Edinburgh College

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2023


Midlothian Campus

PERFORMANCE REPORT

Message from the Chair of the Board of Management

As the Chair of the Board of Management, I have had the pleasure of reflecting on the College's many achievements, since my appointment in July 2022. The challenges have been very stark, not just the return to the 'new normal' post COVID, but in particular the ongoing financial uncertainties we face as a College and sector which have made for a difficult and pressurised year. However, we continue to achieve success for our staff and students as our results can evidence.

As highlighted in the report of James Withers' Independent Review of the Skills Delivery Landscape, college education plays an essential and critical role in addressing the current challenges we face as a society. Be it the economy, climate crisis, inequality or demographic changes, Edinburgh College is already leading the way to address these issues through innovation, a sector-leading curriculum and quality teaching. I'm committed to playing my role in leading the Board of Management in its endeavour to continue to drive and support the College's reputation as an outstanding institution, which delivers a secure and inclusive environment - one that supports the wellbeing of our communities, particularly those that are most disadvantaged in the Capital.

The continued accomplishments of our students are testament to the exceptional standard of learning, teaching and support delivered across the College. 2022/23 has been another successful year for staff and student achievements, national award wins and success stories. The many highlights from the year include new industry partnerships, winning a range of national awards and the College being the Scottish host for the WorldSkills 2022 National Construction Competition Finals. Our students benefit from a wealth of industry experience via our lecturers and business partners, and have access to first-class industry standard facilities across our campuses.

The economic performance of Edinburgh and our wider region is critical to Scotland's overall economic success. The Edinburgh and South East Scotland City Region Deal (ESESCRD) is characterised by a strong Skills Gateway collaboration focusing on building an extensive capacity to develop and deliver new programmes in Data Driven Innovation (DDI), Housing Construction Infrastructure (HCI) and more recently a new partnership for Health and Social Care (HSC), led by Edinburgh College.

We are delivering advanced digital and data skills to students, individuals, and businesses. We are targeting specific priority groups such as individuals with disabilities, individuals from minority ethnic backgrounds, veterans, and women.

New partnerships to future proof for the skills for the future are being developed through the Forth Green Freeport, based at the Port of Leith, specifically working with wind turbine assembly amongst other technologies. It is critical we continue to lead a regional approach to the co-development of provision and skills training to meet the skills demand in our region – for the skills required for today and into the future. We are committed to collaborating on investment in technology-enabled care hubs and the use of virtual reality for training across a wide range of health-related disciplines. More recently we have invested in a Digital Care Hub bringing together disciplines such as nursing, social care, pharmacy and dentistry and we have ambitions to adopt similar approaches for interdisciplinary provision in other sectors.

Our priorities going forward will coalesce around People, Place and Performance. Our new strategic plan 'Our Strategy Our Future' and associated strategies will ensure that the future is bright for the College and those who work and study here. Innovation and forward-thinking will enable us to be a College that not only meets the needs of our region and our students but realises its full potential. The Board has received assurances over the past year which illustrate that the College has responded positively to many of the significant challenges it has faced.

There's no doubt we, along with colleges across the sector, will face further challenges over the coming years and change is inevitable as funding becomes more constrained- but with challenge comes opportunity, and I am confident Edinburgh College is now in a stronger position to embrace opportunities and build on the success of recent years.

Finally, I would like to thank our Principal and Chief Executive, who continues to innovate, lead and grow the College. I am sure 2023/24 will see us continue to thrive in the face of challenge and change and deliver for our students, employees, businesses, policy makers and our economy. The Board looks forward to working with Audrey and the Executive team, our staff and students, to implement our new strategies and continue to ensure that Edinburgh College is a place where everyone, regardless of their background or level of education, feels welcome and supported to fulfil their potential and go onto a positive destination.

Nora Senior

Nora Senior CBE
Chair of Edinburgh College Board of Management

12 December 2023

Principal and Chief Executive's Statement

Welcome to our annual report for session 2022/23, which was another challenging year in which we continued to deliver life-changing education and support to the people of Edinburgh and beyond.

This year saw us getting back to the new normal with staff and students back on campus post COVID which has allowed more students the opportunity to get back to Learning and Teaching in person. In spite of growing concerns around the cost of living crisis we established ways of delivering education to meet the needs of students. Our award-winning breakfast club was delivered in partnership with our Students' Association which provided free breakfasts and hot drinks to students across our four campuses. We remain committed to working together to make studying at Edinburgh College the best student experience in the sector. People make our College and there is an immense sense of pride in what we have achieved together this year.

In August, we launched our new College strategic plan - Our Strategy, Our Future which sets out the vision, mission, values and goals which will shape the direction of our College. The strategy focuses on three strategic themes: People, Place and Performance. Our Strategy, Our Future builds on our strong foundations. Together, we will find new ways to adapt and grow, so we can diversify our shared impact and extend our reach deeper into the wider community and businesses in our region. Edinburgh College is inspired by ambitious plans to build a better future. It is our collective responsibility to empower people and the communities we represent.

Edinburgh College is responsible for over 10% of all of Scotland's college sector activity. While the College, and the sector as a whole, faces challenges, our student numbers continue to grow. We welcomed over 28,000 students through our doors this year, delivering over 700 courses to support people in taking the next steps in their educational or career journeys. Around 3,500 school pupils extend their educational experience by studying with us each year and our commitment to explore new opportunities to grow our Apprenticeship programmes continues to be a priority. We are working with close to 3,000 apprentices and the companies that employ them.

The unexpected and disappointing decision by Scottish Government to withdraw the additional transformation funding of £26M announced in the November budget and the 13% reduction in apprenticeships starts across the sector impacted again on funding. The delayed announcement of Flexible Workforce Development Fund (FWDF) funding and associated reductions exacerbated an already difficult financial period. This fund specifically supported our business support activities. In the last year, we have supported over 10,000 people to upskill and reskill in response to the evolving demands of businesses and employers in our region. We will continue to demonstrate to Government and our funders the critical role our College plays in supporting businesses and their employees in our region. As we support the businesses in our region to remain competitive, grow and be successful those same business partners are essential in collaborating with us to shape the curriculum, qualifications and skills training that we offer to our students. To illustrate, our new Renewables Centre, founded by a partnership between the College, energy companies and the Energy Skills Partnership provides a state-of-the-art facility which is being used to train school pupils, students, apprentices and employees in the industry with new and emerging technologies.

In spite of the challenges, we continue to showcase our College nationally and internationally. We hosted the WorldSkills UK 2022 National Construction Competition Finals, which alongside showcasing student and apprentice skills, allowed the College to recognise the work and effort of our own staff and their contribution in making the event such a success. Our ongoing achievements were reflected in numerous national award wins during session 2022/23 which included being named a regional Planet Saver for our commitment to sustainability; being recognised for important work in Digital and Data Learning, Inclusivity, Diversity, Responsibility, Skills Development and Employer Connections and Partnerships, to name a few. Our dedicated lecturers and support staff have also been recognised individually through receiving sector and industry-specific awards for their expertise.

Our focus on developing industry partnerships was recognised with the College and 2i Testing winning a national award for a partnership project at the Herald Higher Education (HE) Awards 2023 for the creation of a digital and tech programme with employment opportunities provided to our students to join a team within a successful and growing company in our region.

We've also continued to strengthen our commercial portfolio despite the reduction in FWDF funding with strong development across partnerships such as with the NHS post-Covid, bespoke commercial activities focused on mandatory health and social care programmes such as NPAs, PDAs and SVQ provision and demand for these courses. Innovation is a key strategic priority – how we innovate and support others to innovate. We have successfully piloted innovation workshops with business partners, securing multiple grants from the Gatsby Foundation to explore College involvement in the adoption and diffusion of innovation in a Scottish context, and significant progress has been made in the development and delivery of Interface Innovation Voucher activities.

In the Autumn of 2022, the Scottish Government announced an independent review of Scotland's skills delivery landscape led by James Withers. The findings, delivered in June 2023, are clear: the skills system is no longer fit for the future, having become fragmented, siloed and cluttered. Recommendations to the Scottish Government include the need for a single, coherent learning system, a single funding body for all learning and training provision, a single qualifications body and a single careers body. All of this leads us to a substantial overhaul of Scotland's multi-billion-pound skills system by putting the needs of learners first. We are committed to leading and contributing to shaping a skills system fit for the future in Scotland.

As we look to the future for Edinburgh College, we will see our strategic pillars implemented to deliver our ambitious strategy with our Curriculum, Commercial, Digital, Finance and People strategies being developed and launched to support our staff, students and College with the challenges ahead. This year, we celebrated our 10-year anniversary where we can be proud of our legacy and excited about our future.

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

Audrey Cumberford

Audrey Cumberford MBE FRSE
Principal and Chief Executive

12 December 2023

Performance Overview

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

Purpose and Activities

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

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

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

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

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

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

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

Edinburgh College has an Estates and Infrastructure Strategy in place. Full details are set out on page 12.

Corporate Strategy

The College's Strategic Plan 'Our Strategy, Our Future' was launched in August 2023 and covers the period 2023-28. With a focus on three key strategic themes of People, Place and Performance, the core principles of the plan going forward are as follows:

- Being student-centered (we put student experience and welfare at the heart of all decisions we make and everything we do)
- Supporting each other (we are in an inspirational environment to build resilience and take pride in our success)
- Supporting local businesses and communities (applied innovation and knowledge exchange with focus on upskilling and reskilling)
- Collaboration (with government decision makers and local businesses to ensure we are valued as strategic partner)
- Agility (in response to challenges and opportunities)
- Technological readiness (optimise all technology-based and digital opportunities across learning, teaching and support).

These new priorities are an evolution from the main strategic priorities of the previous plan for 2017-2022.

1. **Delivering a superb student experience**

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

2. **Providing an excellent curriculum**

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

3. **Supporting and inspiring our people**

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

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

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

5. **An effective and efficient College**

The College will continue to operate as a highly effective and efficient organisation, rigorously focusing on outcomes and quickly identifying where resources could be better utilised or performance enhanced. There will continue to be a College-wide approach to continuous improvement which recognises best practice, including strong financial and corporate controls, continued commitment to tackling climate change, investment in technology, and high standards of safety and governance. Refer to KPI dashboard 2023 on page 9.

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

Edinburgh College prepared and submitted the 2022/23 Regional Outcome Agreement (ROA) to the SFC in 2022 and this was published mid-2023.

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

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

Further information and detail on the ROA achievements are shown on page 10 under the ROA Performance Indicators.

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

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

The College is committed to the fair work convention which believes fair work offers effective voice, opportunity, security, fulfilment and respect. The College signed up to the fair work statement for the college sector through the National Joint Negotiating Committee (NJNC). The College is committed to developing local engagement and partnership working practices and discussions on appropriate facilities time (page 31); to further develop policies and practices, in partnership with the trade unions and other key partners, which support people to access and progress in their employment; to work in partnership with the support of staff trade unions to develop a national policy on Organisational/Workforce Change whilst continuing to apply good practice locally in terms of employment practices; to work in partnership with the trade unions and other key partners to further develop policies and good practice which support individual and organisational wellbeing to ensure that individuals are treated with due regard and respect.

Key Issues and Risks

Risks

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

Key Risks	Mitigations
National bargaining	Senior staff present on national work and bargaining groups to influence future decisions and direction. There is strong partnership dialogue between management, unions and the Scottish Government. Strike contingency plans are also in place.
Financial sustainability	Effective cash control and robust financial management. The workforce development plan and further potential for cost saving and income growth are under continuous review to maintain financial sustainability. Voluntary severance schemes and a recruitment freeze carried out in 2022/23 have helped deliver a close to balanced Adjusted Operating Position.
Commercial income	Partnerships with business, colleges and universities to strengthen and build sustainable income platforms. Diversify income streams to minimise reliance on single source contracts. Flexible delivery model to ensure additional capacity building. New commercial and international contract developments and opportunities fulfilled.
Student retention and attainment	Improved business intelligence (predictive analytics), course information and pre-course guidance to aid planning. Course remediation process in place for courses with low performance indicators to ensure course is still relevant. Enhance support to students during challenging economic circumstances.
Cyber security breaches	Increased intrusion detection and testing, business continuity readiness and secure configurations of College systems through the Security Operations Centre (SOC). Regular investment in cyber resilience including regular review of the cyber risk control matrix, and staff awareness training and development. College to maintain cyber essentials plus accreditation. Regular cyber testing and penetration exercises, and stress-testing business continuity plans.

National bargaining is now recognised as a high risk within the College's top-level risk register. Impact of European Union (EU) withdrawal has been removed from the top-level risk register during the year with oversight now being undertaken through review of the operational risk registers. The Covid-19 risk has been incorporated into a wider public health risk and is now considered a low risk. The national bargaining and financial sustainability risks are expected to continue into the future unless there is additional funding provided by the Scottish Government to cover the cost of living pay demands from unions and high inflation for supplies and services. An emerging risk is the shift from full-time study to part-time study which will potentially affect full-time student numbers and associated credit funding (main source of SFC funding), and future targets going forward. The SFC provided a minimum credit threshold of 98% to offset exposure for Colleges in reaching credit targets.

Performance Summary

Edinburgh College provided education to 28,498 unique students during the year to 31 July 2023, and in doing so met the agreed SFC 98% threshold for credits. The overall retention rate of students was 93%, a 10% improvement from the previous year, marking an improvement in the overall student experience, triangulated by overall College satisfaction which stood at 96%, 5% above target.

There has been a shift from full-time to part-time provision with a 23% movement from 2020/21. This increase was led by courses funded through the Flexible Workforce Development Fund (FWDF) and Young Person Guarantee (YPG) skills boost courses. The College has refocused part-time provision into courses where there is increased demand, to rapidly upskill the population in sectors such as technology (especially data science) and care as well as basic entry-level employability programmes, all key to the College's and the regional economy's success in equipping students for work. The College is working with a number of partners in the Edinburgh and South East Scotland City Region Deal to advance this strategy. These partnerships include community planning partners in the local authorities, Skills Development Scotland (SDS), Developing the Young Workforce (DYW), universities, third sector partners and the Capital City Partnership.

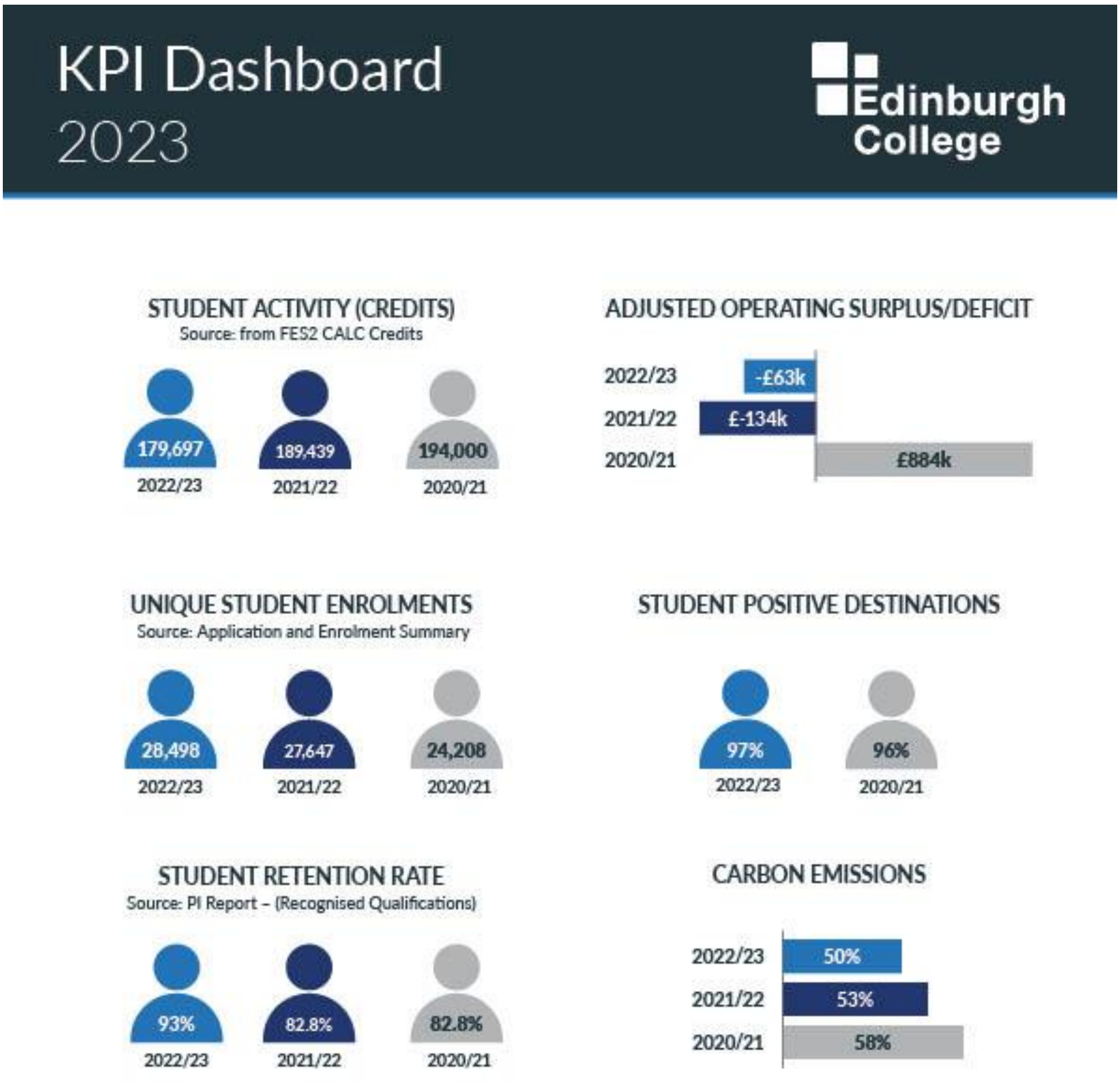
The College increased its counselling provision, assisted by additional funding, for supporting students through online drop-ins and partner referrals, and providing better information on funding, timetabling and other tutorial support. With the pandemic still showing increased health-related absence across 2022/23 many services continued an online blended delivery service where practicable.

Key Performance Indicators (KPIs)

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

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

In 2022/23, the College achieved 179,697 credits representing 98.1% of the SFC target of 183,174 (a shortfall of 3,477 credits) which is above the SFC 98% credit threshold. The 28,498 unique student enrolments in the year represents a rise of 851 compared to 2021/22. This increase relates to the continued shift from full-time to part-time study plus the gradual reopening of campus buildings. The student retention rate in 2022/23 has increased by 10% up to 93% thanks to positive work done throughout the College in the year. Student positive destinations has again improved year-on-year by 1% to 97%, demonstrating that the majority of students who studied at the College moved into a job, set up their own business, or progressed to higher education study.



Future Performance

The College developed new strategic themes for 2023/24; People, Place and Performance. The key strategic goals include delivering a superb and distinctive student experience, where our staff and stakeholders are proud of what they collectively achieve. The College will deliver outstanding business support in our region and beyond, and will lead successful and impactful collaborations. It will strive to enhance its technological readiness and digital performance to maximise the benefits of technology-enabled learning, teaching, student support and operational processes.

The College intends to measure its success in terms of student achievements, staff satisfaction, contribution to local, regional, and national initiatives, and sustainable practices embedded throughout learning, teaching and operations. The College will improve its investment in digital services and develop commercial income streams towards achieving a balanced financial position in 2023/24.

PERFORMANCE ANALYSIS

Operational Review

Regional Outcome Agreement (ROA) Performance Indicators

In accordance with SFC guidance and the 2022/23 ROA, the College is required to publish and report progress against targets for national priorities. These indicators monitor performance against the College's objectives.

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

KPI	Purpose	2022/23	2021/22	2020/21
		Actual (at 31 July)	Actual (at 31 July)	Actual (at 31 July)
Student activity (credits)	Measure of student activity	179,697	189,439	194,000
Performance against credit activity target	Measures student activity performance against target	98%	101%	103%
Unique student enrolments	Measures number of students	28,498	27,647	24,208
Full-time applications	Measures student demand	15,611	17,670	18,280
Student retention rate	Measures percentage of unique students completing studies (RQ*)	93%	82.8%	82.8%
Adjusted operating position as % of total income	Measures AOP as % of total income	-0.1%	-0.2%	1.3%
Non SFC income as a % of income	Measures non SFC income as a % of total income	19.9%	17.1%	16.3%
Staff costs (excluding exceptional staff costs) as a % of total income	Measures staff costs excluding exceptional staff cost as a % of total income	70.9%	80.0%	78.1%

*RQ: Recognised Qualifications

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

Student Activity Performance Highlights

Delivery of widening access and progression targets

Delivery of widening access and progression targets: actual figures at 31 July each year.	2022/23	2021/22	2020/21
Student Gender Balance	53.8% Female 42.9% Male 3.3% Other	47.6% Female 50.6% Male 1.8% Other	49.8% Female 49.9% Male 0.3% Other
Students with a Disability	21.3%	28.5%	27.5%
Ethnic Minority Students (home)	10.3%	11%	7.4%
Students from SIMD10 Data Zone	5.2%	7.1%	7.2%
Schools College Partnership (SCP) Pupils (Senior Phase)	461	486	492
Proportion of credits delivered to care-experienced learners	6.5%	6.9%	7.6%

Edinburgh College is committed to equality of opportunity and outcome for students and staff who share protected characteristics, and to a culture that respects difference. In April 2023, the College published its Equality Outcome and Mainstreaming Progress Report (including Equality Outcomes and Gender Action Plan) following awareness training workshops to staff, to meet equalities legislation and set out the progress made towards mainstreaming equality across the College, reporting to the Board of Management, and the Learning, Teaching and Student Experience (LTSE) Committee. The report was approved by the Board of Management in March 2023 and published on the College website in April 2023. It includes detailed progress made in all the equality outcome areas: Accessibility, Gender, Poverty, Mental Health, LGBT+, Racial and Religious Discrimination and Care Experience.

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

SIMD10 student numbers have slightly decreased since the College's Schools College Partnership (SCP) provision was severely disrupted due to the pandemic. However, the risk is now mitigated by the ability to prioritise SCP in 2022/23 working within schools such as Castlebrae High School, Wester Hailes Education Centre, Newbattle High School and Ross High School in SIMD10 data zones.

SCP senior phase numbers

SCP numbers relating to Developing Young Workforce (DYW) pupils was not achieved this year. The target for DYW courses, where school pupils in senior phase attended vocational courses with recognised qualifications at Level 5+ was 500 students. The College enrolled 461 students, 39 students short of target. This was due to recruitment which was adversely affected by Covid-19, in particular foundation apprenticeships where work placements were still not available. Schools have reprioritised on 'lost learning' within their institutions and as a result in 2023/24 we expect a return to the higher delivery levels and targets. However, the College did expand its SCQF level 6 qualification in Creative Thinking, which provides UCAS and Insights Tariff points for schools, this was delivered to 454 additional pupils, whilst 3,526 school pupils participated in all SCP activity (includes non-senior phase pupils).

Care Experienced students

The College has a very close working relationship with the Hub for Success, connecting with the Local Authorities Children's Partnerships, ensuring the best transition support is possible. As shown in the table above, there has been a 0.4% drop in the proportion of credits for Care Experienced Students from 2021/22 to 2022/23 due to students attending more part-time courses rather than full-time courses.

Student satisfaction

In 2022/23, overall College satisfaction stood at 96%, 5% above target, with 93% of students replying to the College's 'satisfaction survey' report stating that they felt their course had prepared them with the appropriate knowledge and skills for the workplace (a 4% improvement). A key point in the College's Action Plan following the Education Scotland Progress visit in December 2022 was to increase the numbers of participants in the survey, which was achieved in line with the sector average (a 25% improvement).

The Covid-19 pandemic necessitated the rapid movement of the curriculum into a fully developed remote learning and teaching environment. This accelerated the progress in the College's published Digital Strategy and wider ambitions; leading to increased accessibility and greater opportunities for new learning during 2022/23. A new professional learning webpage was developed in 2022 to reflect this activity.

Improved support to increase progression to university

Edinburgh College has one of the highest proportions of articulating students in Scotland. In 2021/22 (latest data), 57.6% of students progressing or articulating to university did so with advanced standing, 2.6% below target. This lower progression is related to the cost of living crisis, although students who planned to progress locally did so as expected. The College's commitment to articulation continues - especially for learners from the most deprived data zones and associated degree routes. This is reflected in the mapping of the learner journey from SCP provision to articulating university courses.

Student Destination

97% of students' known destinations from both FE and HE courses were positive in 2022/23 (the most recent evidence available). In 2021/22, the figure was 96%.

Analysis of Achievement:

KPI	2022/23	2021/22	2020/21
The percentage of enrolled students achieving a recognised qualification	Actual (at 31 July)	Actual (at 31 July)	Actual (at 31 July)
Full-time FE	57.2%	60.6%	57.5%
Full-time HE	55.4%	64.8%	72.0%
Part-time HE	75.7%	80.8%	78.5%
Part-time FE	69.0%	75%	68.7%

The table above shows that the percentage of enrolled students achieving a recognised qualification has been adversely affected by EIS-FELA (the lecturers' union) action short of strike in 2023 and figures are currently unreliable due to un-resulted units in September 2023. The College will continue to measure further progress in improving the learner outcomes in teaching and student assessments. The response to improvements were realised in 2022/23 following the Education Scotland Progress visit which took place in December 2021 around the key themes of: curriculum; learning teaching and assessment; services to support learning; learner engagement; evaluation to facilitate improvement and learner progress and outcomes.

The College received a satisfactory grading in June 2023 (the best possible) and is developing an action plan based on Education Scotland's key recommendations which is being monitored at the Board's Learning, Teaching and Student Experience Committee.

Estate and Infrastructure Strategy

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

The strategic aims of the Estates teams are as follows:

- Ensuring that teaching and the needs of students shape the estate strategy.
- Developing a more environmentally sustainable estate.
- Ensuring a high quality, well run, cost efficient and well-maintained estate which increases the potential to generate more income.
- Exploring flexible learning and teaching options for the estate, aligned to curriculum planning.
- Exploring opportunities for collaboration, shared services and potential co-location.
- Aligning Digital and Curriculum strategies to improve future planning decisions.

The College will align its strategy with the College Sector Infrastructure Strategy which is the approach to delivering Scotland's college Infrastructure Investment Plan (CIS) as published in November 2022. The report describes the Scottish Funding Council's approach to investment in Scotland's college estate and other infrastructure, setting out a collective approach between the SFC and colleges to develop an Infrastructure Investment Plan for Scotland's colleges covering the period from 2024 – 34. The plan will identify future infrastructure investment, including investment for net zero, training equipment and digital, needed for a sustainable college estate to deliver the desired outcomes for students, staff, and their communities.

The College ensures that capital expenditure priorities adhere to the 2017 SFC Condition Survey Report, and that other capital receipts are spent in accordance with funding criteria.

In 2022/23, projects included the upgrading and refurbishment of College buildings. The most significant works have been at Granton Campus where replacement air conditioning units have been installed to the theatre to ensure the environment is fit for purpose for student, staff and third-party hirers. Other key works included a phase 1 of a new boiler installation at the Milton Road Club building. Outside of these critical works, general upgrades have also been applied to LED lighting, flooring works, roofing and roller shutters throughout the main campus buildings.

The College continued to improve the estate condition through regular repair and maintenance, and spending wisely to improve its sustainability credentials. There were new and upgraded energy efficiency measures installed across all campuses and improved security of buildings for staff, students and stakeholders in the form of upgraded CCTV. Health and safety is a key priority with the onsite team completing key deliverables in the year which included upgrades to fire doors. Regular health and safety meetings are held across each campus giving staff, unions and students the opportunity to highlight any potential issues or concerns to management. Improved procedures and guidance were made available to all staff and students this year.

During 2022/23, there was continued investment in the College's IT core infrastructure and systems, including the purchase of new laptops. The College continues to modernise and upgrade its campus networks to incorporate modern control architecture to better provide the policies, automation and analytics required to adapt to change, simplify and scale operations, and to protect against threats.

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

Sustainability Report 2022/23

Environmental Sustainability Strategy

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

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

Report on progress made during session 2022/23

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

The College held its second Sustainable Education Week in October 2022, with increased participation from staff and students across all campuses. It has now become an annual fixture in the College calendar.

Edinburgh College Students' Association (ECSA) continued to deliver a number of key legacy projects from its Climate Challenge-funded Go Green project. Despite funding ceasing, the community fridges continued to provide free food from local supermarkets to students and staff, providing a lifeline in the current cost of living crisis as well as helping to reduce food waste. Over the last year, more than 7.5 tonnes of food has been distributed. Swapshops also continue to run with books, clothing and household items available to all with approximately 3.5 tonnes having been distributed in the past year.

The work of ECSA was highly commended at the 2022 Green Gown awards and was part of a joint application with the College at the College Development Network Awards 2022 for engaging students with sustainability.

Cycling Scotland provided funding for a one-year Campus Cycling Officer. Activities including a Spring into Cycling week and the College achieved the Cycle Friendly Campus award for two of its campuses.

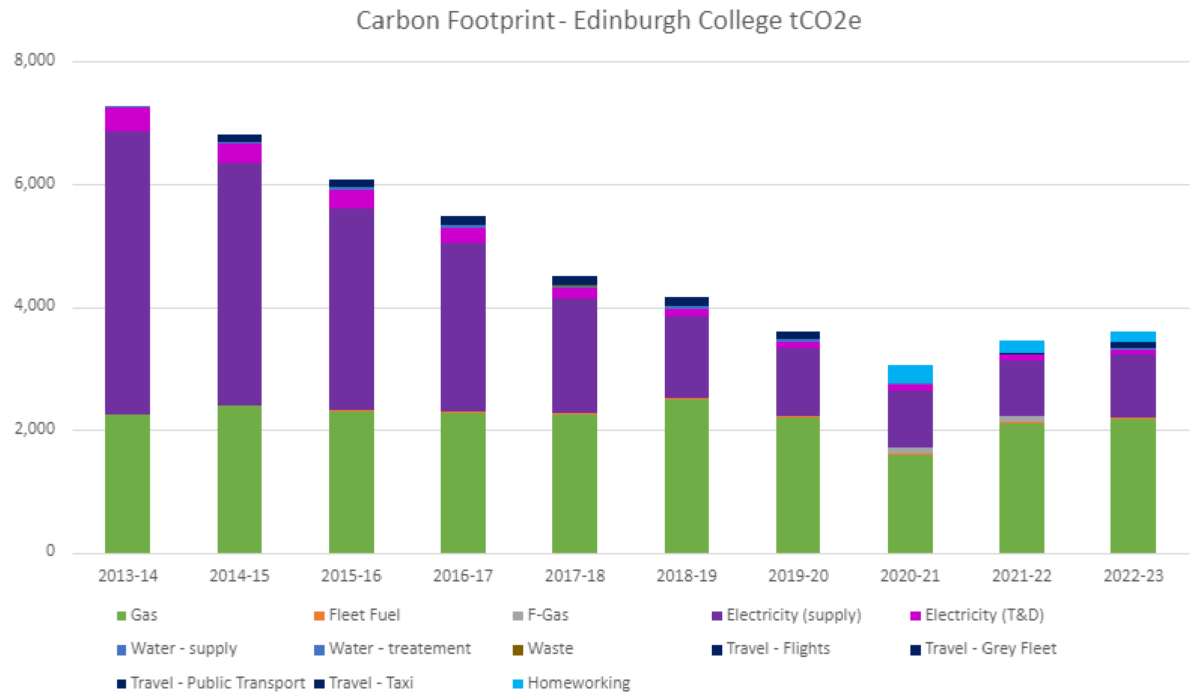
The College continues to work with a range of partners at national and community level including:

- Membership of the Environmental Association of Universities and Colleges, chairing the Community Engagement and Smaller Institutions groups.
- Active participants on the College Development Network's Climate Emergency Experts Group.
- Extensive partnering with the City of Edinburgh Council on helping to deliver its 2030 Climate Change strategy including the Carbon Compact who comprise a group of the City's leading employers.

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

Operational Carbon Emissions

For the year 2022/23 the College's Operational Carbon Footprint is 3,607 tCO2e which is a 50% reduction in emissions from the baseline. This is a 3% increase in emissions from 2021/22 and is mainly the result of the following factors: a continuing increase in on-campus activity post-Covid-19; a rise in the electricity emissions factor and a change to the homeworking methodology.



Maintaining the level of carbon reduction and achieving future targets will be extremely challenging. Addressing the emissions associated with heating, which is primarily from natural gas will be the hardest to decarbonize. However, the College continues to work with the Scottish Government's Non-Domestic Energy Efficiency (NDEE) procurement framework to invest in further efficiencies in the College estate. This includes exploring the options for heat pumps and photovoltaics at Midlothian Campus. Another major project is working with the City of Edinburgh Council to explore using low carbon district heating systems at campuses.

Whilst the College will make every effort to reduce its carbon emissions, it seems likely that some level of carbon sequestration (offsets and insets) will be required to meet Net Zero. As part of the Environmental Sustainability Strategy refresh in 2024 the College will look to develop a suitable sequestration policy, taking note of advice from the Scottish Government and peers to ensure the policy meets ethical and quality standards.

Supply Chain Emissions

In line with Scottish Government recommendations the College published its supply chain emissions for the first time in 2021/22. These 4,766 tCO2e (additional to the operational footprint) result from the emissions generated by the College's supply chain. Whilst the methodology is recognised as relatively poor, the Scottish Government considers it important that organisations report their carbon footprint in its entirety and that publishing now will also help to improve the methodology. In order to address these emissions, the College is developing a Supply Chain emissions reduction plan working up to 2030 in partnership with 'Advanced Procurement for Universities and Colleges'.

Financial Review

Edinburgh College has now emerged from the majority of significant pressures that were brought about by Covid-19 and is now focused on expanding commercial and international income streams whilst delivering lower operational costs, where possible. In view of the flat cash funding settlement from the Scottish Government, the College identified a requirement for an additional £4.2m income or cost savings in order to maintain financial sustainability over the three year period to 2025/26. During the year, the College spent £1.3m on staff voluntary severance, however, through robust financial planning and management, the College's Adjusted Operating Position shows a small deficit of £0.1m for the year (which is in line with the 2021/22 figure).

The Statement of Comprehensive Income shows a deficit of £3.0m for the year compared to a 2021/22 deficit of £8.1m. The income and expenditure figures in the table below are adjusted for exceptional staff and pension costs that are included in the deficit for the year. Prior to these adjustments the income and expenditure result showed a negative movement of £1.9m (deficit of £1.5m compared to the 2021/22 surplus of £0.4m).

The income and expenditure position is summarised below:

	2022/23 £m	2021/22 £m
Income	73.7	72.0
Expenditure	(75.2)	(71.6)
Deficit for the year before exceptional items	(1.5)	0.4
Exceptional staff costs	(1.3)	(1.6)
Annual leave provision movement	0.2	0.1
FRS 102 Pension costs (actuarial revaluation)	(0.6)	(7.5)
Early retirement revaluation	0.2	0.5
Deficit for the year	(3.0)	(8.1)
Actuarial (loss)/gain on pension	(13.5)	75.9
Revaluation of buildings in the year	5.0	15.6
Total comprehensive income for the year	(11.5)	83.4

Income

Income of £73.7m is higher by £1.7m in comparison to 2021/22 (£72m) driven by other operating income, which increased by £1.8m as commercial and international income returned to pre Covid-19 levels. These increases however were offset by the Scottish Funding Council recurrent and other non-recurring grants decreasing by £0.5m and tuition fees and education contracts decreasing by £0.6m. There was no Covid-19 related Job Retention Scheme income reported in year due to its cessation.

Expenditure

Expenditure at £75.2m is higher by £3.6m in comparison to 2021/22 (£71.6m). This was mainly driven by other operating expenses which were £2.6m higher than 2021/22 as a result of increased spend on small capital items as well as higher spend in areas associated with a return to pre Covid-19 levels of activity (including heat and light, general maintenance, travel, overseas agents commission and catering).

Balance Sheet

Fixed assets at the year-end total £179.4m, a net increase of £0.7m compared to the prior year (£178.7m). This is the result of a valuation exercise resulting in the indexation on land and buildings at 31 July 2023 increasing by £5.0m, and depreciation charges of £6.1m during the year being offset by additions of £1.8m, consisting mainly of the SFC funded high priority backlog maintenance projects and IT spend in the year.

Net current liabilities increased by £0.2m as the result of a higher increase in creditors due within one year than the increase in debtors at the year end.

At 31 July 2023, the College had an accumulated surplus of £91.8m (2021/22: £67.3m surplus) on its Income and Expenditure Account, and in complying with FRS102 s28 (Retirement Benefits) the pension asset is a net position of £0 down from an asset of £14m in 2021/22 (driven by the introduction of an asset ceiling cap as explained in Note 24 to the accounts) with corresponding movements in the Income and Expenditure Account reserve. There is an underlying gain in the pension asset valuation for 2022/23 due to an increase in the discount rate from 3.5% to 5.05%.

Cash Flow

There was a net cash inflow of £0.2m (2021/22: £0.2m). At 31 July 2023 the College held cash and deposits of £5.7m (2021/22: £5.5m), of which £0.9m (2021/22: £0.9m) related to student support funds. These are managed in accordance with the College's Financial Regulations and SFC's funding guidance. The College held long-term debt of £7.8m (2021/22: £8.4m) which is attributable to the Milton Road and Midlothian campuses redevelopment in 2009/10.

The College Estate and Capital Resources

The College has capital assets of £179.6m (£172.2m related to the estate), and in 2022/23 received capital funds of £3.7m (2021/22: £3.5m) to maintain its estate, IT infrastructure and systems. The College has underpinned this capital investment with net recurring expenditure of approximately £6.4m (2021/22: £4.7m) to cover the operating costs of the estate.

Cash Budget for priorities

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

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

Table of cash budget for priorities spend	2022/23 £'000	2021/22 £'000
Revenue priorities		
Pay award	874	874
Estates costs	832	861
Total impact on operating position	1,706	1,735
Capital priorities		
Loan repayments	567	541
Payments against provisions pre-1 April 2014	274	271
Total Capital	841	812
Total cash budget for priorities (CBP) spend	2,547	2,547

Adjusted Operating Position

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

	2022/23 £'000	2021/22 £'000
Deficit before other gains and losses	(3,003)	(8,081)
ADD BACK:		
▪ Depreciation (net of deferred capital grant release) on both government funded and privately funded assets (Note a)	3,271	2,834
▪ Pension adjustment – Net service cost (Note b)	1,418	6,709
▪ Pension adjustment - Net interest (income)/cost (Note c)	(849)	750
▪ Non-cash pension adjustment – Early retirement provision year-end valuation charged to SOCI (Note d)	(161)	(489)
▪ Non-cash pension adjustment – Early retirement provision interest (Note d)	102	58
▪ Non-cash provision adjustment – Others (note e)	-	(1,103)
DEDUCT:		
▪ CBP allocated to loan repayments and other capital items (Note f)	(841)	(812)
Adjusted operating (deficit)/surplus	(63)	(134)

The adjusted operating deficit above for 2022/23 is 0.08% of the College's £75.2m operating expenditure as noted in the income and expenditure summary above. Through the regular forecast reporting process, the SFC was aware that the College was likely to report a deficit position, and has not indicated any concerns and has offered liquidity support if required. The SFC acknowledges that having unfunded voluntary severance and, cost of living pay awards, will incur additional expenditure which will affect the College's adjusted operating position.

Explanation for adjusting items:

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

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

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

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

Note e:
The Non-cash provision adjustment – Others, relates to the removal of the Granton accommodation provision during 2021/22.

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

Creditor Payment Policy

It is the College's policy to agree payments with its suppliers in advance and to make payment, where practicable, in accordance with those terms, subject to satisfactory performance by the supplier. Where necessary, suppliers are made aware of the terms of payment. The College adheres to "The Better Payment Practice Code". The average number of creditor days for 2022/23 was 6 days (2021/22: 13 days). The decrease relates to the timing of the year end and a payment run just before the year end. There was no interest paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Audrey Cumberford

Audrey Cumberford MBE FRSE
Principal and Chief Executive
12 December 2023

ACCOUNTABILITY REPORT

Corporate Governance Report

Directors' Report

The membership of the Board of Management during the year to 31 July 2023 is outlined at page 20-23 and includes all members who served for part or the whole of the reporting period. The respective Register of Interests for these members is available on the College website.

The Board complies with the refreshed 2022 Code of Good Governance for Scotland's Colleges ('the Code') as developed and owned by the College sector. Further to this, the Board has adopted and operates under the model code of conduct developed by the Standards Commission. There has been no requirement during the year to report any personal data-related incidents to the Information Commissioner's Office.

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

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

The Executive team comprises:

Audrey Cumberford - Principal and Chief Executive

Alan Williamson - Chief Operating Officer

Jon Buglass - Vice Principal, Innovation, Planning and Performance

Michael Jeffrey - Vice Principal, Corporate Development

Jonny Pearson - Vice Principal, Education and Skills

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

Statement of the Board of Management's Responsibilities

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

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

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

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

Corporate Governance Statement

Introduction

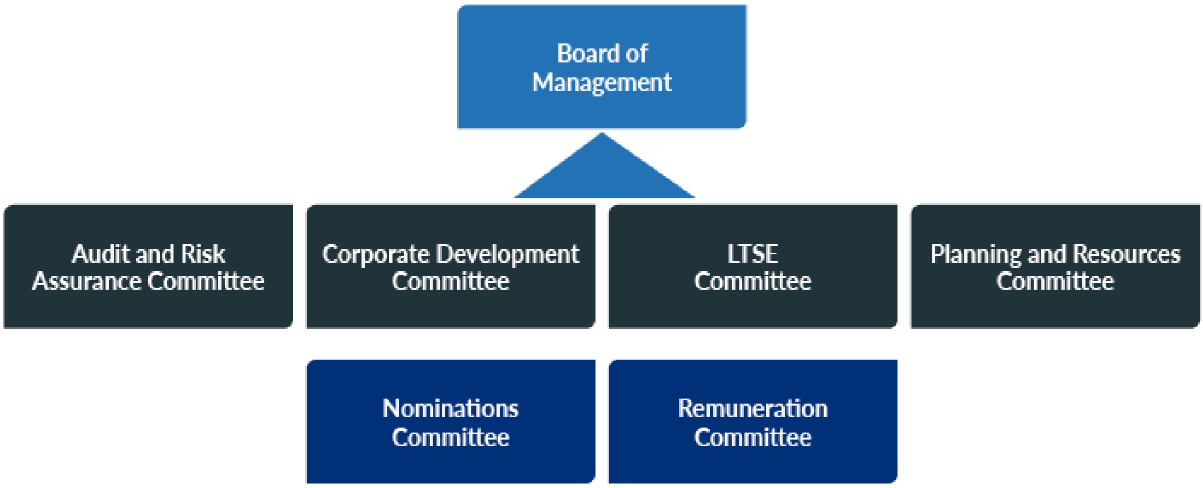
The College is committed to complying with best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles of the Code of Conduct for Members of the Board of Management of Edinburgh College, and the 2022 Code of Good Governance for Scotland's Colleges. It is a condition of the Financial Memorandum that Edinburgh College meets the principles of good governance set out in the Code of Good Governance for Scotland's Colleges.

Governance Framework

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

All committees operate under the authority of, and with terms of reference approved by, the Board. Meetings of the Board and its committees are conducted in accordance with the Standing Orders and Scheme of Delegation approved by the Board on 15 June 2021, and minutes of these meetings are published on the College's website. To support the orderly and effective conduct of virtual and hybrid meetings of the Board and its committees, an annex to the Standing Orders was also approved by the Board on 15 June 2021.

Fig 1: Edinburgh College Board and committee structure.



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

Audit and Risk Assurance Committee

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

The Audit and Risk Assurance Committee met four times in 2022/23. The Committee comprises three non-executive members and three co-opted independent members. During the year, the College maintained three non-executive members with relevant financial experience. As a result of experienced non-executive members leaving towards the end of the year, a successful recruitment drive concluded on 1 March 2023 with the appointment of two new members with appropriate financial experience.

The College's internal auditors were represented at all meetings. The College's internal auditors regularly present the findings from internal audits and monitor implementation of agreed management actions in response to these audits. A representative from the College's external auditor (Audit Scotland) attended the first two meetings of the Audit and Risk Assurance Committee in 2023/24, whilst a representative from the incoming external auditor team (Mazars) attended a meeting held on 24 May 2023.

The Chair of the Board and Principal and Chief Executive attend meetings annually but are not members of the Committee. Committee members meet with auditors without members of the College Executive present for part of a meeting at least once per year.

Corporate Development Committee

The remit of the Corporate Development Committee is to oversee commercial and international development, communications, marketing, and external engagement, and to foster constructive relationships with external stakeholders including community planning partners. To ensure that the College fulfils its statutory obligations under the Community Empowerment (Scotland) Act 2015, the Committee receives a 'Relationships Report' at each of its meetings, throughout the year, which outlines the wide-ranging activity undertaken with community planning partners and partners' progress against their local outcome improvement plans.

The Corporate Development Committee met four times in 2022/23. The Committee comprises three non-executive board members, a support staff member, a student member, and a co-opted member.

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

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

The LTSE Committee met four times in 2022/23. The Committee includes lecturing staff and student board members alongside three non-executive members, and an extended co-opted membership of staff and students.

Nominations Committee

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

In all such activities, the Nominations Committee, on behalf of the Board, seeks to uphold the Equality and Diversity Policy of Edinburgh College, which reflects equality legislation and best practice. While recommendations for appointment are made wholly based on merit, the Board's guiding principle is to advance equality of opportunity, and vacancies are advertised widely to encourage applications from under-represented groups. With regards to gender balance, on 31 July 2023 the Board comprised 61% female and 39% male.

The Nominations Committee meets as required and not less than once per year. In 2022/23 it met on two occasions. The Committee is chaired by the Chair of the Board.

Planning and Resources Committee

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

Further to this, the Committee oversees and reports to the Board on the implementation of the Edinburgh College Strategic Plan and the sub-strategies within its remit.

The Planning and Resources Committee met four times during 2022/23. The Committee is chaired by the Vice Chair of the Board.

Remuneration Committee

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

Board of Management

Membership

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

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

Nora Senior CBE was appointed as Chair of the Edinburgh College Board of Management by the Scottish Government, through an open public appointments process, on 4 July 2022.

Ann Landels, a Non-Executive Board Member, fulfilled the role of Vice Chair until 13 December 2022. The Board agreed that Alex Killick would assume the role of Vice Chair from 14 December 2022 until the end of his tenure as a Non-Executive Member.

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

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

Board Member	Status of appointment	New appointment during the year and subsequently, up to the date of signing of accounts	Month of departure from the Board during the year and subsequently, up to the date of signing of the accounts
Nora Senior CBE	Regional Chair		
Audrey Cumberford	Principal and Chief Executive		
Bruce Cassidy	Staff Representative (Support)		
Sue Cook	Industry, Commerce or Public Sector Representative	01/03/2023	
Stewart Darling	Industry, Commerce or Public Sector Representative		
Fiona Doring	Industry, Commerce or Public Sector Representative		
Lesley Drummond	Industry, Commerce or Public Sector Representative		28/02/2023
Becky Duff	Industry, Commerce or Public Sector Representative		
David Elder	President of Edinburgh College Students' Association		30/06/2023
Daniel Holland	Staff Representative (Lecturing)	07/10/2022	
Janyce Holmes	Industry, Commerce or Public Sector Representative		30/09/2022
Alex Killick	Industry, Commerce or Public Sector Representative		
Ross Laird	Industry, Commerce or Public Sector Representative		
Ann Landels	Industry, Commerce or Public Sector Representative		09/02/2023
Skye Marriner	President of Edinburgh College Students' Association*		
Luna Morrison	Vice President of Edinburgh College Students' Association	01/07/2023	
Kerry McCormack	Industry, Commerce or Public Sector Representative		
Liz McIntyre	Industry, Commerce or Public Sector Representative	01/03/2023	
Ian McLaughan	Industry, Commerce or Public Sector Representative		

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
Gwen Raez	Industry, Commerce or Public Sector Representative		
Eleanor Sim	Industry, Commerce or Public Sector Representative	01/03/2023	
Jeanette Stevenson	Industry, Commerce or Public Sector Representative		28/02/2023
Bill Troup	Industry, Commerce or Public Sector Representative	01/03/2023	

* Skye Marriner was previously the Vice President of Edinburgh College Students' Association from 01/06/2022 to 30/06/2023.

Professional Advisors: Internal Auditor: BDO, Edinburgh

Bankers: Royal Bank of Scotland, Edinburgh

Solicitors: Anderson Strathern LLP, Edinburgh

External Auditor: Mazars

Michael Speight (Mazars) is appointed under the Public Finance and Accountability (Scotland) Act 2000 to carry out the external audit of Edinburgh College.

Committees

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

	LTSE Committee	Audit and Risk Assurance	Corporate Development	Nominations	Planning and Resources	Remuneration
Member from start of period to 9 February 2023						
Ann Landels			✓	✓	✓	
Member from start of period to 28 February 2023						
Lesley Drummond		✓	✓	✓	✓	
Jeanette Stevenson	✓			✓	✓	
Member from start of period to 30 June 2023						
David Elder	✓			✓	✓	
Member from start of period to Present						
Bruce Cassidy			✓	✓		
Audrey Cumberford	✓					
Stewart Darling		✓	✓			
Fiona Doring			✓	✓		
Becky Duff	✓			✓		
Alex Killick				✓	✓	✓
Ross Laird	✓				✓	✓
Skye Marriner	✓		✓			✓
Kerry McCormack	✓	✓				
Ian McLaughlan		✓			✓	✓
Gwen Raez			✓			✓

Nora Senior					✓	
Kerry McCormack	✓	✓				
Member from 1 March 2023 to Present						
Sue Cook		✓			✓	
Elizabeth McIntyre	✓					
Eleanor Sim	✓					
Bill Troup		✓				
Member from 1 July 2023 to Present						
Luna Morrison	✓			✓	✓	

The non-Board membership of the LTSE Committee, at the start of the academic year 2022/23, was as follows: Hunia Arshad, Annette Chapman, Lorraine Farquharson, Luna Morrison, Carole Paterson, and Ryan Quinn.

Ian Doig (Industry, Commerce or Public Sector Representative) was a co-opted member of the Audit and Risk Assurance Committee during the academic year 2022/23. Mr. Doig's tenure as a co-opted independent member ended on 31 July 2023, following seven years of service to the Audit and Risk Assurance Committee. Kenneth Brooker and Peter Burns (Industry, Commerce or Public Sector Representatives) were both co-opted to the Audit and Risk Assurance Committee on 22 February 2023 for an initial term of one-year ending on 31 July 2024.

Kirsty McKenzie (Industry, Commerce or Public Sector Representative) was co-opted to the Corporate Development Committee on 28 March 2023, for an initial term of one-year ending on 31 July 2024.

In furtherance of the action relating to good governance and partnership working, representatives from EIS-FELA and UNISON were invited to attend all meetings of the Board of Management in the academic year 2022/23.

Meetings and Attendance

The Board met four times between 1 August 2022 and 31 July 2023, with a further 19 meetings of the various committees of the Board also taking place within this period.

Within the academic year 2022/23, the Board and its committees continued to operate within the remit of its Standing Orders and associated terms of reference. All Board and committee meetings held in the period were quorate, except for the Corporate Development Committee on 28 February 2023.

Overall attendance at Board and committee meetings remained high at 86% (an increase of 7% from the previous academic year), despite the return to in-person Board meetings following the Covid-19 pandemic. Attendance across the Board and its committees throughout 2022/23 was as follows:

- Board of Management 90% (2021/22: 95%)
- LTSE Committee 85% (2021/22: 95%)
- Audit and Risk Assurance Committee 83% (2021/22: 87%)
- Corporate Development Committee 74% (2021/22: 94%)
- Nominations Committee 93% (2021/22: 86%)
- Planning and Resources Committee 81% (2021/22: 100%)
- Remuneration Committee 100% (2021/22: 88%)

Induction and Development

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

Evaluation

The Board undergoes a robust evaluation process at the end of each academic year. This included individual review meetings with the Chair of the Board, committee operational reviews and a review of the Chair's performance led by the Vice Chair as senior independent director. The Vice Chair's report on the Chair's performance was presented to the Board on 13 June 2023.

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

The outcome of the self-evaluation process was very positive and several actions were agreed to enhance the operation of the Board, including the review of the Board paper template and associated guidance to ensure documentation was concise and key risk/mitigations were appropriately highlighted.

The Board, at each of its meetings in 2022/23, continued to monitor progress against recommendations arising from the 2019 Board Effectiveness Review through its Improvement Plan. In addition to the normal Board and committee cycle, two Board Strategy sessions and two Board Development sessions were held in the academic year 2022/23.

Risk Management

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

The Audit and Risk Assurance Committee receives regular reports from the College's internal Risk Management and Assurance Group. This group reviews internal controls and assurances through its 'three lines of defence' framework, reviews the College's operational risks and proposes updates to the Top-Level Risk Register. Any proposed changes to the Top-Level Risk Register are highlighted and discussed by the Audit and Risk Assurance Committee, prior to a Summary Top-Level Risk Register being presented to the Board of Management. Directors and Assistant Principals of departments/faculties are invited to attend this committee to provide a statement on risk assurance and risk mitigation in relation to their areas of responsibility.

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

The Audit and Risk Assurance Committee has also undertaken a series of risk 'deep dives' throughout the academic year 2022/23. These focused on cyber-security, data-breach incidents, and retention, recruitment and enrolment.

The Risk Management and Assurance Framework is overseen by the College's Risk Management and Assurance Group (RMAG), which reports to the Audit and Risk Assurance Committee. This group meets four times per year to review the Top-Level Risk Register, and a rolling review programme of operational risk registers.

The Board of Management is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that have been in place for the period up to the date of approval of these financial statements which accords with good practice as outlined in the 2018 UK Corporate Governance Code. This process is regularly reviewed by the Board of Management.

Statement on Internal Control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the College's policies, aims and objectives, to evaluate the likelihood of those risks occurring and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2023, and up to the date of approval of the annual report and financial statements.

The following 2022/23 internal audit reports have been reviewed by the Audit and Risk Assurance Committee in the financial year to 31 July 2023:

Audit	Overall Conclusion	Grading of Recommendations
Complaints Management	Moderate	2 Moderate risk exposure; 2 Low risk exposure
Freedom of Information	Substantial	1 Low risk exposure
Staff Wellbeing	Moderate	4 Moderate risk exposure; 4 Low risk exposure
Sustainability	Moderate	2 Moderate risk exposure; 6 Low risk exposure

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

The risk and control framework

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

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

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

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

Review of Effectiveness

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

- the work of the internal auditor. The conclusion in their annual report was to provide Edinburgh College with reasonable assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2022/23. Edinburgh College has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks.
- the work of the Executive team and senior managers within the College who have responsibility for the development and maintenance of the internal control framework and annual assurance statements.
- comments and recommendations made by the College's external auditor.
- the College's Risk Management Assurance Group.

The Principal and Chief Executive has been advised on the implications of the result of the review of the effectiveness of the systems of internal control by the Audit and Risk Assurance Committee which oversees the work of the internal auditor, and associated plans to address weaknesses to ensure continuous improvement of the control systems in place. Based on these assurances, the Principal and Chief Executive can confirm that sound systems of governance, risk management and assurance, and internal controls are consistent with the requirements of the SPFM and the SFC's accounts direction which have operated for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts.

The Executive team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the College's faculties and departments. The Executive team and Audit and Risk Assurance Committee also receive regular reports from internal audit, which include management recommendations for improvement. The Audit and Risk Assurance Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The Board of Management's agenda includes a standing item for consideration of the College's risks and controls, and it receives reports thereon from the Executive team and the Audit and Risk Assurance Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Board met on 12 December 2023 and approved the year-end financial statements, taking account of Audit and Risk Assurance Committee recommendations and the external auditor's report.

Internal Control Statement

In four out of six areas tested in year, the internal auditor has expressed the opinion that the risk management activities and controls were found to be suitably designed to achieve the specific risk management, control, governance and value for money arrangements. Additionally, based on their verification reviews and sample testing, the risk management, control, and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control, governance and value for money objectives were achieved for the period under review. In the other two areas, further work was identified and will be followed up on to achieve this same level of assurance.

Going Concern

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

The College meets its day-to-day and medium to long-term funding requirements through a combination of cash draw-down from the SFC and income generated from commercial and international activities. The College has a term loan provided by its bankers and under the terms of the loan agreement the College must meet certain financial covenants which were met during 2022/23. In the academic year 2022/23, the Board of Management approved a new Edinburgh College Strategic Plan which outlines key strategic priorities beyond 2023.

The Board of Management recognises that the most significant risk to the College relates to financial sustainability and the College's ability to manage its activities and deliver its outcomes within the current funding environment. The College concluded a staff voluntary severance scheme during the year in which it delivered further efficiency savings of £2.5m to enable it to operate within its reduced funding level. The College is planning for growth in recurring alternative income (non-SFC) to mitigate future pay and funding pressures. The Key Issues and Risks section of the Performance Report on page 8 outlines the College's top risks (which includes financial sustainability) and mitigation plans.

Funding allocations are confirmed by the SFC on an annual basis and the 2023/24 allocation has been agreed. The College continues to provide three to five-year financial forecasts to the SFC annually or as required.

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

Compliance with the 2022 Code of Good Governance for Scotland's Colleges

The Edinburgh College Board of Management complies with all the principles of the 2022 Code of Good Governance for Scotland's Colleges, and has complied throughout the year ended 31 July 2023.

Conclusion

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

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

Based on the information above, it is the opinion of the Principal and Chief Executive and the Board of Management that there was an ongoing process for identifying, evaluating and managing the College's significant risks, and that it had been in place for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts.

Approved by order of the members of the Board of Management on 12 December 2023.

REMUNERATION AND STAFF REPORT

Remuneration Policy

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

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

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

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

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

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

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

Name	Year ended 31 July 2023			Year ended 31 July 2022		
	Salary	Pension Benefit	Total	Salary	Pension Benefit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Nora Senior, Chair of the Board of Management	20 - 25		20 - 25	0 - 5	-	0 - 5
Audrey Cumberford, Principal and Chief Executive*	150 - 155	-	150 - 155	150 - 155	0 – 2.5	150 - 155
Alan Williamson, Chief Operating Officer**	100 - 105	15 - 20	120 - 125	95 - 100	-	95 - 100
Jonny Pearson, Vice Principal*	90 - 95	-	90 - 95	85 - 90	30 - 35	115 - 120
Jon Buglass, Vice Principal*	90 - 95	-	90 - 95	85 - 90	35 - 40	120 - 125
Michael Jeffrey, Vice Principal*	90 - 95	-	90 - 95	85 - 90	20 - 25	105 - 110

* The pension benefit for Audrey Cumberford, Jonny Pearson, Jon Buglass and Michael Jeffrey for the year ended 31 July 2023 is noted as £nil per actuarial valuation. These figures would have been shown as negative due to inflation being higher than any pay increases.

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

There were no performance related payments or bonuses paid in the year (2021/22: £nil).
There were no benefits in kind or non-cash benefits paid in the year (2021/22: £nil).
Board members not listed above received no remuneration.
The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

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

Board Member Remuneration

The Regional Chair is entitled to receive remuneration in accordance with instruction from Scottish Government. There is no remuneration for non-executive director posts on the Board of Management. Expenses incurred are paid as a result of carrying out the duties of the appointment including reasonable travel and subsistence.

Accrued Pension Benefits

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

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

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

Contribution rates are set annually for all employees, and depend on the salary of the employee. There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on final pensionable pay to 31 March 2015, career average earnings from 1 April 2015, and years of pensionable service.

Senior Officials' Pension – audited

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

	Accrued pension and related lump sum at pension age at 31 July 2023	Real increase in pension and related lump sum 1 August 2022 to 31 July 2023	Cash equivalent transfer value at 31 July 2023	Cash equivalent transfer value at 31 July 2022	Real increase in cash equivalent transfer value
	£'000	£'000	£'000	£'000	£'000
Audrey Cumberford MBE FRSE					
Pension	50 – 55	(0 – 2.5)			
Related lump sum	145 - 150	(10 - 15)			
Transfer value			1,210	1,121	(46)
Alan Williamson					
Pension	50 – 55	(0 – 2.5)			
Related lump sum	75 - 80	(2.5 – 5)			
Transfer value			1,186	1,044	61
Jonny Pearson					
Pension	25 – 30	0 – 2.5			
Related lump sum	75 - 80	(2.5 – 5)			
Transfer value			597	515	-
Jon Buglass					
Pension	30 – 35	(0 – 2.5)			
Related lump sum	85 - 90	(5 – 7.5)			
Transfer value			579	579	(4)
Michael Jeffrey					
Pension	20 - 25	0 – 2.5			
Related lump sum	-	-			
Transfer value			182	182	7

Cash Equivalent Transfer Value

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

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total relevant service and not just their current appointment.

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

- The figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
- The accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

Real increase in CETV

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

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

Compensation for Loss of Office - audited

Forty-seven employees left the College under voluntary severance arrangements and one under compulsory redundancy during the year. They received compensation payments totaling £1,289k. There was no cost to the College relating to strain costs in pensions (as required under the scheme rules) in the year.

The table below summarises the exit packages by cost band:

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages (audited) by cost band
<£10,000	-	1	1
£10,000 - £25,000	1	17	18
£25,000 - £50,000	-	29	29
£50,000 - £100,000	-	-	-
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
Total number of exit packages	1	47	48
Total Cost (£'000)	11	1,278	1,289

Fair Pay – Pay Multiples

	2022/23	2021/22	Change %
Range of workforce remuneration	£21,444 to £154,000	£18,216 to £152,000	17.7 to 1.3
Highest paid official remuneration	154,000	152,000	1.3
Median (total pay and benefits)	37,170	38,256	-2.8
Median (salary only)	37,170	38,256	-2.8
Ratio	**4.1:1**	**4.0:1**	
25th percentile (total pay and benefits)	28,013	26,013	7.7
25th percentile (salary only)	28,013	26,013	7.7
Ratio	**5.5:1**	**5.8:1**	
75th percentile (total pay and benefits)	45,357	43,357	4.6
75th percentile (salary only)	45,357	43,357	4.6
Ratio	**3.4:1**	**3.5:1**	

All Edinburgh College staff have been offered a £2k per FTE cost of living increase as at 1 September 2022, this has not been agreed by the national bargaining teams but has been accrued at the year-end against all staff. This increase ranged from 1.3% to 10.0% depending on pay level. The reason for the negative movements in the median relates to the agency staff rates in 2022/23, agency workers are paid different rates to Edinburgh College staff.

Staff Profile

At 31 July the College employed 442 male members of staff and 608 female members of staff.

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

The proportion of staff sickness absence during 2022/23 was 4.7% (2021/22: 3.1%).

Staff turnover (inclusive of all leavers regardless of circumstance) for 2022/23 was 20.2% (2021/22: 11.7%).

Salaries and Related costs – audited

	2022/23 Directly employed staff on permanent UK contracts £'000	2022/23 Other staff including short term contract, seconded and agency staff £'000	2022/23 Total £'000	2021/22 Total £'000
Wages and salaries	37,931	260	38,191	38,498
Social security costs	3,948	2	3,948	3,980
Other pension costs	7,833	5	7,838	7,889
Total	49,712	267	49,979	50,367
Average number of FTE	950	7	957	1,014

The split of directly employed staff is 58% female and 42% male and other staff is 65% female and 35% male.

Trade Union relationships

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

Facility time

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the College provided the following support through paid facility time for union officials working at the College for the Government reporting period from 1 April 2022 to 31 March 2023.

Relevant union officials	
Number of employees who were relevant union officials during the relevant period:	Full-time equivalent employee number:
18	15

Percentage of time spent on facility time	
Percentage:	Number of employees:
0%	-
1%-50%	16
51%-99%	2
100%	-

Percentage of pay bill spent on facility time	
Total cost of facility time:	£0.1m
Total pay bill:	£51m
Percentage of the total pay bill spent on facility time:	0.2%

Paid trade union activities	
Estimated time spent on trade union activities as a percentage of total paid facility time hours:	43%

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

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

Health and Safety

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

Disability policy

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

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

Monitoring

Performance reports relating to health and safety, staff turnover, sickness absence, recruitment and Equality Diversity and Inclusion monitoring, are regularly reviewed and monitored. Reports on staffing establishment and post occupancy are shared with managers on a monthly basis.

Equality and Diversity Policy

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

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

As part of the College's Public Sector Equality Duty, every two years we report on our progress in achieving our equality aims, and every four years we develop a new set of Equality Outcomes. Our most recent report was in April 2023, when we published an Equality Report covering:

- Progress towards the achievement of our Equality Outcomes 2021/22 which set out where we want to be in terms of eliminating discrimination, advancing equality of opportunity, and fostering good relations between people of different groups.
- Progress made in achieving our previous Equality Outcomes.
- Progress made towards integrating equality into the day-to-day working of the College.
- Gender pay gap information.
- Ethnicity pay gap information.

Career management and employability

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

Employee Participation and Development

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

Audrey Cumberford

Audrey Cumberford MBE FRSE
Principal and Chief Executive

12 December 2023

Nora Senior

Nora Senior CBE
Chair of Board of Management

12 December 2023

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

REPORTING ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Edinburgh College for the year ended 31 July 2023 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the College's affairs as at 31 July 2023 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 18 May 2023. The period of total uninterrupted appointment is five years to 2026/27. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the college. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue. These conclusions are not intended to, nor do they, provide assurance on the college's current or future financial sustainability. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Board of Management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on regularity of expenditure and income

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.

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities to detect material misstatements in the financial statements in respect of irregularities, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report

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

Other information

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

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

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

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

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

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

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.
- We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Michael Speight

Michael Speight
For and on behalf of Mazars LLP

Mazars LLP
5th Floor
3 Wellington Place
Leeds
LS1 4AP

Date: 14 December 2023

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 July 2023	Notes	2022/23 £000	Restated 2021/22 £000
INCOME			
Scottish Funding Council Grants	2	59,032	59,649
Tuition Fees and Education Contracts	3	9,801	9,394
Other Grant Income	4	1,150	611
Other Operating Income	5	2,754	2,312
Investment Income	6	924	5
Total Income		73,661	71,971
EXPENDITURE			
Staff Costs – Recurring	7	52,193	57,575
Other Staff Costs – Exceptional	7	1,289	1,551
Other Operating Expenses	9	16,448	13,933
Depreciation	12/13	6,116	5,686
Interest and other Finance Costs	10	618	1,307
Total Expenditure		76,664	80,052
Deficit for the year before other gains and losses		(3,003)	(8,081)
Loss on disposal of fixed assets		-	(28)
Deficit for the year		(3,003)	(8,109)
Actuarial (loss)/gain in respect of pension schemes	23	(13,457)	64,948
Unrealised surplus on revaluation	20	5,023	15,573
Total Comprehensive income for the year		(11,437)	72,412

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

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 July 2023			
	Income and expenditure reserve £000	Revaluation reserve £000	Total £000
Balance at 1 August 2021	(1,893)	55,002	53,109
Deficit from the income and expenditure statement	(8,109)	-	(8,109)
Other comprehensive income (Restated)	64,948	15,573	80,521
Transfers between revaluation and income and expenditure reserves	1,422	(1,422)	-
Total comprehensive income for the year (Restated)	58,261	14,151	72,412
Balance at 31 July 2022 (Restated)	56,368	69,153	125,521
Deficit from the income and expenditure statement	(3,003)	-	(3,003)
Other comprehensive income	(13,457)	5,023	(8,434)
Transfers between revaluation and income and expenditure reserves	1,831	(1,831)	-
Total comprehensive income for the year	(14,629)	3,192	(11,437)
Balance at 31 July 2023	41,739	72,345	114,084

There are no endowment or restricted reserves.

Included within the income and expenditure reserve is a positive balance of £nil (2021/22: £14,026k) which relates to the pension asset.

BALANCE SHEET AS AT 31 July 2023			
	Notes	2022/23 £000	Restated 2021/22 £000
Fixed Assets			
Tangible Fixed Assets	12	179,412	178,650
Intangible Fixed Assets	13	207	182
		179,619	178,832
Current Assets			
Stock		87	86
Debtors	14	8,480	7,709
Cash and cash equivalents		5,706	5,494
		14,273	13,289
Current Liabilities			
Less: Creditors – amounts falling due within one year	15	(18,549)	(17,320)
Net Current Liabilities		(4,276)	(4,031)
Total Assets less Current Liabilities		175,343	174,801
Less: Creditors – amounts falling due after more than one year	16	(58,542)	(60,256)
Less: Provisions for liabilities and charges	18	(2,717)	(3,050)
Net assets excluding pension asset/(liability)		114,084	111,495
Net pension asset	23	-	14,026
Net Assets including Pension Asset		114,084	125,521
Reserves			
Income and Expenditure Account		41,739	56,368
Revaluation Reserve	20	72,345	69,153
Total Reserves		114,084	125,521

The financial statements on pages 39 – 7 were approved and authorised for issue by the Board of Management and signed on its behalf by:

Nora Senior

Nora Senior CBE.
Chair of Board of Management

12 December 2023

Audrey Cumberford

Audrey Cumberford MBE FRSE
Principal and Chief Executive

12 December 2023

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 July 2023			
	Notes	2022/23 £000	2021/22 £000
Cash Flow from operating activities			
Deficit for the year		(3,003)	(8,109)
Adjustment for non-cash items			
Depreciation		6,116	5,686
Deferred capital grants released to income	2	(2,845)	(2,852)
Increase in stock		(1)	(2)
Increase in debtors	14	(771)	(1,865)
Increase in creditors	15	1,002	2,514
Decrease in provisions	18	(333)	(1,867)
Pension costs less contributions payable	23	1,418	6,709
Loss on sale of assets		-	28
Adjustment for investing or financing activities			
Investment income	6	(924)	(5)
Interest payable	10	618	1,307
Net cash inflow from operating activities		1,277	1,544
Cash flows from investing activities			
Investment income	6	75	5
Payments made to acquire fixed assets		(1,834)	(1,137)
Deferred capital grant received	19	1,880	891
Net cash inflow/(outflow) from investing activities		121	(241)
Cash flows from financing activities			
Interest paid	10	(618)	(557)
Repayments of amounts borrowed	17	(568)	(541)
Net cash outflow from financing activities		(1,186)	(1,098)
Increase in cash and cash equivalents in the year		212	205
Cash and cash equivalents at beginning of the year		5,494	5,289
Cash and cash equivalents at end of the year		5,706	5,494

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2023

1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the 2022/23 Government Financial Reporting Manual (FReM) issued by HM Treasury and in accordance with applicable Accounting Standards. They have been prepared in a form prescribed by Scottish Ministers and in accordance with paragraph 28 of Schedule 2 of the Further and Higher Education (Scotland) Act 1992, the Charities and Trustee Investment (Scotland) Act 2005 (the 2005 Act), the Charities Accounts (Scotland) Regulations 2006 (the 2006 Regulations) and in accordance with the Accounts Direction and other guidance published by the Scottish Funding Council.

The annual financial statements have been prepared on a 'going concern' basis. For further information refer to the Going Concern section in the Accountability Report on page 26**.**

Basis of Accounting

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

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

Significant judgements and estimates

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

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

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

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

Defined benefit pension schemes are volatile with significant change in the value of the pension asset due to a change in the movement of the discount rate year on year from 3.5% to 5.05%. Based on sensitivity analysis from the LPF actuaries, a 0.1% decrease in the Real Discount Rate could see a decrease in the pension asset by £2.2m. The impact of this movement on the balance sheet has now been limited by the introduction of the asset ceiling cap which has resulted in a £0 net asset for 2022/23 and £14m for 2021/22.

Other estimates detailed in the report include accrued costs for yet to be agreed pay awards back dated to September 2022, ongoing accrued costs for a Job Evaluation scheme, indexation property valuation and depreciation.

Continuing Activities

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

Group Accounts

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

Recognition of Income

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

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

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

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

Foreign Currency Translation

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

Post-Retirement Benefits

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

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

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

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

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

FRS 102 Section 28

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

Employee Benefits

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

Tangible Fixed Assets

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

a. Land and Buildings

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

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

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

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

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

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

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

b. Equipment

Equipment costing less than £10,000 per individual item is charged to the Statement of Comprehensive Income in the year of acquisition. However, individual assets whose cost falls below the threshold and pose a risk of fraud or theft, but are of a similar type are grouped together and capitalised. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

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

Computer Equipment – up to five years

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

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

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

Intangible Assets

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

The college shall recognise an intangible asset only if:

a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and

(b) the cost or value of the asset can be measured reliably.

Leased Assets

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

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

Taxation

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

Financial Instruments

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

- Debtors are measured at transaction price less any impairment.
- Creditors are measured at transaction price.
- Cash for the purposes of the Statement of Cash Flows comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand.

Stock

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

Provisions and Contingent Liabilities

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

A contingent liability arises either as:

- possible obligation arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of some uncertain future event not wholly within the College's control, or a
- present obligation that arises from a past event but is not recognised because either:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation,

  or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

Agency Arrangements

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

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

Reserves

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

2. FUNDING COUNCIL GRANTS

	2022/23 £000	2021/22 £000
SFC Recurrent Grant	48,342	47,266
FE childcare funds	723	823
Release of Deferred Capital Grants	2,845	2,852
SFC Capital Grant	2,128	2,463
Job Evaluation Grant	1,127	1,127
Deferred Student Funding	-	1,010
National Transitional Training Fund and Young Persons Guarantee	760	73
Other SFC Grants	3,107	4,035
	59,032	59,649

3. TUITION FEES AND EDUCATION CONTRACTS

	2022/23 £000	2021/22 £000
FE Fees – UK	344	339
FE Fees – EU	66	36
FE Fees – non EU	1,570	865
HE Fees	3,931	4,840
SDS Contracts	584	689
Education Contracts	2,166	1,841
Other Contracts	1,140	784
	9,801	9,394

4. OTHER GRANT INCOME

	2022/23 £000	2021/22 £000
Other Grants	1,150	604
Government Grant Coronavirus Job Retention Scheme	-	7
	1,150	611

The grant for the Coronavirus Job Retention Scheme supported no staff (2021/22: 4) furloughed during the year.

5. OTHER OPERATING INCOME

	2022/23 £000	2021/22 £000
Residences and Catering	405	297
Nursery Income	1,185	1,094
Other Income	1,164	921
	2,754	2,312

6. INVESTMENT INCOME

	2022/23 £000	2021/22 £000
Bank Interest Receivable	75	5
Pension Finance Cost – FRS102 s28 Net interest income*	849	-
	924	5

* Per the Actuarial Valuation as at 31 July 2023, total net interest in the year is an income figure of £849k as shown above. In 2021/22, the comparative was a total net interest cost of £750k which is shown under Interest Costs at Note 10.

7. STAFF COSTS

	2022/23 £000	2021/22 £000
Recurring Staff Cost		
Salaries	38,057	38,324
Pensions	7,838	7,889
Social Security Costs	3,948	3,980
Apprenticeship Levy	166	177
Revaluation of Early Retirement Provision	(161)	(489)
FRS 102 s28 Pensions Adjustments	1,418	6,709
Estimated Job Evaluation Cost	1,127	1,127
Movement in Employee Leave Accrual	(200)	(142)
Total Staff Costs - Recurring	52,193	57,575
Exceptional Staff Costs		
Redundancy	11	-
Voluntary Severance	1,278	1,530
Pension Strain Costs	-	21
Total Staff Costs - Exceptional	1,289	1,551
	53,482	59,126

Staff Numbers	2022/23 Number	2021/22 Number
The average number of persons (including senior post-holders) employed by the College during the year, expressed as full-time equivalents, was:		
Senior Management	5	5
Teaching Staff	439	479
Teaching Support	26	28
Administration and Central Services	406	424
Premises	36	34
Catering and Residences	1	1
Other Income Generating Activities	39	37
Total	952	1,008

Staff Costs	2022/23 £000	2021/22 £000
Senior Management	717	695
Teaching Staff	28,404	29,295
Teaching Support	949	965
Administration and Central Services	18,422	18,509
Premises	1,259	1,155
Catering and Residences	39	39
Other expenditure		
Revaluation of Early Retirement Provision	(161)	(489)
FRS102 s28 Pensions Adjustments	1,418	6,709
Other income generating activities	1,508	1,263
Job Evaluation Cost Estimate*	1,127	1,127
Movement in Employee Leave Accrual	(200)	(142)
Total	53,482	59,126

*Figure provided by SFC as cost to accrue in relation to ongoing sector wide Job Evaluation scheme. The full harmonisation costs of National Bargaining support staff and middle management will not be confirmed until the national Job Evaluation exercise is carried out, the outcome of which will be implemented with effect from 1 September 2018.

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

	2022/23 Senior Post Holders	2022/23 Other Staff	2021/22 Senior Post Holders	2021/22 Other Staff
£60,001 - £70,000	-	-	-	1
£70,001 - £80,000	-	8	-	6
£80,001 - £90,000	-	-	3	-
£90,001 - £100,000	3	-	1	-
£100,001 - £110,000	1	-	-	-
£110,001 - £120,000	-	-	-	-
£120,001 - £150,000	-	-	-	-
£150,001- £200,000	1	-	1	-
	5	8	5	7

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:

	2022/23 £	2021/22 £
Salaries as Board Members	21,120	31,680
	21,120	31,680

The Salary as Board Member relates to the Chair of the Regional Board, appointed by the Scottish Ministers. The Chair receives remuneration in line with rates specified by the Scottish Government. The new Chair was appointed on 4 July 2022.

Emoluments of Senior Post-holders

	2022/23 Number	2021/22 Number
The number of Senior post-holders including the Principal and Chief Executive was	5	5
The emoluments of Senior post-holders (excluding NI), including the Principal and Chief Executive was:	2022/23 £000	2021/22 £000
Salaries	528	509
Employers' Pension Contribution	117	114
	645	623

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

	2022/23 £000	2021/22 £000
Salary	154	151
Employers' Pension Contribution	35	35
	189	186

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

9. OTHER OPERATING EXPENSES

	2022/23 £000	2021/22 £000
Teaching	3,383	3,411
Administration	4,898	4,228
Premises	6,266	4,551
Planned Maintenance	81	68
Other income generating activities	840	525
Other employee related costs	121	153
Childcare	723	823
Agency Staff	136	174
	16,448	13,933

Other operating expenses include:

	2022/23 £000	2021/22 £000
Auditor's Remuneration (including irrecoverable VAT):		
External Auditor's Remuneration – Audit (Mazars)	50	31
Internal Audit (including Student Support Funds Audit) (BDO)	48	28
Operating lease payments	215	328

10. INTEREST COSTS

	2022/23 £000	2021/22 £000
Pension Finance Cost – interest on early retirement provision	102	58
Pension Finance Cost – FRS102 s28 Net interest cost	-	750
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	516	499
	618	1,307

11. TAXATION

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

12. TANGIBLE FIXED ASSETS

	Land & Buildings* £000	Plant & Equipment (Owned) £000	Computers £000	Fixtures & Fittings £000	Total £000
COST OR VALUATION					
At 1 August 2022	173,947	2,339	6,655	8,749	191,690
Additions	-	29	1,197	558	1,784
Disposals	-	-	-	-	-
Interim indexation	518	-	-	-	518
At 31 July 2023	174,465	2,368	7,852	9,307	193,992
DEPRECIATION					
At 1 August 2022	2,208	1,181	5,245	4,406	13,040
Charge for Year	4,514	237	473	821	6,045
Disposals	-	-	-	-	-
Interim indexation	(4,505)	-	-	-	(4,505)
At 31 July 2023	2,217	1,418	5,718	5,227	14,580
NET BOOK VALUE					
At 31 July 2023	172,248	950	2,134	4,080	179,412
At 31 July 2022	171,739	1,158	1,410	4,343	178,650
Represented by: Inherited	9,261	-	-	-	9,261
Financed by: Capital Grant	46,965	938	2,134	4,002	54,039
Other	116,022	12	-	78	116,112
At 31 July 2023	172,248	950	2,134	4,080	179,412

*Included within Land and Buildings are Leasehold Buildings and Improvements with a cost of £2,353k (2021/22: £2,353k), brought forward depreciation of £2,205k (2021/22: £2,192k), depreciation charge of £14k (2021/22: £13k) and net book value of £134k (2021/22: £148k).

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

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

At 31 July 2023 the College has supplemented the 31 July 2020 quinquennial valuation, and 31 July 2021 and 31 July 2022 indexations, with a further indexation valuation update from external valuers Avison Young. Taking various factors into account they concluded that indexation factors of -5% on Land and +3.75% on buildings were appropriate which totalled +£5.0m.

If land and buildings were reported on a cost basis, the carrying value would be £105.3m (2021/22: £108.5m).

Land and buildings with a net book value of £172.2m (2021/22: £171.7m) have been funded from Exchequer Funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council to surrender the proceeds.

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

13. INTANGIBLE ASSETS

	Total £000
COST OR VALUATION	
At 1 August 2022	1,309
Additions	96
Disposals	-
At 31 July 2023	1,405
AMORTISATION	
At 1 August 2022	1,127
Charge for the period	71
Disposals	-
At 31 July 2023	1,198
NET BOOK VALUE	
At 31 July 2023	207
At 31 July 2022	182
Represented by: Inherited	-
Financed by: Capital Grant	207
Other	-
At 31 July 2023	207

14. DEBTORS

	2022/23 £000	2021/22 £000
Amounts falling due within one year:		
Trade Debtors	1,219	785
Other Debtors	72	29
Debts due from Students	5	9
Prepayment and Accrued Income	7,184	6,886
	8,480	7,709

15. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2022/23 £000	2021/22 £000
Trade Creditors		577	496
Payments received in advance		580	470
Other Taxation and Social Security		845	1,539
VAT		45	125
Bank Loans	17	601	568
Funding Council Grants		503	1,367
Accruals, Deferred Income and Other Creditors		12,454	9,959
Deferred capital grants - government	19	2,944	2,796
		18,549	17,320

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

	Note	2022/23 £000	2021/22 £000
Bank loan	17	7,239	7,840
Deferred Capital Grants - Government	19	51,303	52,416
		58,542	60,256

17. BORROWINGS

	2022/23 £000	2021/22 £000
Bank Loan Repayable:		
In one year or less	601	568
Between one and two years	632	601
Between two and five years	2,109	2,002
In five years or more	4,498	5,237
	7,840	8,408

The Bank Loan is repayable by instalments up to March 2031 and February 2034, with a capital repayment of £601K due in 2023/24. The average interest rate for the duration of the loan is expected to be 6.73%. The interbank borrowing rate LIBOR was phased out by UK regulators in December 2021. The variable interest rate element of Edinburgh College loans from Bank of Scotland is referenced to LIBOR. The College agreed with the lending bank to reference the interest rate to Base Rate after this date. The effect of this change on the overall interest rate is expected to be immaterial.

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Early Retirement Pension Costs £000	Others £000	Total £000
At 1 August 2022	3,050	-	3,050
Amounts used during the year	(274)	-	(274)
Movement in provision	(161)	-	(161)
Interest applied	102	-	102
At 31 July 2023	2,717	-	2,717

The pension provision relates to unfunded liabilities as a result of the early retirement of former teaching staff in advance of the normal retirement age. The pension provision has been revalued by Hymans Robertson as at 31 July 2023.

19. DEFERRED CAPITAL GRANTS

	Funding Council Grants £000	Other Government Grants £000	Total £000
At 1 August 2022	54,813	399	55,212
Received during year			
Land and Buildings	-	-	-
Fixtures, Fittings & Equipment	1,880	-	1,880
Release to Income and Expenditure Account			
Land and Buildings	(1,316)	(9)	(1,325)
Fixtures, Fittings & Equipment	(1,509)	(11)	(1,520)
At 31 July 2023	53,868	379	54,247

20. REVALUATION RESERVE

	2022/23 £000	2021/22 £000
At 1 August 2022	69,153	55,002
Release of revaluation reserve in respect of depreciation on land and buildings	(1,831)	(1,422)
Revaluation of land and buildings in year	5,023	15,573
At 31 July 2023	72,345	69,153

21. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2022 £000	Cash Flows £000	Other Non-Cash Flows £000	At 31 July 2023 £000
Cash	5,494	212	-	5,706
Debt due within one year	(568)	568	(601)	(601)
Debt due after one year	(7,840)	-	601	(7,239)
	(2,914)	780	-	(2,134)

22. FINANCIAL COMMITMENTS

	2022/23 £000	2021/22 £000
At 31 July 2023 the College had total commitments under non-cancellable operating leases for Plant and Equipment and vehicles as follows:		
Payable within one year	231	174
Payable between two and five years	102	166
Payable over five years	55	64
	388	404

23. PENSION AND SIMILAR OBLIGATIONS

Retirement Benefits

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

TOTAL PENSION COST FOR THE YEAR	2022/23 £000	2021/22 £000
STSS: Contributions paid	4,861	5,060
LGPS: Contribution paid	2,977	2,829
S28 Pensions Movement	1,420	6,709
Total pension cost	9,258	14,598
LGPS Pension Strain Cost	-	21
Total Pension cost for year	9,258	14,619

Local Government Pension Scheme (LGPS)

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

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

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

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

The total contributions made for the year were £3,698k of which employer's contributions totaled £2,825k and employees' contributions totaled £873k.

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

FRS102 Section 28

Formal LPF actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The most recent formal valuation date was 31 March 2020. Hymans Robertson LLP carried out an actuarial valuation as at 31 July 2023 for accounting purposes. The actuary projected the valuation results of the latest formal valuation date forward to 31 July 2023 using approximate methods. The roll-forward allows for changes in financial assumptions, additional benefit accrual and estimated cash flows over the period.

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

	2022/23	2021/22
Rate of increase in salaries	3.50%	3.25%
Rate of increase for pensions / inflation	3.00%	2.75%
Discount rate for liabilities	5.05%	3.50%

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	19.8 years	22.7 years
Future Pensioners	21.0 years	24.5 years

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

ASSETS (WHOLE FUND)	Long term rate of return at 31 July 2023	Value at 31 July 2023 £000	Long term rate of return at 31 July 2022	Restated Value at 31 July 2022 £000
Equities	2.95%	112,505	2.7%	107,702
Bonds	2.95%	23,118	2.7%	21,237
Property	2.95%	12,329	2.7%	10,619
Cash	2.95%	6,165	2.7%	12,135
Total market value of assets		154,117		151,693

Present value of scheme liabilities:				
Funded		105,105		126,330
Unfunded		371		383
Surplus in the scheme		-		14,026

Analysis of the amount charged to the Statement of Comprehensive Income (SOCI)	2022/23 £000	Restated 2021/22 £000
Current service cost	(4,223)	(8,772)
Past service cost	(8)	(19)
Total operating charge to staff costs	(4,231)	(8,791)
Analysis of net return on pension scheme:		
Interest Income on Plan Assets	5,310	2,278
Interest cost	(4,461)	(3,028)
Net interest income/(charged)	849	(750)
Credit/charge to other comprehensive income:		
Return on assets (loss)/gain	(3,155)	6,244
Other experience	(8,051)	(284)
Gains and losses arising on changes in financial assumptions	33,622	69,172
Gains and losses arising on changes in demographic assumptions	1,814	770
Asset Ceiling Calculation	(37,687)	(10,954)
Actuarial (loss)/gain	(13,457)	64,948
Total charge to the SOCI	(16,839)	55,407

Movement in asset/(deficit) during year	2022/23 £000	Restated 2021/22 £000
At 1 August 2022	14,026	(43,463)
Movement in year:		
Current service cost	(4,223)	(8,772)
Employer contributions	2,778	2,827
Contributions in respect of unfunded benefits	35	33
Past service cost	(8)	(19)
Net finance income/(costs)	849	(750)
Effect of business combinations and disposals	-	(778)
Actuarial (loss)/gain	(13,457)	64,948
Surplus in scheme at 31 July 2023	-	14,026

Reconciliation of defined benefit obligation	2022/23 £000	2021/22 £000
Liabilities at start of year	126,713	184,934
Current service cost	4,223	8,772
Interest cost	4,461	3,028
Contributions by members	872	880
Actuarial gain	(27,385)	(69,658)
Past Service cost	8	19
Effect of business combinations and disposals	-	1,986
Estimated Unfunded benefits paid	(35)	(33)
Estimated Benefits paid	(3,381)	(3,215)
Liabilities at end of year	105,476	126,713

Reconciliation of fair value of employer assets	2022/23 £000	2021/22 £000
Opening fair value of employer assets	151,693	141,471
Interest income on plan assets	5,310	2,278
Contributions by members	872	880
Contributions by the employer	2,778	2,827
Contributions in respect of unfunded benefits	35	33
Actuarial (loss)/gain	(3,155)	6,244
Effect of business combinations and disposals	-	1,208
Estimated Unfunded benefits paid	(35)	(33)
Estimated Benefits paid	(3,381)	(3,215)
Closing fair value of employer assets	154,117	151,693

Amounts for the current and previous accounting periods	2022/23 £000	Restated 2021/22 £000
Fair value of employer assets	154,117	151,693
Present value of defined benefit obligation	(105,476)	(126,713)
Asset Ceiling Calculation	(48,641)	(10,954)
Surplus	-	14,026
Experience Gains on liabilities	(8,051)	(284)

Scottish Teachers' Superannuation Scheme (STSS)

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

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

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

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

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

The College pays a contribution rate of 23% per the outcome of the 2016 valuation. The pension charge recorded by the College during the accounting period was equal to the contributions payable. The latest valuation of the STSS has recently concluded and was based on scheme data as at March 2020. The valuation has set the rate for the period 1 April 2024 to 31 March 2027 and that rate is 26%, with the expectation that this increase will be funded by the Scottish Government.

FRS 102 Section 28

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

24. PRIOR YEAR ADJUSTMENT

Due to a shift in the guidance and following sector wide discussions between auditors and actuarial advisors, it has been noted that the valuation methodology was incorrect for our net pension asset in prior year. As such this has been restated with a new methodology now adopted. Going forward the College recognises an asset ceiling cap which limits the value of any net asset position of the pension scheme to match the minimum funding requirement which exists for contributions relating to future and past service. The calculation of this cap has been performed by our actuarial advisors Hymans Robertson

25. RELATED PARTY TRANSACTIONS

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

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

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

Member	Organisation	Position	Sales £000	Purchases £000
Alan Williamson	Hibernian Community Foundation Lothian Pension Fund	Board member Board member	- -	14 3,940 (pension payments)
Nora Senior	Colleges Scotland	Board Member	-	97
Michael Jeffrey	Energy Skills Partnership	Committee member	11	-
Jonny Pearson	Scottish Student Sport	Executive Committee Member	-	5
David Elder Skye Marriner Luna Morrison	Edinburgh College Students' Association	President (outgoing) President (incoming) Vice President	242	278 (grants awarded)

Other transactions below £5k included sales of £2,593 to Colleges Scotland and £175 to Scottish Student Support (Jonny Pearson).

26. BURSARY FUND AND OTHER STUDENT SUPPORT FUNDS

	FE Bursary £000	EMA £000	Other £000	Total for 2022/23 £000	Total for 2021/22 £000
Balance brought forward	129	1	757	887	1,082
Allocation received in the year	9,589	283	2,169	12,041	13,106
Expenditure	(9,115)	(285)	(2,150)	(11,550)	(12,075)
Repaid to Scottish Funding Council/Scottish Government	(115)	-	(739)	(854)	(1,226)
College contribution to funds	-	-	-	-	-
Virements	-	-	-	-	-
Balance carried forward	488	(1)	37	524	887
Represented by:					
Repayable to/(due from) Scottish Funding Council	488	(1)	17	504	422
Repayable to Scottish Government	-	-	20	20	465
Retained by college for students in 22/23	-	-	-	-	-
	488	(1)	37	524	887

FE Bursary, FE Hardship, Educational Maintenance Allowances, HE Hardship and the student support element of Young Persons Guarantee/National Transition Training Fund grants are available solely for students; the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income. No Covid-19 funds were used to fund bursary and other student support spend during 2022/23.

27. FE AND HE CHILDCARE FUNDS

	2022/23 £000	2021/22 £000
Balance brought forward	5	11
Allocation received in year	1,067	829
Expenditure	(723)	(824)
Repaid to Scottish Funding Council	(5)	(11)
Virements	-	-
Balance carried forward	344	5
Represented by:		
Repayable to Scottish Funding Council	344	5
Retained by college for students in 23/24	-	-
	344	5

Further and Higher Education Childcare Fund transactions are included within the College Statement of Comprehensive Income in accordance with the Accounts Direction issued by the Scottish Funding Council. No Covid-19 funds were used to fund childcare spend during 2022/23.

28. CONTINGENT LIABILITIES

The valuation of defined benefit and unfunded liabilities at 31 July 2023, as disclosed in Note 23, does not include an allowance for potential costs in light of the recent employment tribunal case of Goodwin v Department for Education. The ruling concluded that a female member in an opposite sex marriage has been treated less favourably than a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. Where schemes contain provisions deemed discriminatory, those provisions must be dis-applied as being contrary to the non-discrimination rule set out in section 61 of the Equality Act 2010. The actuary has noted that the approximate impact of this is very small for a typical Fund (c0.1-0.2% of obligations). Therefore, they do not believe there are sufficient grounds to apply an additional adjustment to account for this in a standard Results Schedule, given the level of additional work and fees that would be involved (and indeed the highly approximate nature of applying an unknown remedy).

29. POST BALANCE SHEET DATE EVENTS

No events occurred between 1 August 2023 and the date these Financial Statements were signed that would materially affect the information provided.

30. ADJUSTED OPERATING POSITION ON CENTRAL GOVERNMENT ACCOUNTING BASIS

	2022/23 £000	2021/22 £000
Deficit before other gains and losses (FE/HE SORP basis) for academic year	(3,003)	(8,081)
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	3,271	2,834
Operating surplus/ (deficit) on Central Government accounting basis for academic year	268	(5,247)

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

Under the FE/HE SORP, the college recorded an operating deficit of £3,003k for the year ended 31 July 2023. After adjusting for the non-cash allocation provided under government rules, the college shows an “adjusted” surplus/deficit of £268k on a Central Government accounting basis.

This demonstrates that the college is operating on a sustainable basis within its funding allocation.

31. CAPITAL COMMITMENTS

Capital commitments contracted for but not provided in the financial statements amounted to £856k (2021/22: £1,511k).

Appendix 1

Accounts direction for Scotland's colleges 2022/23

1. **It is the Scottish Funding Council's direction that institutions1 comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts 2.**

2. **Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).**

3. **Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2022/23 (FReM) where applicable. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.**

4. **Incorporated colleges and Glasgow Colleges' Regional Board must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2023.**

5. **The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.**

6. **Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.**

Scottish Funding Council

20 July 2023

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

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

Midlothian Campus

Granton Campus

Sighthill Campus


Milton Road Campus

Annual Report and Financial Statements
for the year ended
31 July 2023

Edinburgh College

For the future you want

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