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ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

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 2020.

MESSAGE FROM THE CHAIR OF THE BOARD OF MANAGEMENT

It has been my great pleasure to serve as interim Chair of Edinburgh College for the past 9 months, at a time when the world we live in is rapidly changing, undeniably now more than ever with the global spread of Coronavirus and its far-reaching and uncertain consequences. But right now, there has never been such a time for us to be a better and different kind of College.

We have already seen the pandemic accelerating the transition to online and blended learning and teaching, in a way not thought possible before. Therefore, we must continue our efforts to transform the College, by developing new processes in learning and teaching, new ways to serve our students and customers, increase collaboration with partners and increase value for our stakeholders. These tasks involve every function in our College.

In 2019/20 Edinburgh College's staff showed tremendous agility and resilience by continuing to deliver high quality learning, teaching, operations and support, including providing support to our most vulnerable students.

However, it is now clear that the risk to commercial and international demand and the way in which we underpin and support the economic recovery in our region are by far the greatest challenges we face. We are anticipating a downturn in our income for the foreseeable future, but we are countering this by working to secure as much business as possible, and by delivering the courses and skills training that will support people back into employment.

As no-one has any experience of a similar crisis there is no way of predicting the extent or long-term effect that the current situation will have on our course offering. Sadly, we do know that there are likely to be significant job losses caused by the pandemic, but there is no organisation better placed than Edinburgh College to support economic and social recovery, both by upskilling and reskilling adults, and by encouraging more young people to engage in college education.

Our most valuable assets are, of course, our people. All of us have anxieties about the wellbeing of friends and families and the disruption to normal life, therefore my priority, and that of the Board, is to ensure that our people are safe. I would like to express my sincere gratitude to staff on behalf of the entire Board of Management for their exceptional dedication and personal commitment to the success of our students during this challenging year.

This past year has seen changes at Board level, with Sir Ian Diamond, our previous Chair, and Sam Hogrefe stepping down, and our student representatives Carla Ford and Seoras Hearton ending their tenures on 30 June 2020. I would like to take this opportunity to record my gratitude to each member for their valuable service which has been so freely given. We welcome our new non-executive Board members, Alex Killick and Antonia McAlindin as well as student Board members Jordan Wyllie and Rose Dodgson. Our new members will bring fresh insights and skills, as well as a new perspective to the work of the Board. 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. They give generously of their time and commitment, which over the last few months has been considerable as we worked alongside the Principal and Executive Team responding to the pandemic. I am extremely grateful for their support given throughout the year both to me and to the Executive Team. Recruitment for a new Chair was delayed because of the pandemic but will start soon.

The dedication of our staff and the ambitions of our students is reflected in their continued success, outstanding work and exceptional achievements across all faculties including being recognised nationally and internationally. The year up to March 2020 and lockdown showed further growth in the College's activities with local, regional, national and international partners, and also in its positive impact on the community and the wider economy through collaborations with over 2,000 industry partners. The College will continue to develop and inspire people across the region during these challenging times.

Our five strategic priorities outlined in the Strategic Plan 2017/22: improving the student experience; to be valued in partnership and with communities; to provide an effective and efficient college; driving forward an excellent curriculum for the future; and to support and inspire our people, will be refreshed in the coming year. Our recently launched Digital Strategy is an integral part of our refreshed strategy which takes a giant step towards our ambition to be 'a leading college in the UK for digital learning and teaching with data driven innovation at its core'.

Our Principal, Audrey Cumberford, co-authored the Cumberford-Little Report, One Tertiary System: Agile, Collaborative, Inclusive - commissioned by the Scottish Government to consider how Scottish colleges can do more to help improve businesses' performance and productivity. Audrey's insight and her role on national groups will be invaluable during the building phase of our refreshed strategy.

The speed of strategic change is difficult to predict, but the direction of travel remains the same, and nothing has happened in the last year to change our view that the combination of improving the student experience, being valued in partnership, and running an efficient, effective and sustainable College remains the driving force behind our progression.

Ann Landels

Ann Landels

Interim Chair of Edinburgh College Board of Management

08 December 2020

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.

PRINCIPAL AND CHIEF EXECUTIVE'S STATEMENT



Since March 2020 each month has been unlike any others I have ever experienced in college education, or indeed in my career. The Covid-19 pandemic has created disruption on a global scale while changing our everyday lives, and I would like to express my deepest sympathy to anyone who has been personally affected by the virus.

Most of us at Edinburgh College are still working remotely but I am delighted that the energy, passion and commitment of our teams continue to re-invent what we do to adapt to a rapidly changing world. Technology is enabling us to be more connected than ever, and our digital strategy is in place to navigate the next 12 months. However, these changes require a culture that embraces change and is not afraid to take risks - no small feat during a pandemic.

Prior to the outbreak of the virus, we were on track to achieve our key performance targets. We had momentum towards achieving our credit activity; student achievement and attainment were improving; and our 2020 financial targets were on track to achieve a breakeven position. However, as the interim chair noted in her message, the challenges brought about by the virus severely affected our International and Commercial income which led to a material impact on our business in the last 5 months of the year. By the end of March our campuses were shut, and our faculty, support and operational staff teams were working remotely. The Scottish Government and the Scottish Funding Council provided regular guidance to support Colleges through this unprecedented period, particularly operating within the context of a public health emergency, including advice on UK Government interventions which consequently led to a number of College staff being registered on the UK wide job retention scheme.

This year was another successful year for our staff and students who received many awards and commendations, both nationally and internationally, most notably the Daydream

Believers project, an innovative collaboration between Edinburgh College and a wide range of partners and businesses. Our staff and students won the Creative Community in Edinburgh award. Our hospitality students won 3 medals at a major and global Series competition; 7 medals were won at a nations cup event in Michigan; and a further 34 awards were won at various high-profile competitions within Make-up Artistry, Graphic Design, Marketing & Communications, Retail Management, Hairdressing, Automotive, and Oil & Gas.

There are many, many more successes which I have not named, but each year our staff and students continue to show why they are some of the most talented in the country and compete on the world stage.

During the year the College increased its focus on the mental health and wellbeing of our students and staff, and in doing so, made great strides in our ambition to become a College which is a safe, healthy and a fulfilling place to work and study. We launched our Staff Health and Wellbeing Plan and partnered external agencies to provide mental health support to students whenever required.

Safeguarding is a priority with arrangements in place to ensure learners feel, and are safe, on college premises and during off site activities. The student experience and individual achievement are paramount, therefore our continual focus on safeguarding initiatives impact positively on the wellbeing of us all.

I am pleased to report that the College exceeded its credit target of 187,947 by 30 credits, a key measure in securing full funding, and we provided education and training to 24,850 unique students. Despite this excellent performance the impact of Brexit is now being felt as we observe a small decrease in the number of European students attending College. International and commercial markets will remain very competitive and are likely to become more challenging as Governments introduce new policies when the EU withdrawal transition period ends.

The financial results were better than expected following a significant loss of Income through the cancellation of international and commercial contracts following Covid-19 lockdown. The adjusted operating position is £0.5m surplus on £67.4m income, slightly above the College's breakeven target. The low level of cash remains a concern for next year and beyond, therefore all our efforts will be underpinned by rigorous financial discipline to maintain and secure our financial strength by managing cash and liquidity tightly. This will be even more critical during 2020-21 as the College still adapts to life after the impact of the

virus. Our staff cost is now 76% of income generated, therefore we must seek more efficient and future proofed ways of delivering high quality lifetime learning and skills development, and responsive demand led business support services. Our ambition to be a high performing digital College will shape and drive our commitment to optimise the use of technology across everything we do - for the benefit of our students, staff, College and partners. This is not simply a necessity to ensure our financial sustainability but is critical to our growth ambitions and being relevant into the future.

My priority for the College is to successfully navigate through these tough times and to take every opportunity to accelerate change to future proof our College. We must embrace technology enabled learning and teaching and continue to reshape and redesign our offer to ensure we respond to both student and industry demand, providing lifetime learning opportunities and high quality business support. Our immediate priority is to intensify regional and cross-regional collaborations to strengthen and maximise our collective response to what is likely to be a significant economic shock and levels of unemployment resulting from Covid-19.

Edinburgh College must play a pivotal role in supporting the economic recovery of our region, and continue to deliver our key responsibility as the anchor institution within our local communities.

I appreciate the continued commitment and support of staff, students, our many stakeholders, and partners towards delivering the College's ambitions, and I look forward to more progress next year and beyond.

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 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 Scottish Funding Council (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.

The College's objectives in relation to the public funding it receives are set out annually in a Regional Outcome Agreement. In 2019/20, 81% of the College's income was from public SFC grant income. Other sources of income included tuition fees, education and employability contracts, and general operating income.

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.

Edinburgh College Board and committee and Executive Team structure are included in the Accountability Report.

KEY ISSUES AND RISKS

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 respect of its strategic and development responsibilities, the Board of Management receives recommendations and advice from its committees, the Principal and Chief Executive and the Executive team. In addition to Board meetings, two board strategy day sessions are scheduled in each academic year to provide an opportunity to focus debate on matters of vision and strategic direction.

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

to 2022. Following the Board Development Day on 30 October 2018, it was agreed that due to changes in external drivers and the appointment of a new Principal and Chief Executive (on 03 September 2018) the Board of Management, at its meeting on 11 December 2018, subsequently agreed that a re-shaped Blueprint retitled 'strategic themes' should focus on the following three ambitions for Edinburgh College:

- A College with a curriculum for the future;
- A high performing digital College;
- A resilient, agile College with reach and potential to grow.

Progress against the three ambitions, as reported by the Principal and Chief Executive, continue to be monitored by the Policy and Resources Committee - which reports directly to the Board.

The Board approved two new College strategies relating to Digital and Environmental Sustainability between 1 August 2019 and 31 July 2020, along with the 2020/21 Edinburgh College Regional Outcome Agreement.

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

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

The Scottish Government set out a number of key policy objectives for colleges, including its [Developing the Young Workforce strategy](#), the Commission on Widening Access, the prioritisation of Science, Technology, Engineering and Mathematics (STEM) subjects, improving the learner journey and the enhancement of gender balance in the curriculum.

Edinburgh College is making good progress in fulfilling these objectives within set timescales, and within its financial parameters.

[Edinburgh College's 2019/20 Regional Outcome Agreement](#) lists the following as Priority Outputs and Outcomes:

PRIORITY OUTPUTS to be delivered in year 2019/20

- 98% of full-time students achieving a positive destination.
- Increase the numbers of students articulating to university with advanced standing.
- Achieve student recruitment target in 2019/20 in line with SFC agreed credit target.
- Grow the employment experience of our learners.
- Increase the numbers of students studying childcare Edinburgh College by 6,012 credits with HN and PDA qualifications.

PRIORITY OUTCOMES to be delivered by end of year 2019/20

- Improve Full-Time Further Education (FEFT) attainment to 73.2%.
- Increase DYW numbers by 100% from the 2016-17 baseline.
- Deliver the Access and Inclusion Strategy.
- Deliver a strategy and plan to increase innovation with industry partners

Risks

During the year the College identified financial sustainability; cyber security breaches; poor student retention, attainment & progress; impact of EU withdrawal; and more recently impact of Covid-19 as its key top risks.

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

Financial sustainability	Improved cash forecasting and effective cost management. A workforce plan in place to maintain financial sustainability over following years.
Cyber security breaches	Information Security programme launched plus College maintaining cyber essentials plus accreditation. A systems

	penetration test undertaken during the year by an external consultant and resultant recommendations being addressed.
Poor student retention, attainment & progress	Curriculum planning matrix including impacts and accountability used underpinned by improved business intelligence, and improved course information and pre-course guidance. This has been supplemented by collegiate student focus and retention friendly timetabling.
Impact of EU withdrawal	New working group established to map out impacts based on the two possible EU withdrawal outcomes. The recent UK Government No Deal document also forms part of the College's analysis, as does a publication on the impacts on Scotland's Colleges. EU withdrawal checklist has been updated based on most recent government communication.
Covid-19	<p>New working group formed to manage Covid-19 risks. Personal Protective Equipment purchased and campus modifications made. e.g. One-way entry system in place at all campuses. Robust personal and activity risk assessments adopted with key staff and Unions involved. Campus Access Monitoring System in place for track and trace. Alternative working arrangements in place for staff (work from home) and regular communications updates. Online learning is the default position for classes moving forward. Frequently asked questions, User guides and Health and Safety guidance published for all staff.</p> <p>Some contracts renegotiated and close working with the SFC, Scottish Government and other partners.</p>

PERFORMANCE SUMMARY

Edinburgh College provided education to 24,850 unique students during the year to 31 July 2020, and in doing so achieved the credit target set of 187,947 for the year. The student retention rate was 75.8%, and there were many great achievements, some of which are highlighted in the Principal and Chief Executive's statement.

Although the College has posted a £4.6m operating deficit for the year, it achieved an adjusted operating surplus of £0.5m when pension actuarial revaluations and other non-cash items were stripped out.

Looking ahead, the College will navigate its way through a number of uncertainties and challenges to achieve its aims. These include the tight public sector funding environment, the ability to invest and to prepare students for the fast developing digital and data driven work and social environment, and the uncertainties of the impact of the UK withdrawal from the European Union. In the 2019/20 academic year the College continued a trend of substantial growth in part time provision, however the success of this mode of study focused on short employer led courses funded through the Flexible Work Development Fund (FWDF) or Individual Training Accounts (ITA) rather than scheduled courses. The ability now to refocus 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 will be key to the College's and the regional economy's success. To this end the College is working with a number of partners in the Edinburgh and South East Scotland City Region Deal to advance joint opportunities. These partners include community planning partners in the Local Authorities, Skills Development Scotland (SDS), Developing the Young Workforce (DYW), Universities, Third Sector Partners and the Capital City Partnership. Covid-19 is most likely in 2020-21 to impact scheduled part-time courses.

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

In accordance with SFC guidance, 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	2019/20	2018/19	2017/18
		Actual (at 31 July)	Actual (at 31 July)	Actual (at 31 July)
Student activity (credits)	Measure of student activity	187,977	188,030	192,990
Performance against credit activity target	Measures student activity performance against target	100%	100%	103%
Credits per staff FTE	Measure of credits per staff FTE	184	179	184
Unique student enrolments	Measures number of students	24,850	26,608	23,959
Full-time applications	Measures student demand	20,968	18,351	17,488
Number of FT FE enrolled students aged 16-19	Measures number of students	2,373	2,779	2,572
Student retention rate	Measures percentage of unique students completing studies	75.8%	88.5%	89.8%
Operating surplus/deficit as % of total income	Measures deficit as % of total income	(6.3%)	(9.3%)	0.2%
Non SFC income as a % of income	Measures non SFC income as a % of total income	18.7%	21.7%	23.4%
Staff costs (excluding exceptional items) as a % of total income	Measures staff costs excluding exceptional staff costs as a % of total income	76.0%	74.8%	69.9%

Student Activity Performance Highlights

Delivery of widening access and progression targets

Delivery of widening access and progression targets	2019/20	2018/19	2017/18
	Actual (at 31 July)		
Student Gender Balance	52.7% Female 47.2% Male 0.1% Other	53.0% Female 47.0% Male 0.0% Other	50.7% Female 49.3% Male 0.0% Other
Students with a Disability	17.6%	19.1%	15.7%
Ethnic Minority Students (home)	9.0%	10.2%	10.2%
Students from SIMD10 Data Zone	7.0%	6.5%	8.8%
School College Partnership (SCP) Pupils	0.8%	0.5%	0.8%

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. The College is committed to providing an inclusive ethos and environment, where everyone feels welcome, supported and respected. In 2019, Edinburgh College published its [Equality Outcome and Mainstreaming Progress Report](#) (including Equality Outcomes and Gender Action Plan) to meet equalities legislation. This report sets out the progress the College has made towards mainstreaming equality across the curriculum and in delivering equal opportunities for all our students. The Gender Action Plan was published in September 2019. The College reports widening access outcomes quarterly to the Board of Management, and Academic Council Committee. The Board of Management leads, with support from the Nominations Committee and all other committees, on how the College uphold the Equality & Diversity Policy of Edinburgh College, which reflects equality legislation and best practice.

Projects relating to this plan include

- STEM Inspiration Project – the Engineering and Built Environment faculty has been working with primary and now secondary schools in the local area, with a particular focus on female students and students from SIMD10 households. Other teams such as Construction and Childhood Practice have been running courses with primary

schools to inform children and encourage equality of opportunity around career choices.

- The Childhood Practice team co-developed and recently hosted an Equality in Early Learning and Childcare Conference with College Development Network (CDN) and other partners bringing together best practice from across the sector.

The number of students attending College from BAME backgrounds has remained static for a number of years and is approximately double the number of the demographic regional population. Much of this is due to the delivery of ESOL (English for Speakers of Other Languages) in community settings as part of Community Planning Partnerships.

SIMD10 student numbers have increased slightly to 7.0%. The College planned to increase numbers in the long term, by working with schools in SIMD10 datazones such as Castlebrae, Wester Hailes Education Centre, Newbattle High School and Ross High School by delivering in-school provision. This plan increased the numbers of pupils attending College from S3 and above, and the College target to increase the number of DYW pupils attending courses at level 5 and above from the 2016/17 baseline, has been achieved this year. The baseline for DYW courses, where School Pupils in senior phase attended vocational courses with recognised qualifications was 252 students. The performance measures for 2019/20 were revised to a new target of 352 students with agreement from SFC. The College exceeded the revised target at 459 by 30% and are now on track in 2020/21 to meet the original target.

Excellent progress is as a result of better partnership working with the local authorities and refined curriculum planning, designing more NPA qualifications in the delivery of courses such as Foundation Apprenticeships. The College's Widening Access and Equalities Steering Group (WAX-ED) oversees the delivery of these outcomes.

In order to address gender-based violence (GBV), the College is engaging with Fearless Edinburgh, a working group which was set up and forms part of a multi-agency partnership focusing on further and higher education settings.

The College has a very close working partnership with the 'Hub for Success', ensuring the best transition support is possible. There has been an increase in Care Experienced students in 2019/20 and this trend is expected to continue in 2020/21.

For all students the College increased counselling provision and supported students through a new 'MyEC' app, to provide better information about funding, timetabling and other tutorial support. With the pandemic leading to the closure of campuses in March

2020, many services such as these moved online. New student service processes such as bursary funding, induction and self-enrolment were developed in 2020 to be available remotely.

Curriculum focus on employer needs, with employers involved in curriculum design

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. The College is a recognised STEM Hub, and its faculty for Creative Industries is seen as a major hub for employability through its annual employability conference, attended by over 700 students and delivered by over 60 employers. Employer engagement is also key to programmes associated with Developing the Young Workforce (DYW), with courses such as Foundation Apprenticeships in key skills areas identified by Skills Development Scotland (SDS). The College works with over 2,000 employers and representative stakeholders in the region. The majority of courses offered in key sector areas such as Construction, Computing, Engineering and Care have work placements or work integrated learning as part of the course.

In 2019/20, 87% of students surveyed during the satisfaction survey reported that they felt the course had prepared them with the knowledge and skills for the workplace. Given that a number of courses have a clear purpose of 'University access' with National Qualifications attached, such as Highers, this figure is representative of the wider course portfolio and a skills focus for employment. The College has been working with several employers and has successfully bid for innovation funding, developing products for virtual reality training.

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 2020/21. A [new professional learning prospectus](#) has been developed in July 2020 to reflect this activity.

Improved support to increase completion of courses and progression to University

Edinburgh College has one of highest proportions of articulating students in Scotland. 529 students articulated with advanced standing in 2017/18, the most recent and first figures available from the SFC National Articulation database. Our work in Associate Degree provision, Scottish Wider Access Programme courses, strategic skills planning within the City Deal and regional planning in accordance with the College's curriculum

strategy represent the College's commitment to ensuring that articulation continues to grow - especially for learners from the most deprived data zones. All courses at Edinburgh College have a dedicated pathway, mapping the learner journey from SCP provision to articulating University courses. These are available on the College's website as curriculum maps and are further available within the course prospectus'. The College led on a regional learner passport project in 2019 with Edinburgh Napier University to better signpost opportunities for articulation with advanced standing, and this was delivered in July 2020.

Student Destination

98% of students known destinations were positive in 2019/20, the most recent evidence available. The College achieved this priority output whilst significantly increasing the number of students participating in the survey.

Analysis of Achievement:

KPI	Purpose	2019/20	2018/19	2017/18
The percentage of enrolled students achieving a recognised qualification		Actual (at 31 July)	Actual (at 31 July)	Actual (at 31 July)
Full-time FE aged 16-19	Measure of Achievement	58.5%*	46.5%	54.9%
Full-time FE		58.5%*	56.0%	60.7%
Full-time HE		74.4%*	69.8%	71.3%
Part-time HE**		60.0%*	75.5%	84.3%
Part-time FE		54.6%*	66.2%	70.8%

* Due to the Covid-19 pandemic figures have been subject to change, due to unusual levels of late resulting due to deferrals

**includes short full-time courses (SFT)

The table above shows the percentage of enrolled students achieving a recognised qualification had improved during 2019/20 in all categories except for part-time, a higher proportion of which have not yet received results. Appropriate measures to address the improvement were developed in the college's ROA self-evaluation report to the Scottish Funding Council in 2019, and actions were subsequently taken in 2019/20 to improve success rates. These measures included better planning of assessment delivery, timetabling

improvements which impacted on student engagement and new approaches in integrated learning outcomes. The College's [Evaluative Report and Enhancement Plan](#) explains in greater detail the changes which were planned across 2019/20.

Curriculum development to align to regional economic need

The policy to redesign and rebalance the curriculum to meet needs of local industry continues to focus on developing an attractive curricular offer and extending links into schools, through setting targets in relation to DYW. The process of developing our offer is ongoing, to meet these external needs and provide growth. The curriculum offer in Engineering and the Built Environment, Creative Industries, Computing and Digital Skills, Health and Social Care, Childcare as well as Tourism, Business and Financial Services are considered priority economic areas. Community-based learning opportunities for ESOL and Access to College programmes are also key areas for the College to grow and develop. The College has begun to develop its Future Proof Curriculum Strategy for 2025, in line with the City Region Deal priorities in partnership with key innovation stakeholders, such as DataLab. More detail can be found in the College [Regional Outcome Agreement 2019/20](#).

The College will continue reviewing its processes to improve the learner journey as more efficiency is required to address the challenges of uncertain future income and national pay awards. However, these challenges will not alter Edinburgh College's vision and it will continue to exert financial rigour and realise future sustainable benefits. It will continue to manage its key strategic and operational risks in a structured and coherent manner for the benefit of its current and future staff and students.

Estates 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 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 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 2019/20, projects included the upgrading and refurbishment of College buildings, this included upgrading classrooms, upgrading 17 CCTV and fire and intruder alarm systems in accordance with industry recommendations, essential roofing repairs/replacement, 300 sqm of car park repairs, 7,000 sqm of new flooring, and more general fabric and maintenance repairs. The College continued to upgrade its lighting to LED for external car parks and buildings, all contributing to the security of buildings for staff, students and stakeholders.

The college is considering within its estates strategy a plan for a new construction facility near Granton campus, as a modernized replacement for its current Forthside facility. Relocation closer to the campus will allow the college to bring several construction activities into one building creating a new centre of excellence, and will enable the sharing of facilities. The plan also includes replacement of motor vehicle workshops at Sighthill campus which are now not considered fully fit for purpose and will incorporate emerging technologies within the motor vehicle industry.

SUSTAINABILITY REPORT 2019/20

Environmental Sustainability Strategy

The College's refreshed strategy on environmental sustainability was approved in November 2019 and it sets out a clear vision until 2024. At the heart of the strategy sits the ambition to 'Be a College at the cutting edge of environmental sustainability through its learning, teaching, partnerships and core operations'. Specifically, to reduce carbon emissions by 75% on the College baseline by 2024, with an aspiration to be carbon neutral by 2030. The strategy is ambitious but aligns to the climate emergency that was declared in May 2019.

The key focus for the College will therefore continue to be on the following aspects: energy, water, carbon; waste; travel and transport; community growing and biodiversity; sustainable procurement & fair trade; sustainable education and external partnerships.

Report on progress made during Session 2019/20

The College acknowledges the importance of environmental issues and sustainability, and endeavors to consider these matters as part of its ongoing decision-making process. Its environmental responsibilities as a public body, supports the national outcome to 'value and enjoy our built and natural environment, protect it and enhance it for future generations'.

The College's strategy therefore 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. As such the College is named as a 'major player' by the Scottish Government in the Climate Change (Scotland) Act 2009. In addition, our role in sustainable education provides us with a clear mandate to lead in sustainability in everything we do. The college is committed to ensuring progress towards embedding into college life the UN Sustainable Development Goals (SDGs).

In 2019/20, the College's approach to energy-efficiency continued with further investment in a series of lighting control measures across the estate meaning lighting is not left on in public areas but is dimmed to the minimum permitted level whilst not in use. Future projects to further improve energy efficiency and drive down consumption will be implemented in upcoming years.

Up to 97% of the College's carbon footprint is associated with its buildings, from heating, lighting and use of other equipment. The first Carbon Management Plan (2014/19) shows that the College emitted 7,581 t/CO₂e in 2013/14, this reduced to 4,423 t/CO₂e from 2016-20, a 3,158 t/CO₂e (42%) reduction. Over this period electricity and gas consumption has reduced by 48% and 16% respectively. The college closure on 23 March 2020 due to the Covid-19 lockdown increased the carbon reduction in overall consumption terms mainly through heat systems, as such this trend is likely to reverse in 2020/21.

College waste management continues to improve with an offsite recovery rate of 90% for mixed recycling and 60% for general waste. All College food waste is processed into green energy via an anaerobic digester. The College has spent considerable time enhancing biodiversity on its estate and is a member of the Edinburgh Biodiversity Action Plan.

At the start of the academic year the College was considering various ways to remove single use plastic, thereby reducing plastic pollution, however with the Covid-19 lockdown this activity has been delayed until 2020/21.

The College continues to develop staff and students and promote actions on sustainability enabling and encouraging them to be global citizens. The College also promoted the principles of 'Education for Sustainable Development' through teaching, research and knowledge transfer activities. Supporting social responsibility across the College and in our communities and encourage 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.

Edinburgh College continues to build its Community Garden projects on two campuses and is identifying growing opportunities at the other campuses. The community gardens are used extensively as part of the learning experience of students in the College, as well as by a number of community groups. The Gardens won the UK and International Award in the Green Gown Student Engagement Category in 2015.

FINANCIAL REVIEW

The financial impact of Covid-19 on Edinburgh College after the closure of campuses on 23 March has been considerable particularly as income includes a high level of international & commercial exposure.

The adjusted operating position, in the table below on page 26, shows a surplus of £0.5m for the year compared to a 2019 surplus of £0.7m. The Statement of Comprehensive Income shows a deficit of £4.6m for the year compared to a 2019 deficit of £6.3m. After considering the adjustments (as shown in the income and expenditure table below), this result represents a negative variance of £0.5m (Deficit of £1.1m compared to the 2019 deficit of £0.6m).

The income and expenditure position is summarised below:

	2019/20 £m	2018/19 £m
Income	67.3	67.4
Expenditure	(68.4)	(68.0)
	(1.1)	(0.6)
Exceptional staff costs	-	(0.1)
SFC grant income repayment	-	(0.5)
Annual leave provision movement	(0.1)	0.1
FRS 102 Pension costs (actuarial revaluation)	(2.8)	(3.9)
Early retirement revaluation	0.2	(0.3)
Provision for future student accommodation losses	(0.8)	(0.9)
Loss on disposal of fixed assets	-	(0.1)
Deficit for the year	(4.6)	(6.3)
Actuarial loss on pension	(29.7)	(11.8)
Revaluation of buildings in the year	8.4	-
Total comprehensive income for the year	(25.9)	(18.1)

Income

Income at £67.3m is lower by £0.1m in comparison to 2018/19. Scottish Funding Council Recurrent grants increased by £2.4m (primarily to fund cost of living increases and higher employer pension contributions). This was offset by the removal of a debt support grant in the year to 31 July 2020 of £0.8m. In 2018/19 there was a repayment to the SFC of a Business Transformation Plan Grant of £0.5m. There was no repayment made in the current year.

International and Commercial income reduced by £0.8m as a result of Covid-19. Further reductions in income were caused by the loss of a pre-employment education contract in 2018/19 of £0.6m, and the previous year outsourcing of the catering service (£0.8m).

Edinburgh College received Job Retention Scheme income of £1.0m in 2019/20. Other income including Childcare funds was £0.6m lower than 2018/19. Release of Deferred Capital Grants decreased by £0.5m compared to the previous year.

Expenditure

Expenditure at £68.4m is higher by £0.4m in comparison to 2018/19. This was mainly the result of increases in staff operating costs (lecturers pay harmonisation cost, and cost of living and pension contribution increases). Other Operating Expenses are £2.6m lower than 2018/19 as a result of lower costs associated with income contractions relating to Covid-19, together with savings aligned to campus closures. These one-off savings relate to energy, cleaning, professional fees, catering costs and travel (both aligned with reduced commercial UK and International activity).

Balance Sheet

Fixed assets at the year-end totaled £163.6m, a net increase of £4.1m compared to the prior year. This is primarily the result of the revaluation of land and buildings that was required in the year. The increase was also the result of fixed asset additions related to lifecycle and high priority backlog maintenance works funded by the SFC. Depreciation charges of £5.5m were incurred during the year.

Net current liabilities decreased by £0.9m as a result of increased debtors and cash at the year-end offset by an increase in creditors.

At 31 July 2020, the College had an accumulated deficit of £16.8m (2018/19: £16.5m surplus) on its Income and Expenditure Account, and in complying with FRS102 s28 (Retirement Benefits) the pension liability increased by £32.5m to £58.1m (2018/19: £15.7m to £25.6m) which is included in the Income and Expenditure Account reserve.

Cash Flow

There was a net cash inflow of £0.5m (2018/19: net cash outflow of £0.01m). At 31 July 2020 the College held cash and deposits of £1.5m (2018/19: £0.9m), of which £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 £9.3m (2018/19: £9.7m) 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 £163.6m (£159.7m related to the estate), and in 2019/20 received capital funds of £1.5m (2018/19: £3.1m) to maintain its estate, ICT infrastructure and systems. The College has underpinned this capital investment with net recurring

expenditure of approximately £4.8m (2018/19: £5.6m) to cover the operating costs of the estate.

Cash Budget for priorities

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

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

TABLE OF CASH BUDGET FOR PRIORITIES SPEND	2019/20 £'000	2018/19 £'000
Revenue priorities		
Pay award	874	874
Estates costs	971	554
Total impact on operating position	1,845	1,428
Capital priorities		
Loan repayments	354	451
Lennartz cash payments	65	390
Payments against provisions pre-1 April 2014	283	278
Total Capital	702	1,119
Total cash budget for priorities (CBP) spend	2,547	2,547

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.

	2019/20 £'000	2018/19 £'000
Deficit before other gains and losses	(4,625)	(6,227)
ADD BACK:		
<ul style="list-style-type: none"> • Depreciation (net of deferred capital grant release) on both government funded and privately funded assets (Note a) 	2,468	2,446
<ul style="list-style-type: none"> • Pension adjustment - Net service cost (Note b) 	2,214	3,611
<ul style="list-style-type: none"> • Pension adjustment - Net interest cost (Note c) 	600	327
<ul style="list-style-type: none"> • Non-cash pension adjustment - Early retirement provision year-end valuation charged to SOCI (Note d) 	(182)	276
<ul style="list-style-type: none"> • Non-cash pension adjustment - Early retirement provision interest (Note d) 	98	23
<ul style="list-style-type: none"> • Non-cash provision adjustment - Others (Note e) 	817	871
<ul style="list-style-type: none"> • Exceptional income repayment (Note f) 	-	500
DEDUCT:		
<ul style="list-style-type: none"> • CBP allocated to loan repayments and other capital items (Note g) 	(702)	(1,119)
<ul style="list-style-type: none"> • Cash paid out on provisions for liabilities and charges - Others (note e) 	(181)	-
Adjusted operating surplus	507	708

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: Exceptional income repayment relates to an initial repayment of a Business Transformation Plan grant which was received in 2016/17. See note 2.

Note g: 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 2019/20 was 10 days (2018/19: 43 days). The decrease relates to capital invoices of £0.5m which were due at 31 July 2019 and an earlier payment than the previous year of the July 2020 SPPA pension payment. There was no interest paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Employment of individuals with a disability

The College's Recruitment and Selection Policy sets out that applications from people with a disability are welcomed, and procedures are in place to ensure such applicants are treated fairly.

Anti-Fraud, Bribery and Corruption Policy

Edinburgh College reviewed and updated its Anti-Fraud, Bribery and Corruption Policy during the year. This policy sets out the College's position on fraud, bribery and corruption and its approach to preventing, detecting, reporting and investigating fraud, bribery and corruption.

Audrey Cumberland

Audrey Cumberland MBE FRSE

Principal and Chief Executive

08 December 2020

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

The membership of the Board of Management during the year to 31 July 2020 is outlined at page 32, 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. Their purpose is to help the reader of the financial statements understand how the principles have been applied. 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 18 September 2019, and minutes of these meetings are published on the College's website.



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 2019/20. The committee comprises four non-executive members and one co-opted member. Two 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 2019/20. 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 2019/20. 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 regard to gender balance, at 31 July 2020 the Board comprised 67% women and 33% men.

The Nominations Committee meets as required and not less than once per year. In 2019/20 it met on one occasion. 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 2019/20. 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, 10 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:

Board Member	Status of appointment	New appointment during the year and subsequently, up to the date of signing of accounts	Month of departure from the Board during the year and subsequently, up to the date of signing of the accounts
Ann Landels	Interim Regional Chair*		
Ian Diamond	Regional Chair		31/10/2019
Audrey Cumberford	Principal and Chief Executive		
Bruce Cassidy	Staff Representative (Support)		
Mike Cowley	Staff Representative (Academic)		
Rose Dodgson	Vice President of Edinburgh College Students' Association	01/07/2020	
Lesley Drummond	Industry, Commerce or Public Sector Representative		
Carla Ford	President of Edinburgh College Students' Association		30/06/2020
Seoras Hearton	Vice President of Edinburgh College Students' Association		30/06/2020
Sam Hogrefe	Industry, Commerce or Public Sector Representative		08/05/2020
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	
Nicola McKenzie	Industry, Commerce or Public Sector Representative		
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		
Jeanette Stevenson	Industry, Commerce or Public Sector Representative		
Jordan Wyllie	President of Edinburgh College Students' Association	01/07/2020	

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

Professional Advisors

Internal Auditor: BDO, Edinburgh

Bankers: Royal Bank of Scotland, Edinburgh

Solicitors: Anderson Strathern LLP, Edinburgh

External Audit

External Auditor: Audit Scotland

Gordon Smail (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
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Member from start of period to October 2019

Ian Diamond	✓					
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Member from start of period to May 2020

Sam Hogrefe		✓				
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Member from start of period to Present

Bruce Cassidy			✓	✓		
Audrey Cumberford	✓					
Lesley Drummond		✓	✓		✓	
Ross Laird		✓	✓			
Ann Landels	✓		✓	✓	✓	
Nicola McKenzie					✓	✓
Nigel Paul		✓			✓	
Student President*	✓		✓			
Student Vice President*	✓			✓		
Gwen Raez			✓			✓
Fiona Riddoch	✓			✓	✓	
Azra Sharif-Qayyum			✓			
Judith Sischy	✓	✓				
Jeanette Stevenson	✓			✓		

** Includes membership of Carla Ford and Seoras Hearnton who left the Board on 30 June 2020*

The non-Board membership of the Academic Council for the four Academic Council meetings held in 2019/20 was as follows: Iris Aitchison; Seoras Hearnton; Laura Craig; Debbie Dow; Julian Henderson; Ethelinda Lashley-Scott; Kevin Maloney; Neil Manning; Sandra Morrison; Ryan Quinn; Shannon Young.

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

The former Chair of the Board, Sir Ian Diamond, has assumed the role of the UK's National Statistician (on 22 October 2019). Sir Ian Diamond therefore stepped down from his role as Chair of the Edinburgh College Board of Management on 31 October 2019, and has been replaced by the Vice Chair of the Board, Ann Landels, in the interim 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 a new Regional Chair was appointed by Scottish Government.

On 18 February 2019, the Minister for Further Education, Higher Education and Science, wrote to the Convener of the Scottish Parliament's Education and Skills Committee outlining his decisions following the Good Governance Consultation which was published in April 2017. In furtherance of the action relating to partnership working, which would require college boards to; "introduce two trade union nominees to the boards of incorporated colleges in addition to the existing staff representatives, bringing the college sector into line with changes made in universities by the Higher Education Governance Act 2016", it was agreed by the Board, on 19 March 2019, that recognised trade unions would be invited to future meetings as observers. Representatives from EIS-FELA and UNISON attended their first meeting of the Board on 18 June 2019, and continue to attend.

Meetings and Attendance

The Board met three times between 1 August 2019 and 31 July 2020, with a further 18 meetings of the various committees of the Board also taking place within this period. The scheduled meeting of the Board of Management on 24 March 2020 was cancelled due to the closure of College campuses on 20 March 2020 following the UK Government lockdown in response to the Covid-19 pandemic. Four matters of business from the meeting, which required approval, were considered and endorsed by the Board on 30 March 2020 via email.

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 2020, 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 over May and June 2020 were held virtually through Microsoft Teams, in response to Covid-19 lockdown restrictions.

All Board and committee meetings held in the period from 1 August 2019 and 31 July 2020 were quorate, with the exception of the Academic Council on 15 November 2019. The inability to hold a quorate meeting on this date was due to unforeseen circumstances.

Overall attendance at Board and committee meetings remained high between 1 August 2019 and 31 July 2020, at 84%, a decrease of 2% from the previous academic year. Attendance across the Board and its committees throughout 2019/20 was as follows:

• Board of Management	88%	(2018/19: 88%)
• Academic Council	71%	(2018/19: 79%)
• Audit and Risk Assurance Committee	100%	(2018/19: 91%)
• Corporate Development Committee	83%	(2018/19: 88%)
• Nominations Committee	83%	(2018/19: 73%)
• Policy and Resources Committee	92%	(2018/19: 91%)
• Remuneration Committee	100%	(2018/19: 80%)

Induction and Development

All new members receive a formal induction provided by the College, in line with the Board's Induction and Development Procedures. The majority of board members participated in induction training facilitated by the College Development Network (CDN) in 2017/18 and 2018/19. Other development sessions during the year focused on health and safety and key strategic matters with implications for the College, including: digital, risk appetite and equality and diversity.

The Nominations Committee continues to review the induction and development procedures of the Board, to ensure the continued enhancement of the Board's operations.

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. Individual reviews include objective-setting and review of progress against the previous year's objectives in order to accommodate the assessment requirements for extension of appointments described in the Ministerial guidance on appointments. The Interim Vice Chair's report on the Chair's performance was presented to the Board on 16 June 2020.

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 need to ensure appropriate opportunities for one-to-one meetings between the Chair of the Board and non-executive, staff and student board members;
- 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 progress made with regards to strategic reviews, and the need to finesse the strategic 'deep dive' process to make it more effective and ensure that any findings are implemented timeously.

In August/ September 2019, the Board undertook an externally led Board Effectiveness Review as required by the Code of Good Governance for Scotland's Colleges. Members of

the Board engaged with the review through a survey and one-to-one interviews, and a Working Group (consisting of six Board members) was set-up to consider the draft findings of the external reviewer. On 10 December 2019, the Board received a presentation on the outcomes of the Board Effectiveness Review. A final report and an accompanying Board Improvement Plan were approved by the Board on 30 March 2020, and submitted to the SFC.

The Board, at each of its meetings, shall continue to monitor progress against recommendations arising from the Board Effectiveness Review through its Improvement Plan.

Due to UK-wide lockdown restrictions in response to the Covid-19 pandemic, and the high degree of 'unknowns' impacting on the College and the wider sector, the Board Strategy Day on 29 April 2020 was cancelled. The Interim Chair of the Board and the Principal & Chief Executive held two 'Board Briefing Sessions' on 18 May and 08 June 2020, to keep the Board up-to-date with developments in response to the Covid-19 pandemic. Further to this, a Board 'Strategic Conversation' was held on 26 June 2020 to allow members of the Board to consider the immediate and short-term strategic priorities of both the College and the college sector.

Moving into the 2020/21 academic year, the Board and its committees continue to hold virtual meetings. The effectiveness of such online meetings is regularly evaluated to ensure governance arrangements continue to remain appropriate.

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. 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 operational risk 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.

The Board, through its Audit and Risk Assurance Committee, approved a 'Three Lines of Defence' Framework on 29 May 2019, with a view to enhancing further the College's approach to internal control, assurances and risk management. The model identifies organisational arrangements and clear lines of accountability, which are responsible for providing assurance with regard to the management of key business areas and risks. As part of its annual review, the 'Three Lines of Defence' Framework was considered by the Audit & Risk Assurance Committee on 7 October 2020.

The Audit and Risk Assurance Committee has also undertaken a series of risk 'deep dives' throughout the academic year 2019/20. The purpose of each deep dive was to consider key risks in greater detail to allow members to understand current and planned mitigations, internal controls and seek further assurances - if required. Examples of risk deep dives which took place include: Staff Performance Appraisals; EU Withdrawal; Fraud, Bribery and Anti-Corruption; Student Retention; and, Covid-19.

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.

On 23 April 2020, the RMAG were advised by the Critical Incident Management Team that a Business Continuity Plan outlining the actions and shutdown protocols of the College had been developed, in response to Covid-19.

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 2020, 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 2020:

Audit	Overall Conclusion	Grading of Recommendations
Strategic Planning	Moderate	2 Moderate risk exposure
Financial Planning	Substantial	3 Low risk exposure

Commercial Income	Moderate	2 Moderate risk exposure; 3 Low risk exposure
Procurement & Contract Management	Moderate	1 Moderate risk exposure; 4 Low risk exposure
Cyber Security	Limited	8 Moderate risk exposure; 3 Low risk exposure
Estates Management	Moderate	3 Moderate risk exposure; 1 Low risk exposure;
Health & Safety	Moderate	3 Moderate risk exposure; 1 Low risk exposure

All 2019/20 internal audit reports provide either ‘Substantial or Moderate’ overall conclusions, with the exception of the Cyber Security where only ‘Limited’ assurance was provided. Control weaknesses relating to Cyber Security 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 information, 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 reassurance 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 framework. The work of the internal audit service is informed by an analysis of the 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 a report on internal audit activity in the College annually. 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 processes.

Review of Effectiveness

The Principal and Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. The Principal and Chief Executive's review of the effectiveness of the system 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 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 system of internal control by the Audit and Risk Assurance Committee which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is 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 control are consistent with the requirements of the SPFM and the SFC's accounts direction, have operated for the year ended 31 July 2020 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 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 risk and control 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 8 December 2020 and approved the year-end financial statements and the external auditors report, taking account of Audit and Risk Assurance Committee recommendation.

Internal Control Statement

The internal auditor has expressed the opinion that, except in the case of cyber security 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, in all but the cyber security 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, income generated from commercial activities and a term loan provided by its bankers. Under the terms of the loan agreement the College must meet certain financial covenants. These were met during 2019/20. In 2017 the Board of Management agreed a new Strategic Plan 2017/22, and an accompanying transformation programme entitled the Blueprint 2017/22. This contains financial forecasts which outline 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 the revised financial plan.

Following the arrival of a new Principal/Chief Executive in September 2018, the Blueprint underwent a review. As a result of the review a new strategy, entitled 'A Future Proofed College', was agreed by the Policy and Resources Committee and Board in early 2020. The strategy is aligned to three new strategic themes (i) a high performing digital college, (ii) a college with a curriculum for the future, and (iii) a resilient, agile college with reach and potential to grow.

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 uncertainties relating to the effects of the duration of the pandemic and withdrawal from the EU on the further education sector will also 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 2020/21 allocation has been agreed. The College continues to provide five-year forecasts to the SFC annually. Additionally, the Board has approved the 2020/21 Edinburgh College Regional Outcome Agreement.

The College believes that the SFC will provide the funding requested 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 2020.

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 2020 and up to the date of approval of the annual report and accounts.

The agreement of the Board to progress with its new strategy through the setting of three strategic themes – to ensure the 'future proofing' of the College and a successful delivery of the College's revised financial plan will provide sustainability for the future.

Approved by order of the members of the Board of Management on 8 December 2020.

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. 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 2020			Year ended 31 July 2019		
	Salary	Pension Benefit	Total	Salary	Pension Benefit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Ann Landels, Interim Chair of the Board of Management	15-20	-	15-20	-	-	-
Annette Bruton, Principal and Chief Executive (Leaving date 2 September 2018) *	-	-	-	10 - 15	-	10 - 15
Audrey Cumberford, Principal and Chief Executive (Start date 3 September 2018)**	145 - 150	15 - 20	165 - 170	145 - 150	65 - 70	210 - 215
Alan Williamson, Chief Operating Officer	90 - 95	20 - 25	115 - 120	90 - 95	55 - 60	150 - 155

Jonathan Pearson, Vice Principal	75 - 80	25 - 30	105 - 110	70 -75	10 - 15	85 - 90
Jonathan Buglass, Vice Principal	75 - 80	30 - 35	105 - 110	70 -75	10 - 15	85 - 90
Michael Jeffrey, Vice Principal	75 - 80	20 - 25	95 -100	70 -75	15 - 20	85 - 90

* The salary for Annette Bruton for the year ended 31 July 2019 is pro-rata after taking into account her leaving date of 02 September 2018. Her full year equivalent would have fallen into the £140k - £145k band.

** The salary for Audrey Cumberford for the year ended 31 July 2019 is pro-rata after taking into account her starting date of 03 September 2018. Her full year equivalent would have fallen into the £155k - £160k band.

There were no performance related payments or bonuses paid in the year (2018/19: £nil).

There were no benefits in kind or non-cash benefits paid in the year (2018/19: £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.

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.

On appointment as Chair of the Edinburgh College Board of Management, Sir Ian Diamond requested not to receive a salary for the period of his tenure. Other than reimbursement for appropriate expenses in the year, the Chair of the Board of Management received no further remuneration.

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 2020	Real increase in pension and related lump sum 1 August 2019 to 31 July 2020	Cash equivalent transfer value at 31 July 2020	Cash equivalent transfer value at 31 July 2019	Real increase in cash equivalent transfer value
	£'000	£'000	£'000	£'000	£'000
Audrey Cumberford MBE FRSE (Start date 3 September 2018)					
Pension	45 – 50	0 – 2.5			
Related lump sum	105 – 110	(0 – 2.5)			
Transfer value			974	893	40
Alan Williamson					
Pension	40 – 45	0 – 2.5			
Related lump sum	70 – 75	0 – 2.5			
Transfer value			983	967	(4)
Jonathan Pearson					
Pension	20 – 25	0 – 2.5			
Related lump sum	45 – 50	0 – 2.5			
Transfer value			415	362	36
Jonathan Buglass					
Pension	25 – 30	0 – 2.5			
Related lump sum	55 – 60	0 – 2.5			
Transfer value			472	424	38
Michael Jeffrey					
Pension	10 – 15	0 – 2.5			
Related lump sum	-	-			
Transfer value			137	117	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

No employees left the College under voluntary severance arrangements during the year.

Five employees received exit packages per settlement agreements totaling £14k with an additional under accrual from the prior year of £3k in the year. There has also been a reversal of an 2018/19 accrual of strain costs in the year of £39k as these are no longer payable.

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	-	-	-
£25,000 - £50,000	-	-	-
£50,000 - £100,000	-	-	-
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
Total number of exit packages	-	5	5
Total Cost (£'000)	-	14	14

Median Remuneration - audited

Based on 12-month equivalent figures, the remuneration of the highest paid official in the organisation in the financial year 2019/20 was £150,000 (2018/19: £150,000). This was 3.6 times (2018/19: 3.6 times) the median remuneration of the workforce which was £41,526 (2018/19: £41,526). The range of staff full-time equivalent salaries at 31 July 2020 was from £17,590 to £150,000 (2018/19: £17,290 to £150,000).

Staff Report - audited

Staff Numbers	2019/20 Number	2018/19 Number
The average number of persons (including senior post-holders) employed by the College during the year, expressed as full-time equivalents, was:		
Senior Management	5	5
Teaching Staff	485	490
Teaching Support	28	30
Administration and Central Services	427	425
Premises	38	39
Catering and Residences	1	20
Other Income Generating Activities	38	40
Total	1,022	1,049

Staff Costs	2019/20 £000	2018/19 £000
Senior Management	645	608
Teaching Staff	26,707	24,857
Teaching Support	850	881
Administration and Central Services	17,294	16,820
Premises	1,133	1,204
Catering and Residences	34	608
Other expenditure:		
- Revaluation of Early Retirement Provision	(182)	276
- FRS102 s28 Pensions Adjustments	2,214	3,611
- Other income generating activities	1,244	1,257
- Job Evaluation Cost Estimate	1,127	1,033
- Movement in Employee Leave Accrual	78	(98)
Total	51,144	51,057

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

	2019/20 Senior Post Holders	2019/20 Other Staff	2018/19 Senior Post Holders	2018/19 Other Staff
£60,001 - £70,000	-	-	-	10
£70,001 - £80,000	3	10	3	-
£80,001 - £90,000	-	-	-	-
£90,001 - £100,000	1	-	1	-
£100,001 - £110,000	-	-	-	-
£110,001 - £120,000	-	-	-	-
£120,001 - £150,000	1	-	1	-
	5	10	5	10

Staff Profile

At 31 July the College employed 508 male members of staff and 709 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 2019/20 was 3.5% (2018/19 4.1%).

Salaries and Related costs – audited

	2019/20 Directly employed staff on permanent UK contracts £'000	2019/20 Other staff including short term contract, seconded and agency staff £'000	2019/20 Total £'000	2018/19 Total £'000
Wages and salaries	36,620	150	36,770	36,473
Social security costs	3,558	5	3,563	3,555
Other pension costs	7,461	2	7,463	6,197
Total	47,639	157	47,796	46,225
Average number of FTE	1,020	4	1,024	1,059

The split of directly employed staff is 58% female and 42% male and other staff is 27% female and 73% 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 2019 to 31 March 2020.

Relevant union officials	
Number of employees who were relevant union officials during the relevant period:	Full-time equivalent employee number:
21	18.4

Percentage of time spent on facility time	
Percentage:	Number of employees:
0%	-
1%-50%	21
51%-99%	-
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 the norm. 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 Disability Services Team at the nearest Job Centre 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 may be offered if available.

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 part 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, such as disabled people, carers or those from other vulnerable groups. Our Equality and Diversity Policy statement sets out our key principles and duties relating to equality, while further policies and procedures cover related issues connected with the 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 2020, 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.
- Information on the progress we have made in achieving our previous Equality Outcomes.
- Information on the progress we have made in “mainstreaming” our equality duties into all functions. Mainstreaming means integrating equality into the day-to-day working of the College.
- Gender pay gap information.

Career management & employability

The College supports career development through the annual ‘Enhance’ development review process 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 enable middle and senior managers to develop in a range of areas. A global view on career management is also taken 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

08 December 2020

Ann Landels

Ann Landels

Interim Chair of Board of Management

08 December 2020

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 2020 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including 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 2020 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 17 June 2019. The period of total uninterrupted appointment is two years. 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.

Emphasis of Matter: Valuations of land and buildings

I draw attention to Note 1 Statement of principal accounting policies in the financial statements, Significant judgements and estimates, which describes the effects of material uncertainties, caused by Covid-19, declared in the valuation report for land and buildings. My opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

I have reported 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 conclusions 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skillfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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. This description forms part of my auditor's report.

Other information in the annual report and accounts

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my independent auditor's report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude

that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report 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. 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.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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.

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
- there has been a failure to achieve a prescribed financial objective.

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.

Gordon Smail

Gordon Smail

Audit Director, Audit Scotland

4th Floor

102 West Port

Edinburgh

EH3 9DN

08 December 2020

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



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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 July 2020

	Notes	2019/20 £000	2018/19 £000
INCOME			
Scottish Funding Council Grants	2	54,777	53,404
Tuition Fees and Education Contracts	3	9,337	10,450
Other Grant Income	4	1,272	659
Other Operating Income	5	2,002	3,390
Investment Income	6	13	13
Total Income		67,401	67,916
EXPENDITURE			
Staff Costs – Recurring	7	51,166	50,959
Other Staff Costs – Exceptional	7	(22)	98
Other Operating Expenses	9	14,180	16,223
Depreciation	12/13	5,449	5,941
Interest and other Finance Costs	10	1,253	922
Total Expenditure		72,026	74,143
Deficit for the year before other gains and losses		(4,625)	(6,227)
Loss on disposal of fixed assets		-	(115)
Deficit for the year		(4,625)	(6,342)
Actuarial loss in respect of pension schemes	23	(29,656)	(11,751)
Unrealised surplus on revaluation	20	8,421	-
Total Comprehensive income for the year		(25,860)	(18,093)

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 2020

	Income and expenditure reserve £000	Revaluation reserve £000	Total £000
Balance at 1 August 2018	33,496	42,958	76,454
Deficit from the income and expenditure statement	(6,342)	-	(6,342)
Other comprehensive income	(11,751)	-	(11,751)
Transfers between revaluation and income and expenditure reserves	1,049	(1,049)	-
Total comprehensive income for the year	(17,044)	(1,049)	(18,093)
Balance at 31 July 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)	-
Total comprehensive income for the year	(33,232)	7,372	(25,860)
Balance at 31 July 2020	(16,780)	49,281	32,501

There are no endowment or restricted reserves.

Included within the income and expenditure reserve is a negative balance of £58,064k which relates to the pension liability.

BALANCE SHEET AS AT 31 July 2020

	Notes	2019/20 £000	2018/19 £000 (Restated)
Fixed Assets			
Tangible Fixed Assets	12	163,545	159,505
Intangible Fixed Assets	13	94	147
		163,639	159,652
Current Assets			
Stock		89	54
Debtors	14	4,678	3,699
Cash and cash equivalents		1,520	936
		6,287	4,689
Current Liabilities			
Less: Creditors – amounts falling due within one year	15	(10,320)	(9,646)
Net Current Assets/(Liabilities)		(4,033)	(4,957)
Total Assets less Current Liabilities		159,606	154,695
Less: Creditors – amounts falling due after more than one year	16	(63,355)	(65,268)
Less: Provisions for liabilities and charges	18	(5,686)	(5,472)
Net assets excluding pension liability		90,565	83,955
Net Pension Asset/(Liability)	23	(58,064)	(25,594)
Net Assets/(Liabilities) including pension liability		32,501	58,361
Reserves			
Income and Expenditure Account		(16,780)	16,452
Revaluation Reserve	20	49,281	41,909
Total Reserves		32,501	58,361

The financial statements on pages 63 to 97 were approved and authorised for issue by the Board of Management on 8 December 2020 and signed on its behalf by

Ann Landels

Ann Landels

Interim Chairman of Board of Management
08 December 2020

Audrey Cumberland

Audrey Cumberland MBE FRSE

Principal and Chief Executive
08 December 2020

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 July 2020

	Notes	2019/20 £000	2018/19 £000
Cash Flow from operating activities			
Deficit for the year		(4,625)	(6,342)
Adjustment for non-cash items			
Depreciation		5,449	5,941
Deferred capital grants released to income	2	(2,981)	(3,495)
(Gain)/ loss on revaluation of assets		-	-
(Increase)/ decrease in stock		(35)	35
(Increase)/ decrease in debtors	14	(979)	(1,455)
Increase/ (decrease) in creditors	15	1,493	540
Increase/ (decrease) in provisions	18	214	892
Pension costs less contributions payable	23	2,214	3,611
(Gain)/ loss on sale of assets		-	115
Adjustment for investing or financing activities			
Investment income	6	(13)	(13)
Interest payable	10	1,253	922
Net Cash (Outflow)/ inflow from operating activities		1,990	751
Cash flows from investing activities			
Investment income	6	13	13
Proceeds from sale of fixed assets	12	-	-
Payments made to acquire fixed assets	12	(1,427)	(2,822)
Deferred capital grant received	19	1,015	3,101
		(399)	292
Cash flows from financing activities			
Interest paid	10	(653)	(595)
Repayments of amounts borrowed	17	(354)	(457)
		(1,007)	(1,052)
Increase/(Decrease) in cash and cash equivalents in the year		584	(9)
Cash and cash equivalents at beginning of the year		936	945
Cash and cash equivalents at end of the year		1,520	936

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2020

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 2019/20 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 44.

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. The current year valuation due to the effects of Covid-19 is reported as being subject to 'material valuation uncertainty'. See note 12 for more detail

Provision has been made 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:

Plant, Equipment, Furnishings and Fittings	up to 10 years
Computer Equipment	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 if, and 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 and educational maintenance allowances. 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 2020, 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 2020.

2. FUNDING COUNCIL GRANTS

	2019/20 £000	2018/19 £000 (Restated)
SFC Recurrent Grant	45,709	43,307
FE childcare funds	1,445	1,786
Release of Deferred Capital Grants	2,981	3,495
Job Evaluation Grant	1,127	1,033
Business Transformation Plan Grants	-	(500)
Other SFC Grants	3,515	4,283
	54,777	53,404

The SFC Recurrent Grant for 2018/19 has been restated from £43,152k to £43,307k due to the SFC ESOL funding of £155k being transferred from Other SFC grants into the Recurrent grant line. Other SFC Grants has been restated from £4,438k to £4,283k, there has been no change to the total of Funding Council Grants for 2018/19. This is consistent to how the grant has been presented in the current year.

3. TUITION FEES AND EDUCATION CONTRACTS

	2019/20 £000	2018/19 £000
FE Fees - UK	500	496
FE Fees - non EU	696	1,335
HE Fees	5,006	5,429
SDS Contracts	583	613
Education Contracts	1,656	1,739
Other Contracts	896	838
	9,337	10,450

4. OTHER GRANT INCOME

	2019/20 £000	2018/19 £000
Employability Contracts	-	588
HE childcare funds	38	-
Other Grants	199	71
Government Grant Job Retention Scheme	1,035	-
	1,272	659

5. OTHER OPERATING INCOME

	2019/20 £000	2018/19 £000
Residences and Catering	368	1,273
Nursery Income	888	868
Other Income	746	1,249
	2,002	3,390

6. INVESTMENT INCOME

	2019/20 £000	2018/19 £000
Bank Interest Receivable	13	13
	13	13

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.

	2019/20 £000	2018/19 £000
Recurring Staff Cost		
Salaries	36,687	36,219
Pensions	7,463	6,197
Social Security Costs	3,611	3,554
Apprenticeship Levy	168	167
Revaluation of Early Retirement Provision	(182)	276
FRS 102 s28 Pensions Adjustments	2,214	3,611
Estimated Job Evaluation Cost	1,127	1,033
Movement in Employee Leave Accrual	78	(98)
Total Staff Costs - Recurring	51,166	50,959
Exceptional Staff Costs		
Redundancy	17	53
Voluntary Severance	-	6
Pension Strain Costs	(39)	39
Total Staff Costs - Exceptional	(22)	98
	51,144	51,057

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:

	2019/20 £	2018/19 £
Salaries as Board Members	16,500	-
Allowances, travel and subsistence paid to Board Members	491	3,558
	16,991	3,558

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, in 2018/19 the Chair in place waived his salary hence the salary increase shown above.

Emoluments of Senior Post-holders

	2019/20 Number	2018/19 Number
The number of Senior post-holders including the Principal was	5	5
The emoluments of Senior post-holders (excluding NI), including the Principal was:	2019/20 £000	2018/19 £000
- Salaries	478	464
- Employers' Pension Contribution	103	80
	581	544

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

	2019/20 £000	2018/19 £000
Salary	150	150
Employers' Pension Contribution	34	26
	184	176

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.

Compensation for loss of office paid to former senior post holders including former Principals for the year, not included in the above emoluments was £nil (2018/19 - £nil)

9. OTHER OPERATING EXPENSES

	2019/20 £000	2018/19 £000
Teaching	3,007	3,035
Administration	3,754	4,510
Premises	5,224	5,627
Planned Maintenance	61	63
Other income generating activities	521	834
Other employee related costs	95	133
Childcare	1,483	1,786
Agency Staff	35	235
	14,180	16,223

Other operating expenses include:

	2019/20 £000	2018/19 £000
Auditor's Remuneration (including irrecoverable VAT):		
- External Auditor's Remuneration – Audit	30	30
- Internal Audit (including Student Support Funds Audit)	29	35
Operating lease payments	341	353

10. INTEREST COSTS

	2019/20 £000	2018/19 £000
Pension Finance Cost – interest on early retirement provision	98	23
Pension Finance Cost – FRS102 s28 Net interest cost	600	327
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	555	572
	1,253	922

11. TAXATION

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

12. TANGIBLE FIXED ASSETS

	Land & Buildings £000	Plant & Equipment (Owned) £000	Computers £000	Fixtures & Fittings £000	Total £000
COST OR VALUATION					
At 1 August 2019 (Restated)	157,206	5,891	8,783	15,800	187,680
Additions	41	133	50	773	997
Disposals	-	-	(200)	-	(200)
Revaluation	855	-	-	-	855
At 31 July 2020	158,102	6,024	8,633	16,573	189,332
DEPRECIATION					
At 1 August 2019 (Restated)	5,938	4,482	7,927	9,828	28,175
Charge for Year	3,805	220	500	853	5,378
Disposals	-	-	(200)	-	(200)
Revaluation	(7,566)	-	-	-	(7,566)
At 31 July 2020	2,177	4,702	8,227	10,681	25,787
NET BOOK VALUE					
At 31 July 2020	155,925	1,322	406	5,892	163,545
At 31 July 2019	151,268	1,409	856	5,972	159,505
Represented by: Inherited	8,093	-	-	-	8,093
Financed by: Capital Grant	49,631	1,272	398	5,588	56,889
Other	98,201	50	8	304	98,563
At 31 July 2020	155,925	1,322	406	5,892	163,545

To comply with the Government financial reporting manual (FRoM), the basis of valuation of land and buildings is a current value basis. Land and buildings were independently valued as at 31 July 2020 for the purposes of the financial statements 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 is a shortage of market evidence for comparison purposes, to inform opinions of value. The valuation is therefore reported as being subject to ‘material valuation’. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. However, the inclusion of the ‘material valuation

12. TANGIBLE FIXED ASSETS *(continued)*

uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.

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.

If land and buildings were reported on a cost basis, the carrying value would be £113.7m (2018/19: £116.9m).

Land and buildings with a net book value of £155m (2018/19: £151m) have been funded from Exchequer Funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council to surrender the proceeds.

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

13. INTANGIBLE ASSETS

	Total £000
COST OR VALUATION	
At 1 August 2019 (restated)	1,056
Additions	18
Disposals	-
At 31 July 2020	1,074
AMORTISATION	
At 1 August 2019 (restated)	909
Charge for the period	71
Disposals	-
At 31 July 2020	980
NET BOOK VALUE	
At 31 July 2020	94
At 31 July 2019 (restated)	147
Represented by: Inherited	-
Financed by: Capital Grant	92
Other	2
At 31 July 2020	94

The intangible asset and computer tangible fixed asset (note 12) balances at 1 August 2019 have been restated due to intangible assets being split out from the computer tangible fixed asset balance in the year.

14. DEBTORS

	2019/20 £000	2018/19 £000
Amounts falling due within one year:		
Trade Debtors	428	737
Other Debtors	66	82
Debts due from Students	12	39
Prepayment and Accrued Income	4,172	2,841
	4,678	3,699

15. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2019/20 £000	2018/19 £000
Trade Creditors		685	1,909
Payments received in advance		187	199
Other Taxation and Social Security		898	1,094
VAT		70	128
Bank Loans	17	389	470
Funding Council Grants		377	19
Accruals, Deferred Income and Other Creditors		5,139	2,926
Deferred capital grants - government	19	2,575	2,901
		10,320	9,646

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

	Note	2019/20 £000	2018/19 £000
Bank loan	16	8,949	9,222
Deferred Capital Grants - Government	19	54,406	56,046
		63,355	65,268

17. BORROWINGS

	2019/20 £000	2018/19 £000
Bank Loan Repayable:		
In one year or less	389	470
Between one and two years	541	496
Between two and five years	1,801	1,661
In five years or more	6,607	7,065
	9,338	9,692

The Bank Loan is due payable by instalments up to February 2034, with a capital repayment of £389k due in 2020/21. The average interest rate for the duration of the loan is expected to be 5.73%.

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Early Retirement Pension Costs £000	Others £000	Total £000
At 1 August 2019	4,601	871	5,472
Amounts used during the year	(283)	(236)	(519)
Additional in year provision	(182)	817	635
Interest applied	98	-	98
At 31 July 2020	4,234	1,452	5,686

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 2020.

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 £000	Other Government Grants £000	Total £000
At 1 August 2019	58,553	394	58,947
Received during year			
Land and Buildings	41	-	41
Fixtures, Fittings & Equipment	958	16	974
Release to Income and Expenditure Account			
Land and Buildings	(1,393)	(12)	(1,405)
Fixtures, Fittings & Equipment	(1,574)	(2)	(1,576)
At 31 July 2020	56,585	396	56,981

20. REVALUATION RESERVE

	2019/20 £000	2018/19 £000
At 1 August 2019	41,909	42,958
Release of revaluation reserve in respect of depreciation on land and buildings	(1,049)	(1,049)
Revaluation of land and buildings in year	8,421	-
At 31 July 2020	49,281	41,909

21. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2019 £000	Cash Flows £000	Other Non-Cash Flows £000	At 31 July 2020 £000
Cash	936	584	-	1,520
Debt due within one year	(470)	354	(273)	(389)
Debt due after one year	(9,222)	-	273	(8,949)
	(8,756)	938	-	(7,818)

22. FINANCIAL COMMITMENTS

	2019/20 £000	2018/19 £000
At 31 July 2020 the College had total commitments under non-cancellable operating leases for Plant and Equipment and vehicles as follows:		
Payable within one year	244	208
Payable between two and five years	221	208
Payable over five years	73	82
	538	498

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.

TOTAL PENSION COST FOR THE YEAR	2019/20 £000	2018/19 £000
STSS: Contributions paid	4,789	3,470
LGPS: Contribution paid	2,674	2,727
S28 Pensions Movement	2,214	3,611
Total pension cost	9,677	9,808
LGPS Pension Strain Cost	(39)	39
Total Pension cost for year	9,638	9,847

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

23. PENSION AND SIMILAR OBLIGATIONS *(continued)*

liabilities of the scheme are held separately from those of the College. Pension scheme assets are measured using closing market values. Pension scheme liabilities are measured using a projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

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

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

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

The total contributions made for the year were £3,505k of which employer's contributions totaled £2,674k and employees' contributions totaled £831k.

During the current period the employer's contribution rate was 17.8% plus a lump sum payment of £229,896 (£19,158 per month). 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 2017.

Hymans Robertson LLP carried out an Actuarial valuation as at 31 July 2020 for Accounting Purposes. The actuary projected the valuation results of the latest formal valuation date forward to 31 July 2020 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:

	2019/20	2018/19
Rate of increase in salaries	3.8%	4.1%
Rate of increase for pensions / inflation	2.1%	2.4%
Discount rate for liabilities	1.4%	2.2%

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	21.7 years	24.3 years
Future Pensioners	24.7 years	27.5 years

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

ASSETS (WHOLE FUND)	Long term rate of return at 31 July 2020	Value at 31 July 2020 £000	Long term rate of return at 31 July 2019	Value at 31 July 2019 £000
Equities	2.0%	100,025	2.4%	100,777
Bonds	2.0%	14,477	2.4%	16,342
Property	2.0%	9,213	2.4%	9,533
Cash	2.0%	7,897	2.4%	9,533
Total market value of assets		131,612		136,185
Present value of scheme liabilities				
Funded		189,085		161,137
Unfunded		591		642
Deficit in the scheme		(58,064)		(25,594)

23. PENSION AND SIMILAR OBLIGATIONS (continued)

Analysis of the amount charged to the Statement of Comprehensive Income (SOCl)	2019/20 £000	2018/19 £000
Current service cost	(6,093)	(4,900)
Past service cost	1,192	(1,443)
Total operating charge	(4,901)	(6,343)
Analysis of net return on pension scheme		
Interest Income on Plan Assets	3,025	3,456
Interest cost	(3,625)	(3,783)
Total	(600)	(327)
Credit/charge to other comprehensive income:		
Return on assets (loss)/gain	(10,209)	7,840
Other experience	890	5
Losses arising on changes in financial assumptions	(20,337)	(19,596)
Gains and losses arising on changes in demographic assumptions	-	-
Actuarial loss	(29,656)	(11,751)
Total charge to the SOCl	(35,157)	(18,421)
Movement in deficit during year	2019/20 £000	2018/19 £000
At 1 August 2019	(25,594)	(9,905)
Movement in year:		
Current service cost	(6,093)	(4,900)
Employer contributions	2,648	2,689
Contributions in respect of unfunded benefits	39	43
Past service cost	1,192	(1,443)
Net finance costs	(600)	(327)
Actuarial loss	(29,656)	(11,751)
Deficit in scheme at 31 July 2020	(58,064)	(25,594)

The past service cost in 2018/19 includes £1.4m for the estimated impact of the recent McCloud ruling. The past service cost in 2019/20 relates to an adjustment to the McCloud ruling in the year. This follows 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	2019/20 £000	2018/19 £000
Liabilities at start of year	161,779	132,048
Current service cost	6,093	4,900
Interest cost	3,625	3,783
Contributions by members	831	854
Actuarial loss	19,447	19,591
Past Service cost	(1,192)	1,443
Estimated Unfunded benefits paid	(39)	(43)
Estimated Benefits paid	(868)	(797)
Liabilities at end of year	189,676	161,779

Reconciliation of fair value of employer assets	2019/20 £000	2018/19 £000
Opening fair value of employer assets	136,185	122,143
Interest income on plan assets	3,025	3,456
Contributions by members	831	854
Contributions by the employer	2,648	2,689
Contributions in respect of unfunded benefits	39	43
Actuarial (loss)/gain	(10,209)	7,840
Estimated Unfunded benefits paid	(39)	(43)
Estimated Benefits paid	(868)	(797)
Closing fair value of employer assets	131,612	136,185

Amounts for the current and previous accounting periods	2019/20 £000	2018/19 £000
Fair value of employer assets	131,612	136,185
Present value of defined benefit obligation	(189,676)	(161,779)
Deficit	(58,064)	(25,594)
Experience Gains on liabilities	890	5

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	31 March 2016
Valuation method	Prospective benefits
Value of notional assets	£21.5 billion

Principal financial assumptions as at 31 March 2016:

Rate of return (discount rate)	2.8%
Salary scale increases per annum	CPI inflation plus 2.2%
Pension increases per annum	2.0%

The College 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 £000	Purchases £000
Ann Landels Judith Sischy	Edinburgh College Development Trust	Trustee	19	16 (grants awarded)
Jordan Wyllie Rose Dodgson Carla Ford Seoras Hearton	Edinburgh College Students' Association	President Vice President President Vice President	289	256 (grants awarded)
Ian Diamond	Colleges Scotland	Board Member	-	70
Judith Sischy	Edinburgh City Council	Literacy Tutor	36	240
Alan Williamson	Hibernian Community Foundation Lothian Pension Fund	Board member Committee & Board member	- -	26 3,473 (pension payments)
Michael Jeffrey	Energy Skills Partnership	Committee member	26	-
Dr Fiona Riddoch	University of Edinburgh	Royal Society Entrepreneur in Residence	53	-

25. BURSARY FUND AND OTHER STUDENT SUPPORT FUNDS

	FE Bursary £000	EMA £000	Other £000	Total for 2019/20 £000	Total for 2018/19 £000
Balance brought forward	132	(1)	63	194	277
Allocation received in the year	9,748	456	1,082	11,286	9,768
Expenditure	(9,742)	(456)	(669)	(10,867)	(9,593)
Repaid as Clawback	(98)	-	(54)	(152)	(231)
College contribution to funds	-	-	-	-	-
Virements	-	-	(38)	(38)	(27)
Balance carried forward	40	(1)	384	423	194
Represented by:					
Repayable to/(due from) Scottish Funding Council	40	(1)	17	56	181
Repayable to Scottish Government	-	-	96	96	13
Retained by college for students in 20/21	-	-	271	271	-
	40	(1)	384	423	194

FE Bursary, FE Hardship, Educational Maintenance Allowances and HE Hardship 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.

26. FE AND HE CHILDCARE FUNDS

	2019/20 £000	2018/19 £000
Balance brought forward	2	79
Allocation received in year	1,457	1,762
Expenditure	(1,482)	(1,787)
Repaid to funding council as clawback	(2)	(79)
Virements	38	27
Balance carried forward	13	2
Represented by:		
Repayable to Scottish Funding Council	13	2

26. FE AND HE CHILDCARE FUNDS (continued)

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.

27. CONTINGENT LIABILITIES

The valuation of defined benefit and unfunded liabilities at 31 July 2020, as disclosed in Note 23, does not include an allowance for a potential 'past service cost' in light of the Lloyds judgement on Guaranteed Minimum Pension (GMP) equalisation. The ruling requires pension schemes, such as LGPS, to equalise the effect of unequal GMPs accrued between May 1990 and April 1997 by virtue of them having been paid to scheme members at different ages (65 for men, 60 for women). In acknowledging no definitive method for equalisation has been set, and actuarial advice that the trigger for recognition of the past service cost did not exist in the LGPS at 31 July 2020, the directors are unable to reliably quantify an associated contingent liability.

Additionally, the valuation of defined benefit and unfunded liabilities at 31 July 2020, 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 directors are unable to reliably quantify an associated contingent liability.

28. POST BALANCE SHEET DATE EVENTS

On 16th November 2020, the College opened a voluntary severance scheme to begin to address the cumulative financial gap of £4.8 million over the next five years. Achieving these savings, which will affect staff structures, will provide financial stability and sustainability which is critical to the College in successfully implementing its strategy and investment in digital technology.

29. ADJUSTED OPERATING POSITION ON CENTRAL GOVERNMENT ACCOUNTING BASIS

	2019/20 £000	2018/19 £000
Deficit before other gains and losses (FE / HE SORP basis) for academic year	(4,223)	(6,227)
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	2,469	2,446
Operating surplus/ (deficit) on Central Government accounting basis for academic year	(1,754)	(3,781)

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 £4.2m for the year ended 31 July 2020. After taking account of the Government non-cash budget, the College shows an “adjusted” deficit of £1.8m 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 £nil (2018/19: £nil).

APPENDIX 1

Accounts direction for Scotland's colleges 2019/20

1. It is the Scottish Funding Council's direction that institutions¹ comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts².
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 2019/20 (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 2020.
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

17 July 2020

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

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





Midlothian Campus



Granton Campus



Sighthill Campus



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