Regional Chair*                                      |  |  |
| <b>Audrey Cumberford</b> | Principal and Chief Executive                                |  |  |
| <b>Bruce Cassidy</b>     | Staff Representative (Support)**                             |  |  |
| <b>Mike Cowley</b>       | Staff Representative (Academic)                              |  | 02/12/2021   |
| <b>Rose Dodgson</b>      | Vice President of Edinburgh College Students' Association*** |  |  |
| <b>Lesley Drummond</b>   | Industry, Commerce or Public Sector Representative           |  |  |
| <b>Janyce Holmes</b>     | Industry, Commerce or Public Sector Representative           | 15/03/2021   |  |

|                    |   |            |            |
|--------------------|---|------------|------------|
| Alex Killick       | Industry, Commerce or Public Sector Representative      | 22/09/2020 |            |
| Ross Laird         | Industry, Commerce or Public Sector Representative      |            |            |
| Antonia McAlindin  | Industry, Commerce or Public Sector Representative      | 22/09/2020 | 29/09/2021 |
| Nicola McKenzie    | Industry, Commerce or Public Sector Representative      |            | 01/03/2021 |
| Nigel Paul         | Industry, Commerce or Public Sector Representative      |            |            |
| Gwen Raez          | Industry, Commerce or Public Sector Representative      |            |            |
| Fiona Riddoch      | Industry, Commerce or Public Sector Representative      |            |            |
| Azra Sharif-Qayyum | Industry, Commerce or Public Sector Representative      |            |            |
| Judith Sischy      | Industry, Commerce or Public Sector Representative      |            | 04/09/2021 |
| Jeanette Stevenson | Industry, Commerce or Public Sector Representative      |            |            |
| Richard Swan       | Staff Representative (Academic)                         | 02/12/2021 |            |
| Jordan Wyllie      | President of Edinburgh College Students' Association*** |            |            |

\* Ann Landels has taken up the position of Interim Regional chair from 1 November 2019

\*\*Bruce Cassidy was re-elected as Support Staff Board Member on 02 December 2020 for a 4-year fixed-term.

\*\*\*Rose Dodgson and Jordan Wyllie were re-elected as ECSA sabbatical officers, and will continue as Student Board Members from 1 July 2021 – for a further year.

## Professional Advisors

|                          |                                   |
|--------------------------|-----------------------------------|
| <b>Internal Auditor:</b> | BDO, Edinburgh                    |
| <b>Bankers:</b>          | Royal Bank of Scotland, Edinburgh |
| <b>Solicitors:</b>       | Anderson Strathern LLP, Edinburgh |

## External Audit

|                          |                |
|--------------------------|----------------|
| <b>External Auditor:</b> | Audit Scotland |
|--------------------------|----------------|

Ursula Lodge (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 during the year:

|  | Academic Council | Audit and Risk Assurance | Corporate Development | Nominations | Policy and Resources | Remuneration |
|--|------------------|--------------------------|-----------------------|-------------|----------------------|--------------|
|--|------------------|--------------------------|-----------------------|-------------|----------------------|--------------|

### Member from start of period to 1 March 2021

|                 |  |  |  |  |   |   |
|-----------------|--|--|--|--|---|---|
| Nicola McKenzie |  |  |  |  | ✓ | ✓ |
|-----------------|--|--|--|--|---|---|

### Member from start of period to 4 September 2021

|               |   |   |  |  |  |  |
|---------------|---|---|--|--|--|--|
| Judith Sischy | ✓ | ✓ |  |  |  |  |
|---------------|---|---|--|--|--|--|

### Member from start of period to 29 September 2021

|                   |  |  |  |  |   |  |
|-------------------|--|--|--|--|---|--|
| Antonia McAlindin |  |  |  |  | ✓ |  |
|-------------------|--|--|--|--|---|--|

### Member from start of period to Present

|                   |   |   |   |   |   |  |
|-------------------|---|---|---|---|---|--|
| Bruce Cassidy     |   |   | ✓ | ✓ |   |  |
| Mike Cowley       | ✓ |   |   |   |   |  |
| Audrey Cumberford | ✓ |   |   |   |   |  |
| Rose Dodgson      | ✓ |   | ✓ |   | ✓ |  |
| Lesley Drummond   |   | ✓ | ✓ |   | ✓ |  |

|                    |   |   |   |   |   |   |
|--------------------|---|---|---|---|---|---|
| Ross Laird         |   | ✓ |   |   |   | ✓ |
| Ann Landels        |   |   | ✓ | ✓ | ✓ |   |
| Nigel Paul         |   | ✓ |   | ✓ | ✓ |   |
| Gwen Raez          |   |   | ✓ |   |   | ✓ |
| Fiona Riddoch      | ✓ |   |   | ✓ | ✓ |   |
| Azra Sharif-Qayyum |   |   | ✓ | ✓ |   |   |
| Jeanette Stevenson | ✓ |   |   | ✓ |   |   |
| Jordan Wylie       | ✓ |   |   | ✓ |   | ✓ |

#### Member from 22 September 2021 to Present

|              |  |  |  |  |   |   |
|--------------|--|--|--|--|---|---|
| Alex Killick |  |  |  |  | ✓ | ✓ |
|--------------|--|--|--|--|---|---|

#### Member from 15 March 2021 to Present

|               |  |   |  |  |  |  |
|---------------|--|---|--|--|--|--|
| Janyce Holmes |  | ✓ |  |  |  |  |
|---------------|--|---|--|--|--|--|

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 & Resources Committee and the Remuneration Committee with immediate effect. This means that a Student Board Member now sits on all committees of the Board, with the exception of the Audit & Risk Assurance Committee.

The non-Board membership of the Academic Council for the four Academic Council meetings held in 2020/21 was as follows: Iris Aitchison; Rebecca Agnew; Victoria Browning; Laura Craig; Julian Henderson; Ethelinda Lashley-Scott; Kevin Maloney; Neil Manning; Sandra Morrison; Ryan Quinn.

Ian Doig (Industry, Commerce or Public Sector Representative) is a co-opted member of the Audit and Risk Assurance Committee.

Ann Landels, is the interim Chair of the Edinburgh College Board of Management until a new Regional Chair is appointed by the Scottish Government through a public appointments process.

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 and who is supported by the clerk to the Board and governance advisor.

The Board agreed outwith its meeting cycle that Nigel Paul, a Non-Executive Board Member, would act as Interim Vice Chair from 01 November 2019 until 01 March 2022 when a new Regional Chair will be appointed by the Scottish Government.

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 2020/21.

### **Meetings and Attendance**

The Board met four times between 1 August 2020 and 31 July 2021, with a further 26 meetings of the various committees of the Board also taking place within this period.

All scheduled Board and committee meetings from May 2020 onwards have been held virtually through Microsoft Teams, in response to Covid-19 lockdown restrictions. As of October 2021, the Board and its committees continue 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 91%, an increase of 7% from the previous academic year. Attendance across the Board and its committees throughout 2020/21 was as follows:

|                                      |      |                 |
|--------------------------------------|------|-----------------|
| • Board of Management                | 88%  | (2019/20: 88%)  |
| • Academic Council                   | 96%  | (2019/20: 71%)  |
| • Audit and Risk Assurance Committee | 94%  | (2019/20: 100%) |
| • Corporate Development Committee    | 96%  | (2019/20: 83%)  |
| • Nominations Committee              | 65%  | (2019/20: 83%)  |
| • Policy and Resources Committee     | 100% | (2019/20: 92%)  |
| • Remuneration Committee             | 92%  | (2019/20: 100%) |

### **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: digital, risk appetite and equality and diversity.

### **Evaluation**

The Board undergoes a robust evaluation process at the end of each academic year. This includes individual review meetings with the Interim Chair of the Board, committee operational reviews and a review of the 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 15 June 2021.

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

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

- The progress made with regards to strategic reviews, and the need to ensure a formal annual review of progress against strategic priorities – once a new Edinburgh College Strategic Plan has been agreed by the Board;
- the effective use of individual board members' networks and expertise to support the Chair of the Board in taking on an ambassadorial role of the College;

The Board, at each of its meetings in 2020/21, continues to monitor progress against recommendations arising from the 2019/20 Board Effectiveness Review through its Improvement Plan.

The Interim Chair of the Board and the Principal & Chief Executive held two Board Briefing Sessions 19 August 2020 and 08 February 2021, to keep the Board up-to-date with developments in response to the Covid-19 pandemic. Further to this, two Board Strategy Days were held on 27 October 2020 and 08 June 2021.

### **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 is part of the College's internal control and corporate governance arrangements. An updated Risk Management Policy and Procedures was approved by the Audit & Risk Assurance

Committee on 07 October 2020. 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, the College's operational risks and proposes updates to the Top Risk Register. Any proposed changes to the Top Risk Register are highlighted and discussed by the Audit and Risk Assurance Committee, prior to a Summary Top Risk Register being presented to the Board of Management. Heads of department 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 & Risk Assurance Committee on 7 October 2020 and 13 October 2021.

The Audit and Risk Assurance Committee has also undertaken a series of risk 'deep dives' throughout the academic year 2020/21. Examples of risk deep dives which took place during the year include: Safeguarding, EU withdrawal and matters relating to Covid-19, including workforce and employee relations and the impact of Covid-19 restrictions.

The College's Risk Management & Assurance Framework includes

- a Risk Management Policy,
- a risk appetite statement,
- operational risks 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 & 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 2020/21, it was agreed by the RMAG that the Covid-19 Risk Register would be maintained at an operational level by the 5R Hub. The RMAG continues to maintain strategic level oversight of the effects of the pandemic via a Covid-19 Risk (35) within the Top-Level Risk Register.

The Board of Management is of the view that there is a formal on-going 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 College 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 2021, 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 2021:

| Audit                            | Overall Conclusion | Grading of Recommendations                    |
|----------------------------------|--------------------|---|
| Coronavirus Job Retention Scheme | Substantial        | 1 Low risk exposure                           |
| Payroll                          | Substantial        | 1 Low risk exposure                           |
| Project Management               | Moderate           | 4 Moderate risk exposure; 1 Low risk exposure |
| Student Support                  | Substantial        | No risk exposure                              |
| Curriculum Planning              | Substantial        | 2 Low risk exposure                           |
| International Contracts          | Substantial        | 1 Low risk exposure                           |
| Communications                   | Substantial        | 4 Low risk exposure                           |
| Business Continuity Management   | Moderate           | 1 Moderate risk exposure; 1 Low risk exposure |
| Covid-19 Financial Controls      | Substantial        | 1 Low risk exposure                           |

All recommendations and management actions continue to be monitored by the Audit & 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; and

- 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 2021 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 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 14 December 2021 and approved the year-end financial statements, taking account of Audit and Risk Assurance Committee recommendation 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 2020/21. In 2017 the Board of Management agreed a new Strategic Plan 2017/22. This contained financial forecasts which outlined the growth in income and cost efficiencies that are required to ensure the College operates at a sustainable level. The College has updated these forecasts and submitted a business case to the SFC outlining funding that will be required to achieve the savings contained within a revised financial plan.



The Edinburgh College Strategic Plan 2017-2022 is being updated to show its key strategic priorities beyond 2022 - and it is expected that a new Strategic Plan will be agreed and implemented before the end of the academic year 2021/22.

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 Key Issues and Risks section of the Performance Report on page 9 outlines the College's top key risks 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 require careful management by the College.

The College continues to receive support from the SFC. Funding allocations are confirmed by the SFC on an annual basis and the 2021/22 allocation has been agreed. The College continues to provide five-year forecasts to the SFC annually.

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 2021.

### **Conclusion**

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

Based on the information above, it is the opinion of the Principal and Chief Executive and the Board of Management that there was an on-going process for identifying, evaluating and managing the College's significant risks, that it had been in place for the year ended 31 July 2021 and up to the date of approval of the annual report and accounts.

Approved by order of the members of the Board of Management on 14 December 2021.

## 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 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 Chairman 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 2021 |                 |           | Year ended 31 July 2020 |                 |           |
|--|-------------------------|-----------------|-----------|-------------------------|-----------------|-----------|
|  | Salary                  | Pension Benefit | Total     | Salary                  | Pension Benefit | Total     |
|  | £'000                   | £'000           | £'000     | £'000                   | £'000           | £'000     |
| Ann Landels,<br>Interim Chair of the Board of Management | 30 - 35                 | -               | 30 - 35   | 15-20                   | -               | 15-20     |
| Audrey Cumberland,<br>Principal and Chief Executive      | 150 - 155               | 40 - 45         | 190 - 195 | 145 - 150               | 15 - 20         | 165 - 170 |
| Alan Williamson,<br>Chief Operating Officer              | 95 - 100                | 30 - 35         | 125 - 130 | 90 - 95                 | 20 - 25         | 115 - 120 |
| Jonathan Pearson,<br>Vice Principal                      | 75 - 80                 | 20 - 25         | 100 - 105 | 75 - 80                 | 25 - 30         | 105 - 110 |

|   |         |         |           |         |         |           |
|---|---------|---------|-----------|---------|---------|-----------|
| <b>Jonathan Buglass,<br/>Vice Principal</b> | 75 - 80 | 20 - 25 | 100 - 105 | 75 - 80 | 30 - 35 | 105 - 110 |
| <b>Michael Jeffrey,<br/>Vice Principal</b>  | 75 - 80 | 20 - 25 | 95 - 100  | 75 - 80 | 20 - 25 | 95 -100   |

There were no performance related payments or bonuses paid in the year (2019/20: £nil).

There were no benefits in kind or non-cash benefits paid in the year (2019/20: £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 Teacher's 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:

| Name                              | Accrued pension and related lump sum at pension age at 31 July 2021 | Real increase in pension and related lump sum 1 August 2020 to 31 July 2021 | Cash equivalent transfer value at 31 July 2021 | Cash equivalent transfer value at 31 July 2020 | Real increase in cash equivalent transfer value |
|-----------------------------------|---|---|--|--|---|
|                                   | £'000   | £'000   | £'000  | £'000  | £'000   |
| <b>Audrey Cumberford MBE FRSE</b> |   |   |  |  |   |
| Pension                           | 50 – 55   | 2.5 – 5   |  |  |   |
| Related lump sum                  | 105 – 110   | 0 – 2.5   |  |  |   |
| Transfer value                    |   |   | 1,047  | 974  | 64  |
| <b>Alan Williamson</b>            |   |   |  |  |   |
| Pension                           | 45 – 50   | 0 – 2.5   |  |  |   |
| Related lump sum                  | 75 – 80   | (0 – 2.5)   |  |  |   |
| Transfer value                    |   |   | 1,008  | 983  | (5)   |
| <b>Jonathan Pearson</b>           |   |   |  |  |   |
| Pension                           | 20 – 25   | 0 – 2.5   |  |  |   |
| Related lump sum                  | 45 – 50   | 0 – 2.5   |  |  |   |
| Transfer value                    |   |   | 451  | 415  | 32  |
| <b>Jonathan Buglass</b>           |   |   |  |  |   |
| Pension                           | 25 – 30   | 0 – 2.5   |  |  |   |
| Related lump sum                  | 55 – 60   | 0 – 2.5   |  |  |   |
| Transfer value                    |   |   | 509  | 472  | 33  |
| <b>Michael Jeffrey</b>            |   |   |  |  |   |
| Pension                           | 15 – 20   | 0 – 2.5   |  |  |   |
| Related lump sum                  | -   | -   |  |  |   |
| Transfer value                    |   |   | 155  | 137  | 16  |

### 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 local government 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**

Thirty nine employees left the College under voluntary severance arrangements during the year. They received compensation payments totaling £736k. The cost to the College of strain costs in pensions (as required under the scheme rules) was £10k. One employee received an exit package per settlement agreement totaling £2k.

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                      | -                                 | 5                                 | 5  |
| £10,000 - £25,000             | -                                 | 29                                | 29   |
| £25,000 - £50,000             | -                                 | 6                                 | 6  |
| £50,000 - £100,000            | -                                 | -                                 | -  |
| £100,000 - £150,000           | -                                 | -                                 | -  |
| £150,000 - £200,000           | -                                 | -                                 | -  |
| Total number of exit packages | -                                 | 40                                | 40   |
| <b>Total Cost (£'000)</b>     | -                                 | <b>738</b>                        | <b>738</b>   |

#### Median Remuneration - audited

Based on 12-month equivalent figures, the remuneration of the highest paid official in the organisation in the financial year 2020/21 was £152,000 (2019/20: £150,000). This was 3.8 times (2019/20: 3.6 times) the median remuneration of the workforce which was £40,310 (2019/20: £41,526). The range of staff full-time equivalent salaries at 31 July 2021 was from £17,678 to £152,000 (2019/20: £16,909 to £150,000).



## Staff Report - audited

| Staff Numbers  | 2020/21<br>Number | 2019/20<br>Number |
|--|-------------------|-------------------|
| <b>The average number of persons (including senior post-holders) employed by the College during the year, expressed as full-time equivalents, was:</b> |                   |                   |
| Senior Management  | 5                 | 5                 |
| Teaching Staff   | 478               | 485               |
| Teaching Support   | 29                | 28                |
| Administration and Central Services  | 423               | 427               |
| Premises   | 36                | 38                |
| Catering and Residences  | 1                 | 1                 |
| Other Income Generating Activities   | 35                | 38                |
| <b>Total</b>   | <b>1,007</b>      | <b>1,022</b>      |

| Staff Costs                                 | 2020/21<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| Senior Management                           | 662             | 645             |
| Teaching Staff                              | 27,024          | 26,707          |
| Teaching Support                            | 994             | 850             |
| Administration and Central Services         | 18,269          | 17,294          |
| Premises                                    | 1,147           | 1,133           |
| Catering and Residences                     | 36              | 34              |
| Other expenditure:                          |                 |                 |
| - Revaluation of Early Retirement Provision | (264)           | (182)           |
| - FRS102 s28 Pensions Adjustments           | 4,823           | 2,214           |
| - Other income generating activities        | 1,227           | 1,244           |
| - Job Evaluation Cost Estimate              | 1,127           | 1,127           |
| - Movement in Employee Leave Accrual        | 559             | 78              |
| <b>Total</b>                                | <b>55,604</b>   | <b>51,144</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:

|                     | 2020/21<br>Senior<br>Post Holders | 2020/21<br>Other Staff | 2019/20<br>Senior<br>Post Holders | 2019/20<br>Other Staff |
|---------------------|-----------------------------------|------------------------|-----------------------------------|------------------------|
| £60,001 - £70,000   | -                                 | -                      | -                                 | -                      |
| £70,001 - £80,000   | 3                                 | 9                      | 3                                 | 10                     |
| £80,001 - £90,000   | -                                 | -                      | -                                 | -                      |
| £90,001 - £100,000  | 1                                 | -                      | 1                                 | -                      |
| £100,001 - £110,000 | -                                 | -                      | -                                 | -                      |
| £110,001 - £120,000 | -                                 | -                      | -                                 | -                      |
| £120,001 - £150,000 | -                                 | -                      | 1                                 | -                      |
| £150,000 - £200,000 | 1                                 | -                      | -                                 | -                      |
|                     | 5                                 | 9                      | 5                                 | 10                     |

### Staff Profile

At 31 July the College employed 494 male members of staff and 681 female members of staff.

The Executive team (including the Principal) 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 2020/21 was 2.1% (2019/20: 3.5%).

Overall staff turnover for 2020/21 was 10.4% (2019/20: 11.7%).

## Salaries and Related costs – audited

|                       | 2020/21<br>Directly employed<br>staff on permanent<br>UK contracts<br>£'000 | 2020/21<br>Other staff including short<br>term contract, seconded<br>and agency staff<br>£'000 | 2020/21<br>Total<br>£'000 | 2019/20<br>Total<br>£'000 |
|-----------------------|---|--|---------------------------|---------------------------|
| Wages and salaries    | 36,886  | 235  | 37,121                    | 36,770                    |
| Social security costs | 3,667   | 6  | 3,673                     | 3,563                     |
| Other pension costs   | 7,698   | 12   | 7,710                     | 7,463                     |
| <b>Total</b>          | <b>48,251</b>   | <b>253</b>   | <b>48,504</b>             | <b>47,796</b>             |
| Average number of FTE | 1,004   | 7  | 1,011                     | 1,024                     |

The split of directly employed staff is 58% female and 42% male and other staff is 86% female and 14% 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 2020 to 31 March 2021.

| Relevant union officials  |                                       |
|---|---------------------------------------|
| Number of employees who were relevant union officials during the relevant period: | Full-time equivalent employee number: |
| 20  | 17                                    |

| Percentage of time spent on facility time |                      |
|---|----------------------|
| Percentage:                               | Number of employees: |
| 0%  | -                    |
| 1%-50%                                    | 19                   |
| 51%-99%                                   | 1                    |
| 100%                                      | -                    |

| Percentage of pay bill spent on facility time            |       |
|--|-------|
| Total cost of facility time:                             | £0.1m |
| Total pay bill:  | £48m  |
| 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: | 41% |

### 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 outlines 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 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 & 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 processes designed to support employees in their career progression.

*Audrey Cumberland*

**Audrey Cumberland MBE FRSE**

Principal and Chief Executive

14 December 2021

*Ann Landels*

**Ann Landels**

Interim Chair of Board of Management

14 December 2021



## Independent auditor's report to the Board of Management of Edinburgh College, the Auditor General for Scotland and the Scottish Parliament

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Edinburgh College for the year ended 31 July 2021 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, and Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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

#### Basis 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 12 February 2021. 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.

### **Risks of material misstatement**

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), 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 deemed inappropriate.

### **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 economic 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 to detect material misstatements in the financial statements in respect of irregularities, 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.

### **Statutory other information**

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

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in 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 statutory 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 statutory 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 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 accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

### **Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 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.

*Ursula Lodge*

**Ursula Lodge**

Senior Audit Manager

Audit Scotland

4th Floor

102 West Port

Edinburgh

EH3 9DN

14 December 2021

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



Roots of Musicality



## FINANCIAL STATEMENTS

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 July 2021

|   | Notes | 2020/21<br>£000 | 2019/20<br>£000 |
|---|-------|-----------------|-----------------|
| <b>INCOME</b>   |       |                 |                 |
| Scottish Funding Council Grants                           | 2     | 58,820          | 54,777          |
| Tuition Fees and Education Contracts                      | 3     | 8,649           | 9,337           |
| Other Grant Income  | 4     | 1,346           | 1,272           |
| Other Operating Income                                    | 5     | 1,458           | 2,002           |
| Investment Income   | 6     | 2               | 13              |
| <b>Total Income</b>                                       |       | <b>70,275</b>   | <b>67,401</b>   |
| <b>EXPENDITURE</b>  |       |                 |                 |
| Staff Costs – Recurring                                   | 7     | 54,856          | 51,166          |
| Other Staff Costs – Exceptional                           | 7     | 748             | (22)            |
| Other Operating Expenses                                  | 9     | 14,588          | 14,180          |
| Depreciation  | 12/13 | 5,255           | 5,449           |
| Interest and other Finance Costs                          | 10    | 1,421           | 1,253           |
| <b>Total Expenditure</b>                                  |       | <b>76,868</b>   | <b>72,026</b>   |
| <b>Deficit for the year before other gains and losses</b> |       | <b>(6,593)</b>  | <b>(4,625)</b>  |
| Loss on disposal of fixed assets                          |       | (18)            | -               |
| <b>Deficit for the year</b>                               |       | <b>(6,611)</b>  | <b>(4,625)</b>  |
| Actuarial gain/(loss) in respect of pension schemes       | 23    | 20,270          | (29,656)        |
| Unrealised surplus on revaluation                         | 20    | 6,949           | 8,421           |
| <b>Total Comprehensive income for the year</b>            |       | <b>20,608</b>   | <b>(25,860)</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 2021

|   | Income and<br>expenditure<br>reserve<br>£000 | Revaluation<br>reserve<br>£000 | Total<br>£000   |
|---|--|--------------------------------|-----------------|
| Balance at 1 August 2019  | 16,452                                       | 41,909                         | 58,361          |
| Deficit from the income and expenditure statement                 | (4,625)                                      | -                              | (4,625)         |
| Other comprehensive income  | (29,656)                                     | 8,421                          | (21,235)        |
| Transfers between revaluation and income and expenditure reserves | 1,049  | (1,049)                        | -               |
| <b>Total comprehensive income for the year</b>                    | <b>(33,232)</b>                              | <b>7,372</b>                   | <b>(25,860)</b> |
| <b>Balance at 31 July 2020</b>                                    | <b>(16,780)</b>                              | <b>49,281</b>                  | <b>32,501</b>   |
| 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>   |
| <b>Balance at 31 July 2021</b>                                    | <b>(1,893)</b>                               | <b>55,002</b>                  | <b>53,109</b>   |

There are no endowment or restricted reserves.

Included within the income and expenditure reserve is a negative balance of £43,463k which relates to the pension liability.

## BALANCE SHEET AS AT 31 July 2021

|  | Notes | 2020/21<br>£000 | 2019/20<br>£000 |
|--|-------|-----------------|-----------------|
| <b>Fixed Assets</b>  |       |                 |                 |
| Tangible Fixed Assets  | 12    | 167,816         | 163,545         |
| Intangible Fixed Assets  | 13    | 266             | 94              |
|  |       | <b>168,082</b>  | <b>163,639</b>  |
| <b>Current Assets</b>  |       |                 |                 |
| Stock  |       | 84              | 89              |
| Debtors  | 14    | 5,844           | 4,678           |
| Cash and cash equivalents                                      |       | 5,289           | 1,520           |
|  |       | <b>11,217</b>   | <b>6,287</b>    |
| <b>Current Liabilities</b>                                     |       |                 |                 |
| Less: Creditors – amounts falling due within one year          | 15    | (14,991)        | (10,320)        |
| <b>Net Current Assets/(Liabilities)</b>                        |       | <b>(3,774)</b>  | <b>(4,033)</b>  |
| <b>Total Assets less Current Liabilities</b>                   |       | <b>164,308</b>  | <b>159,606</b>  |
| Less: Creditors – amounts falling due after more than one year | 16    | (62,819)        | (63,355)        |
| Less: Provisions for liabilities and charges                   | 18    | (4,917)         | (5,686)         |
| <b>Net assets excluding pension liability</b>                  |       | <b>96,572</b>   | <b>90,565</b>   |
| Net Pension Asset/(Liability)                                  | 23    | (43,463)        | (58,064)        |
| <b>Net Assets/(Liabilities) including pension liability</b>    |       | <b>53,109</b>   | <b>32,501</b>   |
| <b>Reserves</b>  |       |                 |                 |
| Income and Expenditure Account                                 |       | (1,893)         | (16,780)        |
| Revaluation Reserve  | 20    | 55,002          | 49,281          |
| <b>Total Reserves</b>  |       | <b>53,109</b>   | <b>32,501</b>   |

The financial statements on pages 59 to 93 were approved and authorised for issue by the Board of Management and signed on its behalf by

*Ann Landels*

**Ann Landels**

Interim Chairman of Board of Management  
14 December 2021

*Audrey Cumberland*

**Audrey Cumberland MBE FRSE**

Principal and Chief Executive  
14 December 2021

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 July 2021

|  | Notes | 2020/21<br>£000 | 2019/20<br>£000 |
|--|-------|-----------------|-----------------|
| <b>Cash Flow from operating activities</b>                 |       |                 |                 |
| Deficit for the year                                       |       | (6,611)         | (4,625)         |
| <b>Adjustment for non-cash items</b>                       |       |                 |                 |
| Depreciation   |       | 5,255           | 5,449           |
| Deferred capital grants released to income                 | 2     | (2,575)         | (2,981)         |
| Decrease/(increase) in stock                               |       | 5               | (35)            |
| (Increase)/decrease in debtors                             | 14    | (1,166)         | (979)           |
| Increase/(decrease) in creditors                           | 15    | 4,081           | 1,493           |
| (Decrease)/increase in provisions                          | 18    | (769)           | 214             |
| Pension costs less contributions payable                   | 23    | 4,823           | 2,214           |
| (Gain)/loss on sale of assets                              |       | 18              | -               |
| <b>Adjustment for investing or financing activities</b>    |       |                 |                 |
| Investment income  | 6     | (2)             | (13)            |
| Interest payable   | 10    | 1,421           | 1,253           |
| <b>Net Cash (Outflow)/inflow from operating activities</b> |       | <b>4,480</b>    | <b>1,990</b>    |
| <b>Cash flows from investing activities</b>                |       |                 |                 |
| Investment income  | 6     | 2               | 13              |
| Payments made to acquire fixed assets                      |       | (2,516)         | (1,427)         |
| Deferred capital grant received                            | 19    | 2,767           | 1,015           |
|  |       | <b>253</b>      | <b>(399)</b>    |
| <b>Cash flows from financing activities</b>                |       |                 |                 |
| Interest paid  | 10    | (575)           | (653)           |
| Repayments of amounts borrowed                             | 17    | (389)           | (354)           |
|  |       | <b>(964)</b>    | <b>(1,007)</b>  |
| Increase in cash and cash equivalents in the year          |       | <b>3,769</b>    | <b>584</b>      |
| Cash and cash equivalents at beginning of the year         |       | 1,520           | 936             |
| <b>Cash and cash equivalents at end of the year</b>        |       | <b>5,289</b>    | <b>1,520</b>    |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2021

### 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 2020/21 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 39.

#### **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

## 1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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 rely on external professionals for certain assumptions;

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

A judgement has been made to make a financial provision in these accounts for estimated losses until the end of a contract for Granton accommodation using occupancy and price assumptions.

### 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.

## 1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 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.



## 1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 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, 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 5 years with an interim indexation valuation at year 3.

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.

## 1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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:

|   |                |
|---|----------------|
| <b>Plant, Equipment, Furnishings and Fittings</b> | up to 10 years |
| <b>Computer Equipment</b>                         | up to 5 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

## 1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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

## 1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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 sheets 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 recognized 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.

## 1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 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

|   | 2020/21<br>£000 | 2019/20<br>£000<br>(Restated) |
|---|-----------------|-------------------------------|
| SFC Recurrent Grant   | 46,829          | 45,709                        |
| National Transitional Training Fund and Young Persons Guarantee | 1,758           | -                             |
| FE childcare funds  | 767             | 1,445                         |
| Release of Deferred Capital Grants                              | 2,575           | 2,981                         |
| SFC Capital Grant   | 3,020           | 1,288                         |
| Job Evaluation Grant  | 1,127           | 1,127                         |
| SFC financial sustainability funding                            | 1,288           | -                             |
| Other SFC Grants  | 1,456           | 2,227                         |
|   | <b>58,820</b>   | <b>54,777</b>                 |

The Other SFC Grants for 2019/20 have been restated from £3,515k to £2,227k due to the SFC Capital Grant funding of £1,288k being split out from Other SFC grants in the current year and therefore the prior year also being split out for consistency.

## 3. TUITION FEES AND EDUCATION CONTRACTS

|                     | 2020/21<br>£000 | 2019/20<br>£000 |
|---------------------|-----------------|-----------------|
| FE Fees - UK        | 408             | 500             |
| FE Fees - non EU    | 431             | 696             |
| HE Fees             | 5,381           | 5,006           |
| SDS Contracts       | 250             | 583             |
| Education Contracts | 1,431           | 1,656           |
| Other Contracts     | 748             | 896             |
|                     | <b>8,649</b>    | <b>9,337</b>    |

#### 4. OTHER GRANT INCOME

|   | 2020/21<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| HE childcare funds                                | -               | 38              |
| Other Grants                                      | 533             | 199             |
| Government Grant Coronavirus Job Retention Scheme | 813             | 1,035           |
|   | <b>1,346</b>    | <b>1,272</b>    |

The grant for the Coronavirus Job Retention Scheme supported 295 staff furloughed during the year.

#### 5. OTHER OPERATING INCOME

|                         | 2020/21<br>£000 | 2019/20<br>£000 |
|-------------------------|-----------------|-----------------|
| Residences and Catering | 140             | 368             |
| Nursery Income          | 928             | 888             |
| Other Income            | 390             | 746             |
|                         | <b>1,458</b>    | <b>2,002</b>    |

#### 6. INVESTMENT INCOME

|                          | 2020/21<br>£000 | 2019/20<br>£000 |
|--------------------------|-----------------|-----------------|
| Bank Interest Receivable | 2               | 13              |
|                          | <b>2</b>        | <b>13</b>       |



## 7. STAFF COSTS

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

|   | 2020/21<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| <b>Recurring Staff Cost</b>               |                 |                 |
| Salaries                                  | 37,058          | 36,687          |
| Pensions                                  | 7,710           | 7,463           |
| Social Security Costs                     | 3,673           | 3,611           |
| Apprenticeship Levy                       | 170             | 168             |
| Revaluation of Early Retirement Provision | (264)           | (182)           |
| FRS 102 s28 Pensions Adjustments          | 4,823           | 2,214           |
| Estimated Job Evaluation Cost             | 1,127           | 1,127           |
| Movement in Employee Leave Accrual        | 559             | 78              |
| <b>Total Staff Costs - Recurring</b>      | <b>54,856</b>   | <b>51,166</b>   |
| <b>Exceptional Staff Costs</b>            |                 |                 |
| Redundancy                                | 2               | 17              |
| Voluntary Severance                       | 736             | -               |
| Pension Strain Costs                      | 10              | (39)            |
| <b>Total Staff Costs - Exceptional</b>    | <b>748</b>      | <b>(22)</b>     |
|   | <b>55,604</b>   | <b>51,144</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:

|  | 2020/21<br>£  | 2019/20<br>£  |
|--|---------------|---------------|
| Salaries as Board Members                                | 31,680        | 16,500        |
| Allowances, travel and subsistence paid to Board Members | -             | 491           |
|  | <b>31,680</b> | <b>16,991</b> |

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

### Emoluments of Senior Post-holders

|   | 2020/21<br>Number       | 2019/20<br>Number       |
|---|-------------------------|-------------------------|
| The number of Senior post-holders including the Principal was                             | 5                       | 5                       |
| <b>The emoluments of Senior post-holders (excluding NI), including the Principal was:</b> | <b>2020/21<br/>£000</b> | <b>2019/20<br/>£000</b> |
| - Salaries  | 486                     | 478                     |
| - Employers' Pension Contribution   | 107                     | 103                     |
|   | <b>593</b>              | <b>581</b>              |

The above emoluments include amounts paid to the Principal. The Principals emoluments for the year totaled:

|                                 | 2020/21<br>£000 | 2019/20<br>£000 |
|---------------------------------|-----------------|-----------------|
| Salary                          | 152             | 150             |
| Employers' Pension Contribution | 35              | 34              |
|                                 | <b>187</b>      | <b>184</b>      |

## 8. SENIOR POSTS HOLDERS EMOLUMENTS *(continued)*

The Principal 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

|                                    | 2020/21<br>£000 | 2019/20<br>£000 |
|------------------------------------|-----------------|-----------------|
| Teaching                           | 3,090           | 3,007           |
| Administration                     | 3,467           | 3,754           |
| Premises                           | 6,662           | 5,224           |
| Planned Maintenance                | 51              | 61              |
| Other income generating activities | 417             | 521             |
| Other employee related costs       | 71              | 95              |
| Childcare                          | 767             | 1,483           |
| Agency Staff                       | 63              | 35              |
|                                    | <b>14,588</b>   | <b>14,180</b>   |

Other operating expenses include:

|  | 2020/21<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| <b>Auditor's Remuneration (including irrecoverable VAT):</b> |                 |                 |
| - External Auditor's Remuneration – Audit                    | 31              | 30              |
| - Internal Audit (including Student Support Funds Audit)     | 37              | 29              |
| Operating lease payments                                     | 309             | 341             |

## 10. INTEREST COSTS

|   | 2020/21<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| Pension Finance Cost – interest on early retirement provision | 57              | 98              |
| Pension Finance Cost – FRS102 s28 Net interest cost           | 846             | 600             |
| <b>On bank loans, overdrafts and other loans:</b>             |                 |                 |
| Repayable wholly or partly in more than 5 years               | 518             | 555             |
|   | <b>1,421</b>    | <b>1,253</b>    |

## 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<br>£000 | Plant & Equipment<br>(Owned)<br>£000 | Computers<br>£000 | Fixtures & Fittings<br>£000 | Total<br>£000  |
|-------------------------------|--------------------------|--------------------------------------|-------------------|-----------------------------|----------------|
| <b>COST OR VALUATION</b>      |                          |                                      |                   |                             |                |
| At 1 August 2020              | 158,102                  | 6,024                                | 8,633             | 16,573                      | 189,332        |
| Additions                     | 976                      | 191                                  | 1,365             | -                           | 2,532          |
| Disposals                     | -                        | (183)                                | -                 | (349)                       | (532)          |
| Interim indexation            | 3,092                    | -                                    | -                 | -                           | 3,092          |
| <b>At 31 July 2021</b>        | <b>162,170</b>           | <b>6,032</b>                         | <b>9,998</b>      | <b>16,224</b>               | <b>194,424</b> |
| <b>DEPRECIATION</b>           |                          |                                      |                   |                             |                |
| At 1 August 2020              | 2,177                    | 4,702                                | 8,227             | 10,681                      | 25,787         |
| Charge for Year               | 3,877                    | 233                                  | 231               | 851                         | 5,192          |
| Disposals                     | -                        | (170)                                | -                 | (344)                       | (514)          |
| Interim indexation            | (3,857)                  | -                                    | -                 | -                           | (3,857)        |
| <b>At 31 July 2021</b>        | <b>2,197</b>             | <b>4,765</b>                         | <b>8,458</b>      | <b>11,188</b>               | <b>26,608</b>  |
| <b>NET BOOK VALUE</b>         |                          |                                      |                   |                             |                |
| <b>At 31 July 2021</b>        | <b>159,973</b>           | <b>1,267</b>                         | <b>1,540</b>      | <b>5,036</b>                | <b>167,816</b> |
| <b>At 31 July 2020</b>        | <b>155,925</b>           | <b>1,322</b>                         | <b>406</b>        | <b>5,892</b>                | <b>163,545</b> |
| Represented by:<br>Inherited  | 8,201                    | -                                    | -                 | -                           | 8,201          |
| Financed by:<br>Capital Grant | 49,317                   | 1,239                                | 1,540             | 4,810                       | 56,906         |
| Other                         | 102,455                  | 28                                   | -                 | 226                         | 102,709        |
| <b>At 31 July 2021</b>        | <b>159,973</b>           | <b>1,267</b>                         | <b>1,540</b>      | <b>5,036</b>                | <b>167,816</b> |

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

## 12. TANGIBLE FIXED ASSETS *(continued)*

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 2021 the college has supplemented the 31 July 2020 quinquennial valuation 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 2021. Taking various factors into account they concluded that a positive indexation factor of 5% was appropriate to buildings which totaled £6.9m. There was no change to the valuation of land.

If land and buildings were reported on a cost basis, the carrying value would be £111.5m (2019/20: £113.7m).

Land and buildings with a net book value of £160m (2019/20: £156m) 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<br>£000 |
|----------------------------|---------------|
| <b>COST OR VALUATION</b>   |               |
| At 1 August 2020           | 1,074         |
| Additions                  | 235           |
| Disposals                  | -             |
| <b>At 31 July 2021</b>     | <b>1,309</b>  |
| <b>AMORTISATION</b>        |               |
| At 1 August 2020           | 980           |
| Charge for the period      | 63            |
| Disposals                  | -             |
| <b>At 31 July 2021</b>     | <b>1,043</b>  |
| <b>NET BOOK VALUE</b>      |               |
| <b>At 31 July 2021</b>     | <b>266</b>    |
| <b>At 31 July 2020</b>     | <b>94</b>     |
| Represented by: Inherited  | -             |
| Financed by: Capital Grant | 266           |
| Other                      | -             |
| <b>At 31 July 2021</b>     | <b>266</b>    |

### 14. DEBTORS

|   | 2020/21<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| <b>Amounts falling due within one year:</b> |                 |                 |
| Trade Debtors                               | 293             | 428             |
| Other Debtors                               | 176             | 66              |
| Debts due from Students                     | 32              | 12              |
| Prepayment and Accrued Income               | 5,343           | 4,172           |
|   | <b>5,844</b>    | <b>4,678</b>    |

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

|   | Note | 2020/21<br>£000 | 2019/20<br>£000 |
|---|------|-----------------|-----------------|
| Trade Creditors                               |      | 1,182           | 685             |
| Payments received in advance                  |      | 320             | 187             |
| Other Taxation and Social Security            |      | 938             | 898             |
| VAT   |      | 43              | 70              |
| Bank Loans                                    | 17   | 541             | 389             |
| Funding Council Grants                        |      | 1,383           | 377             |
| Accruals, Deferred Income and Other Creditors |      | 7,822           | 5,139           |
| Deferred capital grants - government          | 19   | 2,762           | 2,575           |
|   |      | <b>14,991</b>   | <b>10,320</b>   |

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

|                                      | Note | 2020/21<br>£000 | 2019/20<br>£000 |
|--------------------------------------|------|-----------------|-----------------|
| Bank loan                            | 17   | 8,408           | 8,949           |
| Deferred Capital Grants - Government | 19   | 54,411          | 54,406          |
|                                      |      | <b>62,819</b>   | <b>63,355</b>   |

## 17. BORROWINGS

|                             | 2020/21<br>£000 | 2019/20<br>£000 |
|-----------------------------|-----------------|-----------------|
| <b>Bank Loan Repayable:</b> |                 |                 |
| In one year or less         | 541             | 389             |
| Between one and two years   | 567             | 541             |
| Between two and five years  | 1,900           | 1,801           |
| In five years or more       | 5,941           | 6,607           |
|                             | <b>8,949</b>    | <b>9,338</b>    |

The Bank Loan is repayable by instalments up to March 2031 and February 2034, with a capital repayment of £541k due in 2021/22. The average interest rate for the duration of the loan is expected to be 5.72%. The interbank borrowing rate LIBOR is being phased out



## 17. BORROWINGS (continued)

by UK regulators by December 2021. The variable interest rate element of Edinburgh College loans from Bank of Scotland is referenced to LIBOR. The College has 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<br>Pension Costs<br>£000 | Others<br>£000 | Total<br>£000 |
|------------------------------|---|----------------|---------------|
| At 1 August 2020             | 4,234                                     | 1,452          | 5,686         |
| Amounts used during the year | (276)                                     | (286)          | (562)         |
| Movement in provision        | (264)                                     | -              | (264)         |
| Interest applied             | 57  | -              | 57            |
| <b>At 31 July 2021</b>       | <b>3,751</b>                              | <b>1,166</b>   | <b>4,917</b>  |

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 2021.

In 2010/11 the College entered into a contract for the placement of students in residential accommodation. The contract includes clauses in relation to a guarantee of occupancy by the College. There is uncertainty as to the timing and amounts of any payments required. The College has therefore made a provision for the full estimated costs to 2025, included in "Others" above.

## 19. DEFERRED CAPITAL GRANTS

|  | Funding Council Grants<br>£000 | Other Government Grants<br>£000 | Total<br>£000 |
|--|--------------------------------|---------------------------------|---------------|
| At 1 August 2020                                 | 56,585                         | 396                             | 56,981        |
| <b>Received during year</b>                      |                                |                                 |               |
| Land and Buildings                               | 975                            | -                               | 975           |
| Fixtures, Fittings & Equipment                   | 1,753                          | 39                              | 1,792         |
| <b>Release to Income and Expenditure Account</b> |                                |                                 |               |
| Land and Buildings                               | (1,280)                        | (9)                             | (1,289)       |
| Fixtures, Fittings & Equipment                   | (1,279)                        | (7)                             | (1,286)       |
| <b>At 31 July 2021</b>                           | <b>56,754</b>                  | <b>419</b>                      | <b>57,173</b> |

## 20. REVALUATION RESERVE

|   | 2020/21<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| At 1 August 2020  | 49,281          | 41,909          |
| Release of revaluation reserve in respect of depreciation on land and buildings | (1,228)         | (1,049)         |
| Revaluation of land and buildings in year                                       | 6,949           | 8,421           |
| <b>At 31 July 2021</b>  | <b>55,002</b>   | <b>49,281</b>   |

## 21. ANALYSIS OF CHANGES IN NET FUNDS

|                          | At 1 August 2020<br>£000 | Cash Flows<br>£000 | Other Non-Cash Flows<br>£000 | At 31 July 2021<br>£000 |
|--------------------------|--------------------------|--------------------|------------------------------|-------------------------|
| Cash                     | 1,520                    | 3,769              | -                            | 5,289                   |
| Debt due within one year | (389)                    | 389                | (541)                        | (541)                   |
| Debt due after one year  | (8,949)                  | -                  | 541                          | (8,408)                 |
|                          | <b>(7,818)</b>           | <b>4,158</b>       | <b>-</b>                     | <b>(3,660)</b>          |

## 22. FINANCIAL COMMITMENTS

|  | 2020/21<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| <b>At 31 July 2021 the College had total commitments under non-cancellable operating leases for Plant and Equipment and vehicles as follows:</b> |                 |                 |
| Payable within one year  | 187             | 244             |
| Payable between two and five years   | 128             | 221             |
| Payable over five years  | 64              | 73              |
|  | <b>379</b>      | <b>538</b>      |

## 23. PENSION AND SIMILAR OBLIGATIONS

### Retirement Benefits

The College participates in two main pension schemes for the College's staff, being 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.

| <b>TOTAL PENSION COST FOR THE YEAR</b> | 2020/21<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| <b>STSS:</b> Contributions paid        | 4,954           | 4,789           |
| <b>LGPS:</b> Contribution paid         | 2,756           | 2,674           |
| S28 Pensions Movement                  | 4,823           | 2,214           |
| <b>Total pension cost</b>              | <b>12,533</b>   | <b>9,677</b>    |
| LGPS Pension Strain Cost               | 10              | (39)            |
| <b>Total Pension cost for year</b>     | <b>12,543</b>   | <b>9,638</b>    |

### 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

## 23. PENSION AND SIMILAR OBLIGATIONS *(continued)*

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 £3,612k of which employer's contributions totaled £2,756k and employees' contributions totaled £856k.

During the current period the employer's contribution rate from 1 August 2020 to 31 March 2021 was 17.8% plus a lump sum payment of £153,264 (£19,158 per month), from 1 April 2021 the year was 19.1% with no lump sum payable. 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 was 31 March 2020. Hymans Robertson LLP carried out an Actuarial valuation as at 31 July 2021 for Accounting Purposes. The actuary projected the valuation results of the latest formal valuation date forward to 31 July 2021 using approximate methods. The roll-forward allows for changes in financial assumptions, additional benefit accrual and estimated cash flows over the period.

## 23. PENSION AND SIMILAR OBLIGATIONS (continued)

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

|   | 2020/21 | 2019/20 |
|---|---------|---------|
| Rate of increase in salaries              | 3.35%   | 3.80%   |
| Rate of increase for pensions / inflation | 2.85%   | 2.10%   |
| Discount rate for liabilities             | 1.60%   | 1.40%   |

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 | 20.5 years | 23.3 years |
| Future Pensioners  | 21.9 years | 25.2 years |

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

| ASSETS<br>(WHOLE FUND)                     | Long term rate<br>of return at<br>31 July 2021 | Value at<br>31 July 2021<br>£000 | Long term rate<br>of return at<br>31 July 2020 | Value at<br>31 July 2020<br>£000 |
|--|--|----------------------------------|--|----------------------------------|
| Equities                                   | 2.8%   | 101,859                          | 2.0%   | 100,025                          |
| Bonds                                      | 2.8%   | 19,806                           | 2.0%   | 14,477                           |
| Property                                   | 2.8%   | 8,488                            | 2.0%   | 9,213                            |
| Cash                                       | 2.8%   | 11,318                           | 2.0%   | 7,897                            |
| <b>Total market value of assets</b>        |  | <b>141,471</b>                   |  | <b>131,612</b>                   |
| <b>Present value of scheme liabilities</b> |  |                                  |  |                                  |
| Funded                                     |  | 184,389                          |  | 189,085                          |
| Unfunded                                   |  | 545                              |  | 591                              |
| <b>Deficit in the scheme</b>               |  | <b>(43,463)</b>                  |  | <b>(58,064)</b>                  |

## 23. PENSION AND SIMILAR OBLIGATIONS (continued)

| Analysis of the amount charged to the Statement of Comprehensive Income (SOCl) | 2020/21<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| Current service cost   | (7,590)         | (6,093)         |
| Past service cost  | (6)             | 1,192           |
| <b>Total operating charge</b>  | <b>(7,596)</b>  | <b>(4,901)</b>  |
| <b>Analysis of net return on pension scheme</b>                                |                 |                 |
| Interest Income on Plan Assets   | 1,844           | 3,025           |
| Interest cost  | (2,690)         | (3,625)         |
| <b>Total</b>   | <b>(846)</b>    | <b>(600)</b>    |
| <b>Credit/charge to other comprehensive income:</b>                            |                 |                 |
| Return on assets gain/(loss)   | 18,917          | (10,209)        |
| Other experience   | 10,659          | 890             |
| Losses arising on changes in financial assumptions                             | (17,293)        | (20,337)        |
| Gains and losses arising on changes in demographic assumptions                 | 7,987           | -               |
| <b>Actuarial gain/(loss)</b>   | <b>20,270</b>   | <b>(29,656)</b> |
| <b>Total charge to the SOCl</b>  | <b>11,828</b>   | <b>(35,157)</b> |
| Movement in deficit during year  | 2020/21<br>£000 | 2019/20<br>£000 |
| At 1 August 2020   | (58,064)        | (25,594)        |
| <b>Movement in year:</b>   |                 |                 |
| Current service cost   | (7,590)         | (6,093)         |
| Employer contributions   | 2,733           | 2,648           |
| Contributions in respect of unfunded benefits                                  | 40              | 39              |
| Past service cost  | (6)             | 1,192           |
| Net finance costs  | (846)           | (600)           |
| Actuarial gain/(loss)  | 20,270          | (29,656)        |
| <b>Deficit in scheme at 31 July 2021</b>                                       | <b>(43,463)</b> | <b>(58,064)</b> |

The past service cost in 2019/20 relates to an adjustment to the McCloud ruling in the year. This followed the hearing of the UK Government's appeal against the ruling that the transitional protections built into new pension schemes post Hutton Review of Fair Pay in the public sector, such as LGPS, are age discriminatory.

## 23. PENSION AND SIMILAR OBLIGATIONS (continued)

| Reconciliation of defined benefit obligation | 2020/21<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| <b>Liabilities at start of year</b>          | 189,676         | 161,779         |
| Current service cost                         | 7,590           | 6,093           |
| Interest cost                                | 2,690           | 3,625           |
| Contributions by members                     | 856             | 831             |
| Actuarial (gain)/loss                        | (12,693)        | 19,447          |
| Past Service cost                            | 6               | (1,192)         |
| Estimated Unfunded benefits paid             | (40)            | (39)            |
| Estimated Benefits paid                      | (3,151)         | (868)           |
| <b>Liabilities at end of year</b>            | <b>184,934</b>  | <b>189,676</b>  |

| Reconciliation of fair value of employer assets | 2020/21<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| <b>Opening fair value of employer assets</b>    | 131,612         | 136,185         |
| Interest income on plan assets                  | 1,844           | 3,025           |
| Contributions by members                        | 856             | 831             |
| Contributions by the employer                   | 2,733           | 2,648           |
| Contributions in respect of unfunded benefits   | 40              | 39              |
| Actuarial gain/(loss)                           | 7,577           | (10,209)        |
| Estimated Unfunded benefits paid                | (40)            | (39)            |
| Estimated Benefits paid                         | (3,151)         | (868)           |
| <b>Closing fair value of employer assets</b>    | <b>141,471</b>  | <b>131,612</b>  |

| Amounts for the current and previous accounting periods | 2020/21<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| Fair value of employer assets                           | 141,471         | 131,612         |
| Present value of defined benefit obligation             | (184,934)       | (189,676)       |
| Deficit   | (43,463)        | (58,064)        |
| Experience Gains on liabilities                         | 10,659          | 890             |

## 23. PENSION AND SIMILAR OBLIGATIONS (continued)

### 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 5 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           | <b>31 March 2016</b>        |
| Valuation method         | <b>Prospective benefits</b> |
| Value of notional assets | <b>£21.5 billion</b>        |

#### ***Principal financial assumptions as at 31 March 2016:***

|                                  |                                |
|----------------------------------|--------------------------------|
| Rate of return (discount rate)   | <b>2.8%</b>                    |
| Salary scale increases per annum | <b>CPI inflation plus 2.2%</b> |
| Pension increases per annum      | <b>2.0%</b>                    |

The College paid a contribution rate of 17.2% until 31 August 2019 and 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.



## 23. PENSION AND SIMILAR OBLIGATIONS *(continued)*

### 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 (being drawn from local, public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Management or key Managers of the College including a close family member 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, Scottish Enterprise Edinburgh and Lothian 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.

## 24. RELATED PARTY TRANSACTIONS (Continued)

| Member                                     | Organisation   | Position                                 | Sales<br>£000 | Purchases<br>£000                 |
|--|--|--|---------------|-----------------------------------|
| Ann Landels<br>Judith Sischy<br>Ross Laird | Edinburgh College Development Trust                    | Trustee                                  | 19            | -                                 |
| Jordan Wyllie<br>Rose Dodgson              | Edinburgh College Students' Association                | President<br>Vice President              | 291           | 265<br>(grants awarded)           |
| Ann Landels                                | Colleges Scotland                                      | Board Member                             | -             | 81                                |
| Judith Sischy                              | Edinburgh City Council                                 | Literacy Tutor                           | 14            | 237                               |
| Alan Williamson                            | Hibernian Community Foundation<br>Lothian Pension Fund | Board member<br>Committee & Board member | -<br>-        | 39<br>3,580<br>(pension payments) |
| Michael Jeffrey                            | Energy Skills Partnership                              | Committee member                         | 45            | -                                 |
| Dr Fiona Riddoch                           | University of Edinburgh                                | Royal Society Entrepreneur in Residence  | 451           | -                                 |

## 25. BURSARY FUND AND OTHER STUDENT SUPPORT FUNDS

|  | FE Bursary<br>£000 | EMA<br>£000 | Other<br>£000 | Total for<br>2020/21<br>£000 | Total for<br>2019/20<br>£000 |
|--|--------------------|-------------|---------------|------------------------------|------------------------------|
| <b>Balance brought forward</b>                   | 40                 | (1)         | 384           | 423                          | 194                          |
| Allocation received in the year                  | 10,211             | 424         | 1,888         | 12,523                       | 11,286                       |
| Expenditure                                      | (10,127)           | (429)       | (1,708)       | (12,264)                     | (10,867)                     |
| Repaid as Clawback                               | (5)                | -           | (295)         | (300)                        | (152)                        |
| College contribution to funds                    | -                  | -           | -             | -                            | -                            |
| Virements  | 700                | -           | -             | 700                          | (38)                         |
| <b>Balance carried forward</b>                   | <b>819</b>         | <b>(6)</b>  | <b>269</b>    | <b>1,082</b>                 | <b>423</b>                   |
| <b>Represented by:</b>                           |                    |             |               |                              |                              |
| Repayable to/(due from) Scottish Funding Council | 815                | (6)         | (433)         | 376                          | 56                           |
| Repayable to Scottish Government                 | -                  | -           | 336           | 336                          | 96                           |
| Retained by college for students in 21/22        | 4                  | -           | 366           | 370                          | 271                          |
|  | <b>819</b>         | <b>(6)</b>  | <b>269</b>    | <b>1,082</b>                 | <b>423</b>                   |

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 acting only as a paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

During 2020/21 £710k included above within 'Other' was received from the SFC as Covid-19 specific FE funds. Of this, £232k was spent, £400k was repaid and the balance of £78k is due back to the SFC at 31 July. In addition to this, £474k included above within 'Other' was received from the SAAS as Covid-19 specific HE funds. Of this, £190k was spent, £251k was repaid and the balance of £33k is due back to the SFC at 31 July.

## 26. FE AND HE CHILDCARE FUNDS

|   | 2020/21<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| Balance brought forward                   | 13              | 2               |
| Allocation received in year               | 1,471           | 1,457           |
| Expenditure                               | (762)           | (1,482)         |
| Repaid to funding council as clawback     | (11)            | (2)             |
| Virements                                 | (700)           | 38              |
| <b>Balance carried forward</b>            | <b>11</b>       | <b>13</b>       |
| <b>Represented by:</b>                    |                 |                 |
| Repayable to Scottish Funding Council     | 9               | 13              |
| Retained by college for students in 21/22 | 2               | -               |
|   | <b>11</b>       | <b>13</b>       |

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 2020/21.

## 27. CONTINGENT LIABILITIES

The valuation of defined benefit and unfunded liabilities at 31 July 2021, 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 favorably 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 2021 and the date these Financial Statements were signed that would materially affect the information provided.

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

|   | 2020/21<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| Deficit before other gains and losses (FE / HE SORP basis) for academic year                            | (6,593)         | (4,223)         |
| Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year | 2,680           | 2,469           |
| <b>Operating surplus/ (deficit) on Central Government accounting basis for academic year</b>            | <b>(3,913)</b>  | <b>(1,754)</b>  |

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 £6.6m for the year ended 31 July 2021. After taking account of the Government non-cash budget, the College shows an “adjusted” deficit of £3.9m 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. The financial impact of Covid-19 on the operating deficit is outlined in the performance report.

## 30. CAPITAL COMMITMENTS

Capital commitments contracted for but not provided in the financial statements to £375k (2019/20: £nil).

## APPENDIX 1

### Accounts direction for Scotland's colleges 2020/21

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 2020/21 (FReM) where applicable.
4. Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2021.
5. The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council

3 June 2021

<sup>1</sup> The term "institutions" includes colleges and Glasgow Colleges' Regional Board.

<sup>2</sup> 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



Milton Road Campus





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# ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

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