Edinburgh
College

ANNUAL REPORT
AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 JULY 2015

Scottish Charity Number SCO21213

CONTENTS

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 SCO21213. Edinburgh's Telford College was the host College to merge with Stevenson College Edinburgh and Jewel & Esk College in 2012 to create Edinburgh's Telford 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 period ended 31 July 2015.

MESSAGE FROM THE CHAIR OF THE BOARD OF MANAGEMENT

My prevailing feelings at the end of 2014-15 are of pride in the dedication of our staff and the achievements of our students during the past 16 months, and of optimism about the course we have set for Edinburgh College to fulfil its potential in the years ahead.

These are not, however, uncomplicated times for any college and there is a degree to which that optimism arises from a belief in our ability to withstand ongoing financial and other pressures on the sector through strong and resourceful leadership and steadfast professionalism.

The chief challenge of the past year has been the ongoing decline in our funding and the need to plan, in this period, for the continued decline in public funding that is anticipated for several years to come.

Among many examples of resourcefulness this year we have seen two Rapid Improvement Events, which engaged staff across the organisation in tackling the complex challenges of improving our admissions and enrolment process. These have been outstanding examples of innovation and inclusiveness, and we anticipate real improvements in the coming year as new processes are embedded.

The professionalism of Edinburgh College staff was evidenced further in the judgement by Education Scotland in its June 2014 report that the college is led well and effective in terms of the quality of its learning and teaching.

Our students' association has continued its work to improve engagement and opportunities for students across all four campuses led by a dedicated and enthusiastic team of sabbatical officers.

There have been a series of changes in executive leadership beginning with the departure of the college's first Principal in October 2014. The Board and Executive Team worked closely between November 2014 and April 2015 with an Interim Principal, who brought a fresh and objective perspective to our thinking at that critical juncture, and enabled us to review our position two years post-merger and refocus strategy in order to reconfigure the college for a sustainable future. This was an important piece of work and we engaged the Funding Council throughout, on the basis that their support would be critical to achieving the strategic goals of the development plan. We were disappointed that financial constraints nationally prevented much of that financial support being made available but we have continued with our planned renewal under the Development Plan, now led by our new Principal.

The college's performance in its core business of delivering an excellent student experience has been sustained and enhanced against a backdrop of not only fiscal challenge and executive leadership changes but ongoing reform of the structures and governance underpinning of post-16 education in Scotland.

Over the past few years due to challenges in recruiting and retaining students, it is clear from the current operating model for the College that we need to address some key challenges whilst ensuring that the very good training and skills development experienced by our existing students is not compromised. A fully developed Edinburgh College Transformation Plan will establish a new model to enable us to consolidate the scale of what we offer at a realistic level and from there develop a strategy for sustainable growth in line with regional needs. This plan will build on the development plan the Board approved in 2014/15.

The proposed actions that need to be taken, which will form the strategic objectives of the Transformation Plan, include a new three year financial recovery strategy which will address the deficit and set out how the budget will be rebalanced over that period. During that time, and until the transformation objectives are fully implemented the College will require the continued support of its funding body the Scottish Funding Council.

Following on from regionalisation, the past 16 months have seen the bedding in of legislative reforms to governance including the reconstitution of our Board of Management, the launch of a new Code of Good Governance for Scotland's Colleges, and the reclassification of incorporated colleges by the Office for National Statistics in April 2014. The latter has effected change not only in terms of our accounting but in a deeper sense through our altered place in the public sector and the different outlook and governance behaviours that demands. It is something colleges across Scotland will continue to adjust to for some time to come.

Our refreshed Board is focused on achieving a balance between the careful stewardship of public funds, sustaining and improving quality, and the far-sighted strategic leadership that a still new and evolving institution, and one with so much promise, needs.

The Board is doing so with the support of Annette Bruton, who joined the college as Principal in May. Annette's track record as a successful leader within major public sector bodies in Scotland equips her well to lead the college into the next phase of its development and realise the opportunities that lie ahead for this great enterprise.

I and my colleagues on the Board look forward to working with Annette in the months and years ahead.

Ian McKay

Ian McKay
Chair of Edinburgh College Board of Management

PRINCIPAL AND CHIEF EXECUTIVE'S STATEMENT

Success for staff and students

I was delighted to join Edinburgh College in May of this year as Principal and Chief Executive. I have taken up my post as the college moves with increasing confidence on its journey as a new college and a very significant provider of education to the people of South East Scotland. As a chosen destination for learning for students from our local region, further afield in Scotland, across the UK and globally we aim to provide a rich choice and successful outcomes for all our learners. I would like to congratulate our staff for their professionalism and dedication to the success of our students.

I would also like to congratulate our students on their successes during 2014-15. They can justifiably take pride in their personal achievements in their course work, their qualifications and in realising the future they want. For many students there are difficult hurdles to overcome and staying the course and achieving well is a major accomplishment. Combining employment and study is a real test of commitment and so many of our students achieve this. Many of our students too have been recognised beyond the college in showcasing their talents in exhibitions, in competition and in performance. The college's staff and students won almost 170 awards in 2014/15 across our curriculum, including major awards run by top industry and sector organisations. We also gave out prizes at our Further Education Awards and Graduation, with 100 students honoured for their efforts above and beyond their coursework.

External awards included victories in a range of competitions for students across the entire curriculum; Edinburgh College Student Association, which won NUS FE Students Union of the Year; Sports teams including wins in football and rugby tournaments and the multi-sport Scottish Student Sport College Champions winning team; the Marketing teams Gold Award for Best Integrated marketing Campaign prize at the College Development Network Marketing Awards and many more.

Working in Partnership

Edinburgh College has 3 community planning partnerships (CPPs) in the region: East Lothian Council; Midlothian Council; and the City of Edinburgh Council. The college holds statutory obligations under the 'Community Empowerment (Scotland) Act 2015' to communicate from and to the College's three CPP partners. In 2014/15 key members of our executive and SMG undertook roles to support the 27 formal groups which constitute the work of the 3 Community Planning Partnerships. The college executive team has a key role on the 3 CPP boards, whilst a number of our SMG team members have undertaken the work of the 3 CPP 'lead officer' working groups underpinning the boards and the remaining 21 thematic working groups.

Whilst a great deal of work has been undertaken by our college representatives in 2014/15, the future development of the College's Regional Outcome Agreement must reflect the local CPP outcome agreement priorities as well as the wider goals and targets we have set for ourselves. To support and lead this joint working, the college appointed a new Head of Planning and Performance in October 2015. One of the key aspects of this role, will be to develop and coordinate the college engagement with the 3 CPPs.

I am also pleased with our developing partnerships with business and industry. It is vital that we shape our curriculum, keep our courses up to date and support students to develop skills which are in line with business and industry needs. We will be building on our already good arrangements in many curricular areas with our employer partners to ensure that we have really tangible relationships which make a difference to the skills and knowledge of our students.

Our prospectus and reshaping the curriculum

During the past year we have made good strides in taking forward our new ambitions in relation to what we offer students and how students will study. We undertook a curriculum review in the course of the year to determine how effective our curriculum is in meeting the needs of students and employers. In particular we want to focus on ensuring that we address any skills gaps in our region. By undertaking this review and the work that will flow from it in the coming 3 years we aim to support jobs and growth; provide wider access and improve life chances; increase our student enrolment; improve student retention; raise our success rates; and grow positive destinations and employment. Allied to this curriculum review we have introduced a blended learning strategy. This strategy will guide our work over the coming three year period. Building on successful classroom and workshop teaching we will increase flexibility of learning for students, build content and web-based access to learning so that students can benefit from flexible learning and we will increase the ways in which we deliver knowledge and skills for students. Modernising what and how students learn and keeping pace with advances in business and industry will be at the heart of how we take this forward.

Dealing with the financial challenge and transformational change

Sincer merger the college has had difficulty recruiting the number of students required to meet the activity target it has been set. Consequently the College will now be re-based to a lower level of activity to reflect the real demand and then immediately begin to grow areas where there is existing unmet demand in popular courses. That is the process that will be undertaken over the next few months initially, and then over the subsequent three years as we develop the curriculum offer for our region.

A fully developed Edinburgh College Transformation Plan using Priority Based Budgeting will establish a new model to enable us to consolidate the scale of what we offer at a realistic level and from there develop a strategy for sustainable growth in line with regional needs.

The Transformation Plan will include a new three year financial recovery strategy which will address the deficit and set out how the budget will be rebalanced over that period.

The College undoubtedly faces significant financial challenges. We have sought over the past year to improve our financial structures and to strengthen our internal controls to manage risk. In 2015/16 the College will proceed with its plan to implement priority based budgeting, to ensure that it has the appropriate financial basis to maintain academic success whilst managing the challenges of reduced funding.

This Annual Report and Financial Statements sets out our financial position and how we have used our resources for the period ended 31 July 2015.

Annette Bruton

Annette Bruton
Principal and Chief Executive

FINANCIAL REVIEW

Summary of Results for the Year

Following a Scottish Government decision, the College's year end has been changed back to 31 July from 31 March. Therefore the current financial period to 31 July 2015 covers a **16 month** accounting period. The 16 month period shows a deficit of £5.1m. This deficit has been impacted by voluntary severance costs of £1.9m (2014: Nil), FRS 17and SSAP24 pension adjustments of £1.2m (2014 £(0.2)m) and grant clawback of £0.8m (2014: Nil) due to the missed Wsums target as discussed below; offset by the effect of the revaluation of fixed assets of £0.6m (2014 £1.1m). The deficit reflects an academic year outturn of £3.5m for the period 1 August to 31 July, plus a deficit of £1.1m for the period from 1 April 2014 to 31 July 2014. The accounting period will revert to a normal 12 month academic year from 1 August 2015.

Similar to last year, the operating period to 31 July was filled with many financial challenges. Despite these challenges, the College continued to provide high quality education to its students.

These financial statements reflect the first time revaluation of fixed assets in accordance with the Government Financial Reporting Manual (FReM). This change in accounting policy has resulted in a restatement of the 2014 results and balance sheet.

The income and expenditure position is summarised below:

	2015 (16 months) £m	2014 (8 months) As restated £m
Income	91.0	44.4
Expenditure	95.5	45.6
Pensions Revaluations (FRS17 and SSAP 24)	1.2	(0.2)
	(5.7)	(1.0)
Merger expenditure	-	(0.1)
Revaluation of assets	0.6	1.1
Operating Deficit retained within general reserves	(5.1)	-
Revaluation release for the year	0.6	0.5
Revaluation of land and buildings	(0.6)	(1.1)
Historical Cost Surplus/(Deficit) for the year	(5.1)	0.6

Income

Income at £91.0m is up 2.5% on a pro-rata comparison to 2014, largely as a result of additional capital maintenance grants deferred from prior years (£0.4m) together with a release of deferred capital grants associated with the campus redevelopment (£0.4m), and an increase in specific grants (£1.3m) relating to business re-alignment costs, offset by a clawback of £0.8m. The generation of operational income continued to be challenging reflected in a shortfall of 7% (£1.2m) against budget.

Expenditure

Expenditure at £96.7m (excluding the effect of the £0.6m gain on revaluation of land and buildings) is up by 6.4% on a pro-rata comparison to 2014. The overall expenditure was adversely affected by unrealised efficiency savings, movements in provisions, an increase in depreciation due to revaluation of buildings, and the FRS17 pension revaluation (£1.1m). Voluntary Severance costs associated with business realignment of £1.9m, incremental pay awards related to pay harmonisation, and additional staff requirements during the year account for the other main cost movements.

Balance Sheet

Fixed assets at the year end totalled £155.4m, a net decrease of £1.1m compared to the prior year. The first year revaluation of land and buildings in accordance with the FReM, and the required restatement of land and building valuations at 2014 is reflected in these financial statements. The effect of the revaluation a net increase of £15m compared to the figure reported in the previous financial statements to 31 March 2014.

Net current assets were down by £3.9m to (£0.1m) following an improvement in debtors management, a decrease in cash, and reduced level of creditors accruals.

At 31 July 2015, the College had an accumulated surplus of £45m on its Income and Expenditure Account, and in complying with FRS17 (Retirement Benefits) the pension liability increased by £7.9m to £23.2m.

Cash Flow

There was a net cash outflow of £1.8m (2014: net cash outflow £11.3m) mainly as a result of a movement in net working capital and capital expenditure. The College held cash and deposits of £3.1m (2014: £4.9m) and these are managed in accordance with the College's Treasury Management policy. The College held long-term debt of £11.4m which is attributable to the Milton Road and Midlothian campuses redevelopment.

Operating Review

The College underachieved its Wsums target of 254,687, by 4,854 Wsums finishing the year on 249,833 Wsums but continued to provide a good level of performance during a year of challenging financial conditions. This resulted in a clawback of grant in aid of £800k, although the terms of the payment have yet to be confirmed by the SFC.

The College continued to invest in resources appropriate to the size and complexity of its business; and managed its key organisational risks whilst committing to satisfactory standards of corporate governance. It maintained its institution-wide risk management process, monitored by the risk management group, which reports to the Audit and Risk Assurance Committee of the Board. The key risks reported on the top risk register continue to be under close review, and emerging risks promptly managed and mitigated accordingly. The Risk Management Group continues to raise awareness of risk across the College and increase the profile of risk management accordingly.

During the year the College reviewed its business continuity plans, and its key potential risk areas. There was improved communication and working with teams towards raising risk awareness across the College, supplemented by training sessions and a published college-wide risk appetite statement.

Looking forward to 2016, Edinburgh College will be updating its strategic plan, and rolling out Priority Based Budgeting which will provide a greater focus on future service provision aligned to economic and community needs.

The College will continue reviewing operational processes to improve the learner journey, as more efficiency is required to address the financial constraints associated with becoming a central government department under ONS reclassification.

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 staff and students.

Estates Strategy

The College's Estates Strategy is aligned to the Strategic Plan to address emerging and future needs of students, and associated curriculum provision. The Estates strategy articulates its vision of Edinburgh College through the clustering of curricula in order to maximise the return from specialist estate, staff, and equipment. During 2015 there was an extensive programme of works incorporating curriculum moves between campuses, new student services and I.T. rooms, and upgraded administration areas.

Future Development of the College Estate

Early progress is being made towards a review of Engineering provision which will improve the students learning experience and increase articulation routes into University. Consideration is also being given to the effect of a recent increase in the demand for construction training as a result of an upturn in the economy and whether there is likely to be sustainable growth to merit some investment. There is also on-going dialogue with other public bodies related to a sharing of facilities in order to reduce financial pressure on all institutions.

In the next financial year (2015/16) work will be prioritised to improve the College's estate. Planned and reactive maintenance programmes will be progressed within the funding available, and capital plans based on priorities which improve our students' learning experience.

Resources

The College has capital assets of £155m (£146m related to the estate), and in 2014/15 received capital funds of £2m to invest in these assets. The College underpins this investment with a net expenditure budget of £5.7m to cover the running of the estate.

Top Risks and Uncertainties

The Top Risks faced by the College are recorded in the College's risk register, which is reviewed at each Board and Audit Committee meeting. Mitigating actions are in place to address each risk. The most significant risk faced by the College is the effect of further austerity measures and the effect that this will have on teaching, ICT and the estate. The College is implementing Priority Based Budgeting in order to prepare itself for further funding cuts.

Key Performance Indicators

In accordance with Scottish Funding Council guidance, the College is required to publish and report progress against targets for national priorities. These indicators monitor performance against the Colleges financial objectives.

KPI	Purpose	2015	2014
		Actual (at 31 July)	Actual (at 31 March)
Weighted Student Units of Measurement (WSUMs)	Core Wsums (2015 – Target 254,687) (2014 - Target 254,760)	249,833	249,991
Operating deficit as a % of income	Measures the deficit on continuing operations as a % of total income	5.6%	0.0%
Non SFC income as a % of income	Measures non SFC income as a % of total income	24.9%	25.3%
Staffing costs (excluding exceptional items) as a % of total income	Measures staff costs excluding exceptional staff costs as a % of total income	67.3%	61.6%
Current assets: current liabilities	Measures the colleges ability to pay its current liabilities	1:1	1.5:1
Gearing	The ratio of creditors > 1 year to the sum of total reserves	0.4	0.4

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 2015 was 26 days (2014 – 15 days). There was no interest paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Employment of Disabled Individuals

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

Professional Advisors

External Auditor:	KPMG LLP
Internal Auditor:	Scott Moncrieff, Edinburgh
Bankers:	Lloyds Bank, Edinburgh
Solicitors:	Anderson Strathern LLP, Edinburgh

REMUNERATION 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 Chairman. The Chairman 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 Senior Management including salary and pension entitlements

Salary entitlements - audited

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

	16 months ended 31 July 2015			8 months ended 31 March 2014		
Name	Salary	Pension Benefit	Total	Salary	Pension Benefit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Iain McKay, Chair of the Board of Management	40 - 45	-	40 - 45	-	-	-
Annette Bruton, Principal and Chief Executive	30 - 35	-	30 - 35	-	-	-
Craig Wilson, Deputy Principal/VP People, Performance and Planning	110 - 115	75 - 80	185 - 190	55 - 60	45 - 50	100 - 105
Alan Williamson, Chief Operating Officer	105 - 110	50 - 55	155 - 160	50 - 55	5 - 10	55 - 60
Ray McCowan, VP Curriculum & Quality	105 - 110	-	105 - 110	50 - 55	-	50 - 55
Julie McCran, Director of Strategic Projects (Curriculum)	105 - 110	30 - 35	135 - 140	50 - 55	5 - 10	55 - 60
Su Breadner, Director of Strategic Projects (Culture)	105 - 110	10 - 15	115 - 120	50 - 55	10 - 15	60 - 65
Simon Earp, VP Corporate Development	55 - 60	15 - 20	70 - 75	50 - 55	25 - 30	75 - 80
Mandy Exley, Principal and Chief Executive	150 - 155	*	*	90 - 95	*	*

Annual Equivalent:

	16 months ended 31 July 2015			8 months ended 31 March 2014		
Name	Salary	Pension Benefit	Total	Salary	Pension Benefit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Iain McKay	25 - 30	-	25 - 30	-	-	-
Annette Bruton	145 - 150	-	145 - 150	-	-	-
Craig Wilson	85 - 90	55 - 60	140 - 145	80 - 85	65 - 70	145 - 150
Alan Williamson	75 - 80	35 - 40	110 - 115	75 - 80	5 - 10	80 - 85
Ray McCowan	75 - 80	-	75 - 80	75 - 80	-	75 - 80
Julie McCran	75 - 80	20 - 25	95 - 100	75 - 80	10 - 15	85 - 90
Su Breadner	75 - 80	5 - 10	80 - 85	75 - 80	20 - 25	95 - 100
Simon Earp	65 - 70	10 - 15	75 - 80	75 - 80	40 - 45	115 - 120
Mandy Exley	140 - 145	*	*	140 - 145	*	*

* Pension figures for Mandy Exley (who left Edinburgh College on 30 April 2015) are not disclosed as the relevant information from the pension fund was unobtainable under data protection.

Annette Bruton the Principal of Edinburgh College, was appointed on 18 May 2015.

Simon Earp VP Corporate Development left the College on 26 December 2014.

Median Remuneration

Based on the 12 month equivalent figures above, the banded remuneration of the highest paid official in the organisation in the financial year 2014-15 was £145,000 (2013-14: £140,000). This was 4.4 times (2014:4.5 times) the median remuneration of the workforce which was £33,300 (2014: £31,043).

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 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 2015	Real increase in pension and related lump sum 1 April 2014 to 31 July 2015	Cash equivalent transfer value at 31 July 2015	Cash equivalent transfer value at 31 March 2014	Real increase in cash equivalent transfer value
	£'000	£'000	£'000	£'000	£'000
Craig Wilson					
Pension	30 - 35	2.5 - 5			
Related lump sum	75 - 80	5 - 7.5			
Transfer value			783	669	113
Alan Williamson					
Pension	25 – 30	2.5 – 5			
Related lump sum	60 - 65	0 – 2.5			
Transfer value			585	540	44
Julie McCran					
Pension	5 - 10	0 – 2.5			
Related lump sum	0	0			
Transfer value			115	93	12
Su Breadner					
Pension	0 – 5	0 – 2.5			
Related lump sum	0	0			
Transfer value			41	19	22
Simon Earp					
Pension	35 – 40	0 – 2.5			
Related lump sum	0	0			
Transfer value			416	408	8

Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first 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, pension transfers-in, and not just their current appointment.

In considering the accrued pension benefits figures the following contextual information should be taken into account:

(i) 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.

(ii) The accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

Three Senior employees left under voluntary severance terms during the year. They received combined total payments of £187k.

Annette Bruton

Annette Bruton
Principal and Chief Executive

8 December 2015

BOARD OF MANAGEMENT

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 sound 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
Ian McKay	Industry, Commerce or Public Sector Representative		
Mandy Exley	Principal and Chief Executive		November 2014
Elaine McMahon	Interim Principal and Chief Executive	November 2014	May 2015
Annette Bruton	Principal and Chief Executive	May 2015	
Moira Frizzell	Industry, Commerce or Public Sector Representative		February 2015
Robin Stimpson	Industry, Commerce or Public Sector Representative	Reappointed March 2015	
Ian Young	Industry, Commerce or Public Sector Representative	Reappointed March 2015	
Martin Crewe	Industry, Commerce or Public Sector Representative	Reappointed March 2015	June 2015
Maidie Cahill	Industry, Commerce or Public Sector Representative		February 2015
Colin Arthur	Staff Representative	Re-Elected February 2015	
Alan Johnston	Industry, Commerce or Public Sector Representative	Reappointed March 2015	
Jane Richardson	Industry, Commerce or Public Sector Representative		February 2015
Nigel Paul	Industry, Commerce or Public Sector Representative	Reappointed March 2015	
David Rutherford	Industry, Commerce or Public Sector Representative		February 2015
Sandra Cairncross	Industry, Commerce or Public Sector Representative	Reappointed March 2015	
Kelly-Marie Perry	President of Edinburgh College Student's Association		June 2014
Janice Cutting	Industry, Commerce or Public Sector Representative	Reappointed March 2015	
Kellie Bradford	Staff Representative	Re-Elected February 2015	
Jeroen Van Herk	President of Edinburgh College Student's Association	July 2015	

Diane Erasmuson	Vice President of Edinburgh College Student's Association	July 2014	June 2015
Jenni Behan	Vice President of Edinburgh College Student's Association	July 2015	
Elaine Lee	Industry, Commerce or Public Sector Representative	March 2015	
Nicola McKenzie	Industry, Commerce or Public Sector Representative	March 2015	
Guy Hughes	Industry, Commerce or Public Sector Representative	March 2015	

COMMITTEES

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

	Academic Council	Audit & Risk Assurance	Capital & Infrastructure	Commercial & International	Nominations & Engagement	Policy & Resources	Remuneration
Members from 2014 to February 2015							
Maidie Cahill					✓		✓
Moira Frizzell	✓	✓					
Jane Richardson	✓			✓			
David Rutherford		✓				✓	
Member from 2014 to June 2015							
Diane Eradmuson	✓				✓		
Martin Crewe						✓	✓
Member from 2014 to Present							
Colin Arthur	✓		✓				
Kellie Bradford					✓		
Sandra Cairncross	✓		✓	✓		✓	
Jan Cutting				✓	✓	✓	
Alan Johnston				✓	✓	✓	✓
Ian McKay			✓		✓	✓	
Nigel Paul	✓	✓		✓		✓	
Robin Stimpson		✓	✓			✓	
Student President*	✓		✓				
Ian Young					✓	✓	
Principal and Chief Executive**	✓		✓				
Members from March 2015 to present							
Guy Hughes			✓				✓
Elaine Lee	✓			✓			
Niki McKenzie		✓		✓			

*Includes membership of Kelly-Anne Parry (left June 14) and Jeroen Van Herk
**Incudes Membership of Annette Bruton, Elaine McMahon and Mandy Exley

The non-Board members of the Academic Council are: Graham Skirving; Carole Paterson; Debbie Meharg; Julie McCran; Ray McCowan; Tracey Joyce; Katy Nixon; Fiona Candlish

CORPORATE GOVERNANCE STATEMENT

Introduction

The College is committed to exhibiting best practice in all aspects of corporate governance. This statement summarises how the College has complied with the principles and guidance that apply to its governance as an incorporated college in Scotland.

Statement of Compliance

In the opinion of the Principal and Chief Executive as Accountable Officer and the Board of Management, governance of the College is compliant with the principles of the Code of Good Governance for Scotland's Colleges (the Code), which came into effect in December 2014, and has been compliant for the period from 1 December 2014 to 31 July 2015. For the period from 1 April to 30 November 2014, the College was compliant with the UK Code on Corporate Governance issued by the Financial Reporting Council.

The Board of Management

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 fulfilling those responsibilities, the Board met nine times in the period between 1 April 2014 and 31 July 2015, with an overall attendance rate of 85% of Members. It conducted its business further through a number of committees. It was supported by a secretariat team whose duties include those functions assigned to a board secretary in the Code.

The secretariat maintains a register of financial and personal interests of Board members. The register is available for inspection from Edinburgh College, Granton Campus, 350 West Granton Road, Edinburgh EH5 1QE and is published on the College website.

The Board adopted the revised model Code of Conduct at its meeting in June 2014 and adheres to the nine key principles underpinning public life in Scotland.

The Board approved a revised committee structure in June 2015. During the period between 1 April 2014 and 31 July 2015, there were seven committees, each of which operated under the authority of, and with terms of reference approved by, the Board.

The Executive Team member or members with a remit relevant to a committee's area of authority attended and reported to meetings. Performance monitoring reports with key performance indicators aligned to strategy in the relevant area were a standing item on all committee agendas. Reports by committee chairs and committee minutes were a standing item on Board agendas.

Three committees were statutory: Audit & Risk Assurance[1]; Remuneration; and Nominations[2] & Engagement.

The four additional committees were: Academic Council; Capital & Infrastructure; Commercial & International; and Policy & Resources.

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1 The Committee name was changed in 2014 to reflect the importance of risk assurance in its remit.
2 Only the Nominations functions of this committee were statutory.

The **Policy & Resources Committee** was established during the period of this report and held its first meeting in October 2014. The Committee's remit includes College policy, public funding and financial management, human resources management and organisational development. The Board transferred authority for oversight of the management accounts and recommendation of the annual budget to the Board from the Audit & Risk Assurance Committee to the Policy & Resources Committee, in the interests of strengthening governance by creating a clear distinction between the two functions. The Committee has met on six occasions since it was established. The frequency of meetings reflects the need for the Committee to ensure effective governance during the production and early implementation of the College Development Plan between November 2014 and April 2015.

The **Audit & Risk Assurance Committee** met six times during the period of this report (four times per year). On the establishment of the Policy & Resources Committee, the Audit Committee retained its statutory remit in relation to advising the Board on the adequacy and effectiveness of the College's system of internal control, and its arrangements for risk management controls and governance. The role of the Committee includes scrutinising and providing the Board with assurance on the Annual Report and Accounts.

The Committee advises the College on the appointment of the internal auditor and the internal auditor's remuneration. It receives notification from Audit Scotland on the appointment of its external auditor for a period of 5 years and provides feedback to Audit Scotland on the effectiveness of the external audit process.

The College's internal auditor monitors the systems of internal control, risk management, and governance processes in accordance with an agreed plan of action, and reports their findings to management and the Audit & Risk Assurance Committee. Management is responsible for the implementation of agreed audit recommendations and internal auditors undertake follow-up reviews to ensure that such recommendations have been implemented. The Audit Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Scottish Funding Council as they affect the College's business, and monitors adherence to financial regulatory requirements.

At its June 2015 meeting, the Committee assessed its terms of reference and operation in the course of the past year against the Self-Assessment Checklist provided in the Scottish Government's Audit Committee Handbook and was satisfied that these were compliant.

The **Remuneration Committee** met six times during the period of this report. It considers and makes recommendations to the Board regarding the remuneration package and terms and conditions of the Principal and Executive Team and oversees voluntary severance arrangements in compliance with the Financial Memorandum and the relevant guidance for public sector bodies.

The period of this report has seen the departure of the inaugural Principal of Edinburgh College on 31 October 2014 and a six-month Interim Principal appointment prior to a new permanent Principal taking up post in May 2015. A reconfiguration of senior management posts and duties was undertaken by the new Principal with effect from the start of July 2015.

The **Nominations & Engagement Committee** met four times during the period of this report. It identifies and recommends suitable candidates for membership to the Board of Management and keeps under review procedures for induction, development and evaluation of Board Members in compliance with the Code and the College Sector Board Appointments: 2014 Ministerial Guidance.

The period of this report has included a 'migrated period' until March 2015, determined by Scottish Ministers, during which an open recruitment process was held to appoint all Non-Executive Members. In compliance with the Guidance, the Chair of the Board, with an independent advisor, assumed the responsibilities of the Nominations & Engagement Committee with respect to appointments during that period. Ten Non-Executive Members were appointed in March 2015.

In all such activities, 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 2015 the Board comprised 47% women and 53% men.

The Board is satisfied that election of student sabbatical officers and subsequent nominations to the Board during the period of this report were conducted properly.

Election of staff members was undertaken in January 2015 following a ministerial direction to all incorporated colleges, and conducted by the secretariat in accordance with the Code.

All new Members received a formal induction, and a programme of development and training was provided over the course of the period of this report, including an externally facilitated session on the implications of ONS reclassification. A majority of Board Members attended the development day hosted by Colleges Scotland/College Development Network in June 2015.

At the end of the 2013-14 and 2014-15 academic years the Board undertook a thoroughgoing evaluation including personal review meetings with the Chair of the Board, committee operational reviews and a review of the Chair's performance led by the Vice Chair as Senior Independent Director. An external facilitator supported the review of the Board's overall performance in 2014 and personal reviews were enhanced in 2015 to include objective-setting in order to accommodate the assessment requirements for extension of appointments described in the Ministerial Guidance.

The **Capital & Infrastructure Committee** met five times during the period of this report. It retains oversight of the activity and management of the operational infrastructure of the College including: estate management; IT management and capital investment proposals and development activity including environmental sustainability.

The **Commercial & International Committee** met three times during the period of this report. It promotes and retains oversight of commercial and international development at the College.

The **Academic Council** met five times during the period of this report. It retains a broad educational remit to oversee: learning and teaching, the student experience and engagement, curriculum management, continuing professional development, and quality enhancement and assurance, which included an external review by Education Scotland in June 2014.

Corporate strategy

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

Board's statement on internal control

Scope of responsibility

The Board of Management is ultimately responsible for the College's system of internal control and for reviewing its effectiveness.

The Board of Management has delegated the day-to-day responsibility to the Principal and Chief Executive, as Accountable Officer, 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 personally responsible, in accordance with the responsibilities assigned to the Principal and Chief Executive in the Financial Memorandum between the College and the Scottish Funding Council (SFC). The Principal and Chief Executive is also responsible for reporting to the Board of Management any material weaknesses or break-downs 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 on-going 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 2015 and up to the date of approval of the annual report and financial statements.

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 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; 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 Committee.

The Chair of the Audit Committee annually provides the Board of Management with a report on internal audit activity in the College. The report includes the Chair of the Audit 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

As Accountable Officer, 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 work of the Executive and Managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments and recommendations made by the College's external auditor.

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 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.

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 Centres and Departments. The Executive Team and Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit 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 Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 2 September 2014 meeting, the Board of Management carried out the annual assessment for the year ended 31 March 2014 by considering documentation from the Executive Team and internal audit, and taking account of events since 31 March 2014. The Board met on the 8 December and approved the year-end financial statements and auditors report, taking account of Audit Committee recommendations.

Capacity to handle risk

The Board of Management has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. 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 ending 31 July 2014, and up to the date of approval of the annual report and financial statements which accords with the Turnbull Committee guidance. This process is regularly reviewed by the Board of Management.

Going Concern

The College meets it day to day and medium to long term funding requirements through a combination of cash drawdown from the SFC and a term loan provided by its bankers. Under the terms of the loan facility agreement the college must meet certain financial covenants. These were met during 2014-15 and are forecast to be met during 2015-16.

The Board of Management has prepared financial forecasts which detail the sources of income and outgoings of the college. These forecasts indicate that, during the forecast period there is very little headroom on available cash facilities. As explained in the Principal and Chief Executive's Statement the college faces a number of financial challenges and has implemented a process in order to deal with these and put the institution on a sound financial footing. However the implementation of these plans will take time and place demand on resources. During that time, and until they are fully implemented the college will require the support of its funding body, the Scottish Funding Council, in order to meet its liabilities as they fall due. This support has been confirmed.

For these reasons the Board of Management continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Board of Management on 8 December 2015 and signed on its behalf by:

Ian McKay

Annette Bruton

Ian McKay
Chair of Board of Management

Annette Bruton
Principal and Chief Executive

STATEMENT OF THE BOARD OF MANAGEMENT RESPONSIBILITIES

In accordance with the Further and Higher Education (Scotland) Act 1992, the Board of Management of Edinburgh College is responsible for the administration and management of the affairs of the College, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Management is responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2007 Statement of Recommended Practice: Accounting in Further and Higher Education Institutions, the 2014-15 Government Financial Reporting Manual (FReM) issued by the Scottish Government and other relevant accounting standards. In addition within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Management, the Board of Management, through its designated office holder, 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.

In preparing the financial statements, the Board of Management is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the college will continue in operation.

The Board of Management has taken reasonable steps to:

- ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Further and Higher Education (Scotland) Act 1992, the College's Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and hence to take reasonable steps to prevent and detect fraud;
- secure the economical, efficient and effective management of the College's resources and expenditure; and
- ensure sound corporate governance and the proper conduct of the College's operations.

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

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

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

The Statement of the Board or Management's Responsibilities on pages 23 and 24 was approved by order of the Board of Management on 08 December 2015 and signed on its behalf by:

Ian McKay

Ian McKay
Chair of Board of Management

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

We have audited the financial statements of Edinburgh College for the period ended 31 July 2015 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 Income and Expenditure Account, the Statement of Historical Cost Surpluses and Deficits, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board of Management and auditor

As explained more fully in the Statement of Responsibilities, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Generic scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the college's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the 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 2015 and of its deficit for the period 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).

Opinion on regularity

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

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Ministers; and
- the information given in the Operating and Financial Review for the financial period for which the financial statements are prepared, is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

We have nothing to report in respect of these matters.

Hugh Harvie
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

21 December 2015

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

[redacted]

INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD ENDED 31 JULY 2015

[redacted]

	Notes	2015 (16 months) £000	2014 (8 months) As restated £000
Income			
Scottish Funding Council Grants	2	68,349	33,163
Tuition Fees and Education Contracts	3	14,522	7,083
Other Grant Income	4	1,953	1,529
Other Operating Income	5	5,270	2,273
Endowment and Investment Income	6	909	357
Total Income		**91,003**	**44,405**
Expenditure			
Staff Costs – Recurring	7	61,258	27,386
Other Staff Costs – Exceptional	7	1,915	-
Other Operating Expenses	9	24,850	13,984
Depreciation	12	7,685	3,599
Interest and other Finance Costs	10	1,010	528
(Gain) on revaluation of assets		(576)	(1,094)
Total Expenditure		**96,142**	**44,403**
(Deficit) / Surplus on Continuing Operations after Depreciation of Assets at Valuation and before Transfers from Reserves		(5,139)	2

[redacted]

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS FOR THE PERIOD ENDED 31 JULY 2015

[redacted]

	Notes	2015 (16 months) £000	2014 (8 months) As restated £000
Deficit on Continuing Operations after Depreciation of Assets at Valuation		(5,139)	2
Difference between Historical Cost Depreciation and the Actual Charge for the Period calculated on the Revalued Amount.	19	605	487
(Gain) on revaluation of assets		(576)	(1,094)
Historical Cost (Deficit) / Surplus for the Period		**(5,110)**	**605**

[redacted]

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 31 JULY 2015

[redacted]

	Notes	2015 (16 months) £000	2014 (8 months) As restated £000
(Deficit) / Surplus on Continuing Operations after Depreciation of Assets at Valuation and Exceptional Items		(5,139)	2
Gain on revaluation of assets		738	706
Actuarial Losses in respect of pension scheme	27	(7,313)	(6,741)
Total Recognised Gains/ (Losses) related to the financial year		(11,714)	(6,033)
Prior year adjustment	33	15,768	
Total Recognised Gains/ (Losses) since last financial statements		**4,054**	**(6,033)**

BALANCE SHEET
AS AT 31 JULY 2015

	Notes	2015	2014 (as at 31 March) As restated
		£000	£000
Fixed Assets			
Tangible Fixed Assets	12	155,436	156,523
		155,436	**156,523**
Current Assets			
Stock		137	107
Debtors	13	3,853	5,958
Cash at Bank and In Hand		3,111	4,937
		7,101	**11,002**
Current Liabilities			
Less: Creditors – amounts falling due within one year	14	(7,181)	(7,234)
Net Current (Liabilities) / Assets		**(80)**	**3,768**
Total Assets less current liabilities		**155,356**	**160,291**
Less: Creditors – amounts falling due after more than one year	15	(12,681)	(14,443)
Less: Provisions for liabilities and charges	17	(5,040)	(5,466)
Net assets excluding pension liability		**137,635**	**140,382**
Net Pension Asset Liability	27	(23,216)	(15,344)
Net Assets including pension liability		**114,419**	**125,038**
Represented by:			
Deferred Capital Grants	18	63,837	62,742
Reserves			
Income and Expenditure Account excluding pension reserve	20	45,034	49,009
Pension Reserve	20	(23,216)	(15,344)
Income and Expenditure Account including pension reserve		21,818	33,665
Revaluation Reserve	19	28,764	28,631
Total Reserves		50,582	62,296
Total		**114,419**	**125,038**

The Financial Statements on pages 26 to 54 were approved by the Board of Management on 8 December 2015 and were signed on its behalf by:

Ian McKay
Chairman of Board of Management

Annette Bruton
Principal and Chief Executive

CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 JULY 2015

	Notes	2015 (16 months) £000	2014 (8 months) £000
Net Cash Outflow from Operating Activities	21	**(236)**	**(9,006)**
Returns on Investments and Servicing of Finance	22	(983)	(503)
Capital Expenditure and Financial Investment	23	(97)	(1,541)
Financing	24	(510)	(205)
Decrease in Cash in Year		**(1,826)**	**(11,255)**
Reconciliation of net cash flow to movement in net funds			
Decrease in Cash in Year	25	(1,826)	(11,255)
Change in Net Debt Resulting From Cash Flows		510	205
Change in Net Funds Resulting from Cash Flows	**25**	**(1,316)**	**(11,050)**
Movement in Net Funds in Period		(1,316)	(11,050)
Net Funds at start of period		(6,941)	4,109
Net Funds at end of period	**25**	**(8,257)**	**(6,941)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2015

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): *Accounting for Further and Higher Education*, the 2014-15 Government Financial Reporting Manual (FReM) issued by the Scottish Government 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 guidance published by the Scottish Funding Council.

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.

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, its subsidiary Thomas Telford Trust is not consolidated on grounds of materiality. In accordance with FRS 2, the activities of the Students' Association have not been consolidated because the College does not control those activities.

Recognition of Income

The recurrent grant from the Scottish Funding Council represents the funding allocation attributable to the current financial year and is credited to the Income and Expenditure account in the period in which it is receivable.

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

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

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

Non-recurrent grants from the Scottish Funding Council or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets. Non-recurrent revenue grants are deferred and released to match expenditure as incurred.

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 and contracted out of the State Earnings Related Pension Scheme (SERPS). 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 income and expenditure account 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 employee service in the period is charged to the income and expenditure account. 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 the statement of total recognised gains and losses.

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

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

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS) 17, 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 17 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.

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 assets 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.

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are released to the income and expenditure account over their useful economic life of the related asset on a basis consistent with the depreciation policy.

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

b. Equipment

Equipment costing less than £10,000 per individual item is charged to the income and expenditure account 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. The related grant is released to the income and expenditure account over the expected useful economic life of the related equipment.

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

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

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.

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation

The College has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue & Customs as a charity

for the purposes of section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

Cash

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

Provisions

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.

Maintenance of Premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

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 29, 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 income and expenditure account, and are shown separately in note 30.

2 FUNDING COUNCIL GRANTS

	2015 (16 months) £000	2014 (8 months) £000
SFC Recurrent Grant	57,321	28,017
FE childcare funds	1,793	1,432
Release of Deferred Capital Grants	4,095	1,804
Voluntary Severance Scheme Grants	857	-
Other SFC Grants	4,283	1,910
	68,349	**33,163**

£1.9m of Scottish Funding Council Grants were used to support business realignment costs (2014: £115k). This is shown in note 7 as voluntary severance costs.

3 TUITION FEES AND EDUCATION CONTRACTS

	2015 (16 months) £000	2014 (8 months) £000
FE Fees – UK	1,699	1,515
FE Fees – non EU	2,061	630
HE Fees	7,183	3,076
SDS Contracts	892	177
Education Contracts	1,861	859
Other Contracts	826	826
	14,522	**7,083**

4 OTHER GRANT INCOME

	2015 (16 months) £000	2014 (8 months) £000
European Funds	159	200
Employability Contracts	1,764	1,219
Other Grants	30	110
	1,953	**1,529**

5 OTHER OPERATING INCOME

	2015 (16 months) £000	2014 (8 months) £000
Residences and Catering	2,741	703
Nursery Income	1,277	727
Other Income Generating Activities	-	76
Other Income	1,252	767
	5,270	**2,273**

6 ENDOWMENT AND INVESTMENT INCOME

	2015 (16 months) £000	2014 (8 months) £000
Bank Interest Receivable	27	25
FRS17 Pension Finance Income	882	332
	909	**357**

7 STAFF COSTS

Staff Numbers	2015 (16 months) Number	2014 (8 months) Number
The average number of persons (including senior post-holders) employed by the College during the period, expressed as full-time equivalents, was:		
Senior Management	7	7
Teaching Staff	538	484
Teaching Support	56	62
Administration and Central Services	477	438
Premises	37	30
Catering and Residencies	33	22
Other Income Generating Activities	35	35
Total	**1,183**	**1,078**

	2015 £000	2014 £000
Recurring Staff Costs:		
Salaries	48,536	22,382
Pensions	7,334	3,230
Social Security Costs	3,494	1,639
Revaluation of Early Retirement Provision	453	(78)
FRS 17 Adjustments	1,441	213
Total Staff Costs - Recurring	**61,258**	**27,386**
Exceptional Staff Costs		
Voluntary Severance	1,761	-
Pension Strain Costs	154	-
	63,173	**27,386**

	2015 (16 months) £000	2014 (8 months) £000
Senior management	1,070	501
Teaching staff	32,585	15,110
Teaching Support	1,775	524
Administration and central services	21,788	9,443
Premises	1,484	623
Catering and residencies	1,101	405
Revaluation of Early Retirement Provision	453	(78)
FRS17 Adjustments	1,441	213
Other income generating activities	1,476	645
Total	**63,173**	**27,386**

7 STAFF COSTS *(Continued)*

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 the following ranges was:

	2015 Senior Post Holders	2015 Other Staff	2014 Senior Post Holders	2014 Other Staff
£50,001 - 60,000		14		13
£60,001 - 70,000	1	5		5
£70,001 - 80,000	4		5	
£80,001 - 90,000	1		1	
£90,001 - 100,000				
£100,001 - 110,000				
£110,001 - 120,000				
£120,001- £150,000	1		1	
	7	**19**	**7**	**18**

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:

	2015 (16 months)	2014 (8 months)
	£	£
Salaries as Board Members	42,185	-
Allowances, travel and subsistence paid to Board Members	5,535	3,222
	47,720	**3,222**

The Salary as Board Member relates to the chairman of the Regional Board, who was appointed by the Scottish Ministers and receives remuneration in line with rates specified by the Scottish Government.

8 SENIOR POST-HOLDERS' EMOLUMENTS (Continued)

Emoluments of Senior Post-holders

	2015 (16 months)	2014 (8 months)
	Number	Number
The number of Senior post-holders including the Principal was:	7	7

The emoluments of Senior post-holders (excluding NI), including the Principal was:

	2015 £000	2014 £000
Salaries	778	402
Employers' Pension Contribution	105	53
Interim Principal's fees	96	-
	979	**455**

The above emoluments include amounts paid to the Principal and former Principals. The Principals emoluments for the 16 month period totalled:

	2015 (16 months)	2014 (8 months)
	£000	£000
Salary	182	93
Employers' Pension Contribution	28	14
Interim Principal's fees	96	-
	306	**107**

The Principal and senior post-holders are ordinary members of their appropriate pension scheme and contributions are paid at the same rates as for other scheme members. The above 2014 salary includes 13 months pay to a former Principal, and fees paid to an Interim Principal, who was working on a self-employed basis.

Compensation for loss of office paid to former senior post holders including former Principals – not included in the above emoluments:

	2015 (16 months)	2014 (8 months)
	£000	£000
Compensation payable to former senior post holders:	**187**	**-**

The above figure includes £70k paid to a former principal.

9 OTHER OPERATING EXPENSES

	2015 (16 months)	2014 (8 months)
	£000	£000
Teaching	5,312	2,388
Administration	8,460	5,223
Premises	6,995	3,405
Planned Maintenance	151	96
Other income generating activities	1,730	501
Other employee related costs	408	186
Childcare	1,793	1,432
Agency Staff	543	727
Transfer to Arms Length Foundation	-	150
Student Accommodation provision release	(542)	(239)
Exceptional Merger Expenditure	-	115
	24,850	**13,984**

	2015 £000	2014 £000
Other expenses include:		
Auditor's Remuneration (including irrecoverable VAT):		
- External Auditor's Remuneration – Audit	34	34
- Internal Audit (including Student Support Funds Audit)	29	24
Hire of equipment – operating leases	267	439

Following further increases in accommodation bookings for 2014/15 and 2015/16 at the Granton campus (current occupancy levels are at 100% compared to bookings of 62% in 2012/13) £0.5m has been released from the accommodation provision.

10 INTEREST PAYABLE

	2015 (16 months)	2014 (8 months)
	£000	£000
Pension Finance Cost – interest on early retirement provision	128	67
On bank loans, overdrafts and other loans: Repayable wholly or partly in more than 5 years	882	461
	1,010	**528**

11 TAXATION

The board does not consider that the College was liable for any corporation tax arising out of its activities during the year

12 TANGIBLE FIXED ASSETS

	Land & Buildings	Plant & Equipment (Owned)	Plant & Equipment (Leased)	Computers	Fixtures & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
COST OR VALUATION							
At 1 April 2014 as previously stated	162,575	5,421	298	6,223	11,442	4	185,963
Prior period adjustment	(11,790)	-	-	-	-	-	(11,790)
At 1 April 2014 (As restated)	150,785	5,421	298	6,223	11,442	4	174,173
Additions	97	383	-	3,972	794	38	5,284
Revaluations	(3,038)	-	-	-	-		(3,038)
At 31 July 2015	**147,844**	**5,804**	**298**	**10,195**	**12,236**	**42**	**176,419**
DEPRECIATION							
At 1 April 2014 as previously stated	29,655	3,377	298	5,076	6,802	-	45,208
Prior Period Adjustment	(27,558)	-	-	-	-	-	(27,558)
At 1 April 2014 (As restated)	2,097	3,377	298	5,076	6,802	-	17,650
Charge for Year	4,369	681	-	1,190	1,445	-	7, 685
Revaluation	(4,352)	-	-	-	-		(4,352)
At 31 July 2015	**2,114**	**4,058**	**298**	**6,266**	**8,247**	**-**	**20,983**
NET BOOK VALUE							
At 31 July 2015	**145,730**	**1,746**	**-**	**3,929**	**3,989**	**42**	**155,436**
At 31 March 2014 (As restated)	**148,688**	**2,044**	**-**	**1,147**	**4,640**	**4**	**156,523**
At 31 March 2014 as previously stated	**132,920**	**2,044**	**-**	**1,147**	**4,640**	**4**	**140,754**
Represented by:-							
Inherited	6,532	-	-	-	-	-	6,532
Financed by:-							
Capital Grant	56,060	1,144	-	3,814	2,819	-	63,837
Other	83,138	602	-	115	1,170	42	85,067
At 31 July 2015	**145,730**	**1,746**	**-**	**3,929**	**3,989**	**42**	**155,436**

12 TANGIBLE FIXED ASSETS *(Continued)*

To comply with the Government financial reporting manual (FReM), the basis of valuation of land and buildings has been changed in these financial statements from a depreciated historic cost basis to a current value basis. Land and buildings were independently valued as at 31 July 2015 for the purposes of the financial statements by external valuers GVA James Barr, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the requirements of RICS Valuation – Professional Standards, January 2014 amendment, IAS 16 'Property, Plant and Equipment' and the Government Financial Reporting Manual 2014-15 (FReM). The basis of valuation used was depreciated replacement cost.

This is a change in accounting policy which requires a prior year adjustment in accordance with FRS 3 – Reporting Financial Performance. The valuation increase of £14m was treated as a prior year adjustment to the opening balance sheet at 1 August 2013 and the balance sheet at 31 March 2014 has been restated accordingly.

Land and buildings with a net book value of £145,730k (2014: £132,920k) 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) which expires in 2026.

13 DEBTORS

Amounts falling due within one year:	2015 £000	2014 £000
Trade Debtors	1,211	1,947
Other Debtors	349	559
Debts due from Students	28	260
European Funding	-	97
Prepayment and Accrued Income	2,265	3,095
	3,853	**5,958**

14 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £000	2014 £000
Trade Creditors	1,761	895
Payments received in advance	281	113
Other Taxation and Social Security	779	901
VAT	245	393
Lennartz VAT repayable	889	854
Bank Loans (note 17)	386	357
Funding Council Grants	834	-
Accruals, Deferred Income and Other Creditors	2,006	3,721
	7,181	**7,234**

15 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 £000	2014 £000
Bank loan (note 16)	10,982	11,521
Lennartz VAT	1,699	2,922
	12,681	**14,443**

The Lennartz repayment is due payable over an outstanding period of up to 4 years, a repayment of £889k is due in 2015/16, which is included in note 14.

16 BORROWINGS

	2015 £000	2014 £000
Bank Loan Repayable:		
In one year or less	386	357
Between one and two years	407	375
Between two and five years	1,354	1,248
In five years or more	9,221	9,898
	11,368	**11,878**

The Bank Loan is due payable over an outstanding period of 20 years with a capital repayment of £386k due in 2015/16. The average interest rate for the duration of the loan is expected to be 5.6%.

17 PROVISIONS FOR LIABILITIES AND CHARGES

	Early Retirement Pension Costs £000	Others £000	Total £000
At 1 April 2014	4,795	671	5,466
Expenditure in the period	(400)	(64)	(464)
Additional in year provision	452	-	452
Interest applied	128	-	128
Release to Income and Expenditure in the year	-	(542)	(542)
At 31 July 2015	**4,975**	**65**	**5,040**

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 using a net interest rate of 1.0% (2014 – 2.0%)

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. The contract is onerous in accordance with FRS12 Provisions and Contingencies and the College has therefore made a provision for the full estimated costs to the end of the contract in 2025. The provision in 2014/15 has reduced following increases in occupancy since 2012/13.

18 DEFERRED CAPITAL GRANTS

	Funding Council Grants	Other Grants	Total
	£000	£000	£000
At 1 April 2014	62,150	592	62,742
Received during year			
Land and Buildings	97	-	97
Fixtures, Fittings & Equipment	5,090	-	5,093
Release to Income and Expenditure Account			
Land and Buildings	(2,040)	(16)	(2,056)
Fixtures, Fittings & Equipment	(2,024)	(12)	(2,039)
At 31 July 2015	**63,273**	**564**	**63,837**

19 REVALUATION RESERVE

Revaluation Reserve	2015 £000	2014 As restated £000
At 1 April 2014	28,631	28,412
Release of revaluation reserve in respect of depreciation on inherited land and buildings	(605)	(487)
Revaluation of land and buildings in year	738	706
At 31 July 2015	**28,764**	**28,631**

20 MOVEMENT IN GENERAL RESERVES

	Note	2015 £000	2014 As restated £000
At 1 April 2014 as previously stated		**33,665**	**47,452**
Prior period adjustment		-	(7,535)
At 1st April 2014 as restated		33,665	39,917
(Deficit) / Surplus for the year		(5,139)	2
Actuarial loss in respect of the pension scheme		(7,313)	(6,741)
Transfer from revaluation reserve		605	487
At 31 July 2015		**21,818**	**33,665**

Represented by:

Income and expenditure account	2015 £000	2014 £000
At 1 April 2014	**49,009**	**48,639**
(Deficit) / Surplus for the year	(5,139)	2
Transfer from revaluation reserve	605	487
Transfer from / (to) pension reserve	559	(119)
At 31 July 2015	**45,034**	**49,009**

Pension reserve:

	£000	£000
At 1 April 2014	**(15,344)**	**(8,722)**
Current service cost	(5,281)	(1,957)
Employer contributions	3,771	1,690
Contributions in respect of unfunded benefits	69	54
Net Finance income	882	332
Actuarial loss	(7,313)	(6,741)
At 31 July 2015	**(23,216)**	**(15,344)**

Reconciliation:

	£000	£000
Income and expenditure account	45,034	49,009
Pension Reserve	(23,216)	(15,344)
At 31 July 2015	**21,818**	**33,665**

21 RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2015 (16 months) £000	2014 As restated (8 months) £000
(Deficit) / Surplus on Continuing Operations after depreciation of Assets at Valuation	(5,139)	2
Depreciation	7,685	3,599
Deferred Capital Grants Released to Income	(4,095)	(1,804)
Interest Receivable	(909)	(357)
Interest Payable	1,010	528
Decrease / (Increase)in Debtors	2,105	(3,802)
Decrease in Stock	(30)	(34)
Decrease in Creditors	(1,302)	(5,771)
Pension cost less contributions payable (note 27)	1,441	213
(Gain) on revaluation of assets	(576)	(1,094)
Decrease in Provisions	(426)	(486)
Net Cash Outflow from Operating Activities	**(236)**	**(9,006)**

22 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2015 £000	2014 £000
Interest received	27	25
Interest paid on enhanced pension provision	(128)	(67)
Interest paid on bank loan	(882)	(461)
Net Cash Outflow from Returns on Investments and Servicing of Finance	**(983)**	**(503)**

23 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2015 £000	2014 £000
Tangible Fixed Assets acquired including Assets Under Construction (note 12)	(5,284)	(2,497)
Deferred Capital Grant received (note 18)	5,187	956
Net Cash Outflow from Capital Expenditure and Financial Investment	**(97)**	**(1,541)**

24 FINANCING

	2015 £000	2014 £000
Cash Outflow from Repayment of Debt	(510)	(205)
Net Cash Outflow from Financing	**(510)**	**(205)**

25 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2014 £000	Cash Flows £000	Other Non Cash Flows £000	At 31 July 2015 £000
Cash	4,937	(1,826)	-	3,111
Debt due within one year	(357)	357	(386)	(386)
Debt due after one year	(11,521)	153	386	(10,982)
	(6,941)	**(1,316)**	**-**	**(8,257)**

26 FINANCIAL COMMITMENTS

At 31 July 2015 the College had annual commitments under non-cancellable operating leases for Plant and Equipment as follows:

	2015 £000	2014 £000
Expiring within one year	334	156
Expiring between two and five years	288	794
		-
	622	**950**

27 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

		2015 £000	2014 £000
STSS:	Contributions paid	3,563	1,487
LGPS:	Contribution paid	3,771	1,743
	FRS 17 Movement	1,441	213
	Total pension cost	8,775	3,443
LGPS Pension Strain Cost		154	-
Total Pension cost for year		**8,929**	**3,443**

Local Government Pension Scheme ("LGPS")

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

The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the income and expenditure account. The expected return on the schemes 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 the statement of total recognised gains and losses.

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 £5,000k of which employer's contributions totalled £3,771k and employees' contributions totalled £1,229k.

27 PENSION AND SIMILAR OBLIGATIONS (*Continued*)

From 1 April 2014 to 31 March 2015 the employers' contribution rate was 15.8% plus a lump sum payment of £34,575 per month. From 1 April 2015 the employer's contribution rate was 17.5% plus a lump sum payment of £19,158 per month. The employees' contribution rate did not change. Surpluses and deficits are spread over employees' future service lives.

FRS 17

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

	2015	2014
Rate of increase in salaries	4.5%	5.1%
Rate of increase for pensions / inflation	2.6%	2.8%
Discount rate for liabilities	3.6%	4.3%
Expected return on assets	3.6%	6.1%

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	22.1 years	23.7 years
Future pensioners	24.2 years	26.3 years

27 PENSION AND SIMILAR OBLIGATIONS (*Continued*)

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 2015	Value at 31 July 2015 £000	Long term rate of return at 31 March 2014	Value at 31 March 2014 £000
Equities	3.6%	55,068	6.6%	55,497
Bonds	3.6%	15,018	3.9%	6,487
Property	3.6%	7,509	4.8%	5,766
Cash	3.6%	5,840	3.7%	4,324
Total market value of assets		**83,435**		**72,074**
		Value at 31 July 2015 £000		Value at 31 March 2014 £000
Present value of scheme liabilities				
Funded		105,831		86,590
Unfunded		820		828
Deficit in the scheme		**(23,216)**		**(15,344)**

Analysis of the amount charged to income and expenditure account

	2015 £000	2014 £000
Current service cost	5,233	1,814
Past service cost	48	143
Total operating charge	**5,281**	**1,957**
Analysis of net return on pension scheme		
Expected return on employer assets	(6,091)	(2,743)
Interest cost	5,209	2,411
Total	**(882)**	**(332)**
Actual Return on Plan Assets	10,490	1,190

27 PENSION AND SIMILAR OBLIGATIONS (*Continued*)

Movement in deficit during year	2015 £000	2014 £000
At 1 April 2014	(15,344)	(8,722)
Movement in year:		
Current service cost	(5,233)	(1,814)
Employer contributions	3,771	1,690
Contributions in respect of unfunded benefits	69	54
Past service cost	(48)	(143)
Net finance income	882	332
Actuarial loss	(7,313)	(6,741)
Deficit in scheme at 31 July	**(23,216)**	**(15,344)**

Reconciliation of defined benefit obligation	2015 £000	2014 £000
Liabilities at start of period	87,418	78,944
Current service cost	5,233	1,814
Interest cost	5,209	2,411
Contributions by members	1,229	484
Actuarial loss	8,348	5,188
Past Service cost	48	143
Estimated Unfunded benefits paid	(69)	(54)
Estimated Benefits paid	(765)	(1,512)
Liabilities at end of period	**106,651**	**87,418**

Reconciliation of fair value of employer assets	2015 £000	2014 £000
Opening fair value of employer assets	72,074	70,222
Expected return on assets	6,091	2,743
Contributions by members	1,229	484
Contributions by the employer	3,771	1,690
Contributions in respect of unfunded benefits	69	54
Actuarial gains / (losses)	1,035	(1,553)
Estimated Unfunded benefits paid	(69)	(54)
Estimated Benefits paid	(765)	(1,512)
Closing fair value of employer assets	**83,435**	**72,074**

27 PENSION AND SIMILAR OBLIGATIONS (*Continued)*

Amounts for the current and previous accounting periods

	2015 £000	2014 £000
Fair value of employer assets	83,435	72,074
Present value of defined benefit obligation	(106,651)	(87,418)
Deficit	(23,216)	(15,344)
Experience Gains / (Losses) on assets	1,035	(1,553)
Experience Gains on liabilities	2,980	1

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 2012. 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 2012
Valuation method	Prospective benefits
Value of notional assets	£19.6 billion

Principal financial assumptions as at 31 March 2012:

Rate of return (discount rate)	3.00%
Rate of return in excess of:	
Earnings increases	2.00%
Price increases	2.00%

The College paid a contribution rate of 14.9% from 1 April 2014 to 31 July 2015. The pension charge recorded by the College during the accounting period was equal to the contributions payable.

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS) 17, 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 17 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.

28 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 may have an interest. All transactions involving organisations in which a member of the Board of Management 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 hold official positions.

Member	**Organisation**	**Position**	**Sales £000**	**Purchases £000**
Maidie Cahill	SQA	Employee of SQA	3	1,554
Nigel Paul	APUC Limited	Non-Executive Director	-	62
Alan Johnston	Edinburgh University	Trustee and Court member	29	24
Sandra Cairncross	Edinburgh Napier University	Assistant Principal Student Experience	776	19
Robin Stimpson	Anderson Strathern	Salaried part-time Consultant	-	71
Ian Young	The Business Partnership	Director	12	-
	Dalkeith Townscape Heritage Initiative	Member	31	-
Diane Erasmuson Jeroen Van Herk	Edinburgh College Students' Association	Vice President (Education) President	294	390

29 BURSARY FUND AND OTHER STUDENT SUPPORT FUNDS

	FE Bursary £000	EMA £000	Other £000	Total for 2015 £000	Total for 2014 £000
Balance brought forward	(682)	65	235	(382)	2,067
Allocation received in the year	10,897	884	1,346	13,127	6,985
Expenditure	(10,726)	(853)	(660)	(12,239)	(7,480)
Repaid to Funding Council as Clawback	-	-	-	-	(2,057)
Underspend repaid to Funding Council	-	-	-	-	(91)
College contribution to funds (4 months of 13/14 Academic year)	78	-	-	78	-
Virements	440	-	(825)	(385)	194
Balance c/fwd	**7**	**96**	**96**	**199**	**(382)**
Represented by:					
Repayable to Scottish Funding Council	7	-	96	103	-
Payments due from SFC	-	-	-	-	(682)
Retained by college for students	-	96	-	96	300
	7	**96**	**96**	**199**	**(382)**

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 Income and Expenditure Account.

The negative opening balance on the FE Bursary fund represents timing differences in the profile of spend against payments received to March 2014.

30 FE AND HE CHILDCARE FUNDS

	2015 £000	2014 £000
Balance b/fwd	-	338
Allocation received in year	1,884	1,626
Expenditure	(2,266)	(1,432)
Repayable to SFC as (claw-back)	-	(338)
Virements	385	(194)
Balance c/fwd	**3**	**-**
Represented by:		
Repayable to Scottish Funding Council	**3**	**-**

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

31 CONTINGENT LIABILITIES

There were no contingent liabilities at the balance sheet date.

32 POST BALANCE SHEET DATE EVENTS

No events occurred between 1 August 2015 and the time these Financial Statements were signed that would materially affect the information provided.

33 PRIOR PERIOD ADJUSTMENT

As explained in note 12, the change in basis of valuation of land and buildings from a depreciated historic cost basis to a current value basis to comply with the FReM, has been accounted for as a prior period adjustment. The impact of this was to increase the carrying value of land and buildings at 1 August 2013 bt £14.1m with a reduction to the opening I/E account of £7.5m and an increase in the revaluation reserve of £21.6m.

A further revaluation adjustment at 31 March 2014 resulted in an futher increase to the carrying value of land and buildings at 1 April 2014 of £1.7m, with corresponding increases in the I/E reserve of £1m and revaluation reserve of £0.7m

Land and Buildings were valued by professional valuers GVA James Barr, and values were provided for 31 July 2013, 31 March 2014 and 31 July 2015.