NORTH EAST SCOTLAND COLLEGE

FINANCIAL STATEMENTS
for the year to 31 July 2016

Charity Number: SCO21174

Index

1. PERFORMANCE REPORT OVERVIEW

CHIEF EXECUTIVE'S STATEMENT

High Quality and Efficient Learning & Developed Workforce: Learner Experience, Outcome and Destinations
Overall, the quality of teaching in the College is high, with excellent training and support available to develop teaching practice; use of technologies for learning and development of current practice. The quality of the learning experience in the College is high, with excellent feedback on the learning and teaching process in the majority of teams. There have been a few areas of weakness associated with particular subject areas, mostly associated with teams where staff changes following merger resulted in some discontinuity of delivery, but those issues have now been addressed. College quality processes have been effective in identifying areas for improvement, actions have been developed and dedicated staff are available to support the process.

Wider achievement and development of employment and other essential skills are widely promoted to enrich the learning experience and prepare students for progression.

Whilst attainment rates in full-time Higher Education (HE) courses remained high, there was a fall in retention and attainment in full-time Further Education (FE) courses in 2014-15, following merger, but FE attainment levels in 2015-16 are now back to the levels of 2013-14.

The level of attainment on part-time HE and FE programmes in 2015-16 was high.

The available destination data shows the majority of successful students' progress to positive destinations, with most continuing in full-time education or to full-time employment. A well established and very successful programme of articulation agreements is well utilised to provide a significant number of students the opportunity to progress to degree level with advanced standing.

Right Learning in the Right Place: Curriculum Breadth, Depth and Regional Spread
The College provides a comprehensive and well-developed curriculum of suitable breadth and depth which delivers the right learning in the right places. The curriculum is planned following consideration of regional environmental data on skills needs and takes account of national priorities to ensure that the offer meets regional demand. Curriculum planning in the college is a continuous process which ensures that the curriculum is constantly refreshed and up-dated and meets the needs of learners, potential learners, employers and the local economy and the range of College provision in the region results from detailed planning informed by engagement with external stakeholders, government priorities and curriculum analysis. The curriculum offer is broadly similar across the region but, where indicated, there are variations which accommodate local demand. Access is available at a range of levels and modes of attendance and progression pathways are well identified for all subject areas.

Overall, the College is effective in developing partnerships with key local stakeholders to enhance curriculum planning, course design and ensure its services meet the regional need. These partnerships provide tangible benefits to students in terms of course provision; course design; development of essential skills; additional flexibility and smooth transitions through the senior phase of Curriculum for Excellence from school to college and onto work or Higher Education. Effective partnership working is enabling good progress on work to support the Developing the Young Workforce (DYW) agenda to enhance the education, training and career opportunities for young people in the region.

Access for People from the Widest Range of Backgrounds: Access and Equality
Students are well provided with advice, support and guidance in the College through availability of a variety of services. These services are effective in identifying support needs and providing appropriate assistance. Student feedback suggests that these are both well used and of high quality.

The College has well–established Equalities Policies for staff and students which are effectively applied across all areas of activity. Staff are all trained in equality and diversity issues and are aware of their responsibilities, in particular with respect to avoidance of discrimination and making appropriate adjustments. The College is well resourced with enabling technologies to assist students with specific needs and assessments are carried out as necessary to assist in the identification of appropriate assistance for students. In relation to gender equality, a significant gender imbalance remains in some subject areas, but this is the focus for concerted action.

Learner feedback is used to review quality outcomes and inform self-evaluation but more effective collaboration with the Students' Association in this respect would improve the quantity and quality of feedback and may help with the identification of potential equality issues.

Sustainable Institutions and Efficient Regional Structures: Leadership, Vision and Direction
The College contribution to the local economy is hugely significant and was documented in a report commissioned which indicated that, for the £30 million invested by the Government in the College each year, there is an economic impact of £406 million to the local economy.

College governance is strong and has been positively evaluated by the Scottish Funding Council (SFC) and auditors. Staff and students are represented on the College Board and on key management committees to ensure all views are represented. Arrangements are in place to ensure that the quality of governance remains high and that the Code of Good Governance for Scotland's Colleges is effectively applied.

Leadership groups composed of the Senior Management Team and a range of other managers meet regularly to discuss key issues and develop measures to address key cross-college functions such as leadership and communication. Members of the SMT attend Board Committee meetings as required to present papers. Members of the broader leadership team attend selected Board Committee meetings as observers to help build their understanding of the organisation and as part of a succession planning process.

The College has reduced its costs over many years to adjust to the lower levels of funding available. This has been achieved primarily through reductions in staffing. In real terms the College has experienced a drop of some 33% in funding from the SFC since 2009-10. Despite the deferral of some planned expenditure on capital maintenance projects, the College's financial outturn for 2016-17 may well be a deficit unless the College secures additional funding from SFC (about which negotiations are currently taking place).

The financial position of the College in later years is unknown as there is no indication yet of funding levels for 2017-18 or subsequent levels. However, if the level of funding remains at the same level of 2016-17 and if the level of activity the College is required to deliver remains at the current level, an increasing gap between income and costs will develop, given the known costs increases that the College is facing (for example in relation to employer NI contribution, employer Pension contributions, deferred maintenance expenditure and rises in the overall pay bill driven by incremental progression and national-negotiated pay rises.

In addition, there is a developing problem with the student funding allocations that the College manages. These funds – designed to support students while studying with the costs of travel, material, child-care and subsistence – are provided to the College to allocate to students based on set rules. The amount allocated to the College has been reduced in recent years, at a time when demand is increasing due to factors driven by government policy or economic circumstances – because of increased full-time student enrolment, improved retention levels and the increase in unemployment in the North East region. In 2015-16 the College had to supplement the student funds allocated with some £350k of College funds. Without additional student funds being allocated, it is likely that there may be further need to use College funds to supplement the student funds, with a further negative effect on the College's financial position.

OUR PURPOSE

Legal Status
The College is incorporated under the Further and Higher Education (Scotland) Act 1992. The College is a Scottish charity and is registered with the Office of the Scottish Charities Regulator and is exempt from corporation tax and capital gains tax. The College receives no similar exemption in respect of Value Added Tax.

Aberdeen College and Banff & Buchan College merged on 01 November 2013 to form North East Scotland College (NESCol). The NESCol Regional Board was established in January 2013, with the assigned College Board of Management for NESCol vesting on 01 November 2013. NESCol employs around 600 staff. Following merger, NESCol restructured staff roles to take account of the new operating environment.

NESCol is the only Further Education College located within the North East of Scotland, and provides a wide range of education and training opportunities across the region to meet the needs of individuals, communities and employers. The College's main [College-owned] centres of delivery are in Aberdeen [three sites], Fraserburgh and Peterhead with a number of leased community based learning centres across the region.

Prior to the merger, both Colleges had individual track-records of success and commitment to high standards of service delivery. The new College is committed to maintaining this and to improving opportunities for the people of Aberdeen and Aberdeenshire, to helping the region's young people progress to work or higher education and to supporting businesses through professional updating and workforce development.

Our vision for North East Scotland College is:

"A College that transforms lives and supports regional development"

Our Values are the foundation of all that we do and state what is really important to us. They apply to everyone who comes to the College to learn or work. These are:

Commitment and Excellence

- Understanding and responding to the needs of our students, staff, key stakeholders and customers;
- Being business-like and professional;
- Maintaining a clear focus on our goals and ensuring that these are achieved through effective planning and organisation;
- Achieving excellence by continually evaluating and improving our services;
- Ensuring our processes are consistent, accessible, effective and efficient.

Empowerment and Engagement

- Creating an environment where innovation and creativity are encouraged and can flourish;
- Providing clear direction, information and communication;
- Providing development opportunities to ensure that we have the skills, knowledge and confidence to perform to the best of our ability;
- Giving recognition and praise;
- Encouraging and supporting collaboration.

Respect and Diversity

- Valuing the experience and talent of all;
- Treating others with dignity and respect;
- Creating an accessible, inclusive learning and working environment;
- Being fair, open and transparent to ensure a culture of mutual trust and integrity.

Strategic Aim 1
To create personal and business growth through learning

Strategic Objective 1
To work with local schools and universities, local authorities and other agencies to promote courses especially in current and emerging skills shortage areas.

Strategic Objective 2
To ensure that curriculum development and programme design are informed by national evidence and local market research which identifies local, regional and national skills needs.

Strategic Objective 3
To maintain national specialisms in engineering, oil and gas, maritime, and creative industries.

Strategic Objective 4
To review and further enhance the development of employability, enterprise, and entrepreneurial skills within programmes to promote learner progress and achievement and improve the supply of economically valuable skills.

Strategic Objective 5
To continue to implement effective arrangements for maintaining and improving the quality of learning and teaching, and to react to, and if necessary challenge influences which would affect the delivery of these functions.

Strategic Aim 2
To provide accessible programmes of study that lead to positive outcomes for students

Strategic Objective 1
To ensure that local access to educational opportunity is preserved across the region in order to meet the needs of learners, employers and communities both in cities and rural areas.

Strategic Objective 2
To work with partners and key stakeholders to increase positive destinations for learners.

Strategic Objective 3
To work with partners in the public and voluntary sectors to provide appropriately targeted learning opportunities for educationally disadvantaged groups, (including those furthest from the labour market, those with disabilities, those with additional support needs, and looked after young people).

Strategic Objective 4
To maintain a range of College courses, suited to differing levels of prior experience and learning, in order to provide appropriate progression opportunities within the College, to university or to work-based qualifications.

Strategic Objective 5
To enhance school/College links and to increase school pupil participation in STEM (science, technology, engineering and mathematics) subjects as part of the College's approach to becoming an early adopter of the Wood Commission recommendations.

Strategic Aim 3
To achieve maximum impact from the available resources.

Strategic Objective 1
To ensure the financial sustainability of the College.

Strategic Objective 2
To increase income from non-Scottish Funding Council sources.

Strategic Objective 3
To develop and implement a regional Estates Strategy that delivers excellent facilities.

Strategic Objective 4
To reduce the College's impact on the environment.

Strategic Objective 5
To ensure the recruitment, retention, development, leadership and motivation of suitably qualified and skilled staff.

KEY ISSUES AND RISKS

The College's Risk Management Policy forms part of the College's internal control and corporate governance arrangements. The Policy explains the College's underlying approach to risk management, documents the roles and responsibilities of the Board of Management, the Senior Management Team, and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures. In addition, it describes the process the Board of Management will use to evaluate the effectiveness of the College's internal control procedures.

The following key principles outline the College's approach to risk management and internal control:

- the Board of Management has responsibility for overseeing risk management within the College as a whole;
- an open and receptive approach to solving risk problems is adopted by the Board of Management;
- the Principal and the Senior Management Team supports, advises and implements policies approved by the Board of Management;
- the College makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
- College managers are responsible for encouraging good risk management practice within their Sectors/Teams;
- risk is considered and addressed as an integral part of the strategic and operational planning and review process; and,
- key risk indicators will be identified and closely monitored on a regular basis.

The Board of Management have established a High Level Strategic Risk Register. The document identifies actual critical risks that the College is facing, with a high-level indication of the mitigation that will be applied to each. The following ten critical risks have been identified:

Governance issues: the risk that the reclassification of colleges and other changes to college governance reduce the flexibility of the Board of Management to manage financial and estates issues and to meet targets set out in the Outcome Agreement.

Corporate issues: the risk that the College fails to maintain service continuity because of unforeseen circumstances, including change of governmental and SFC policy.

Commercial issues: the risk that the College becomes reliant on profit from the College company's training for the oil and gas industry, and that this might be reduced by any down-turn in the North Sea oil sector, thereby threatening the College's financial stability and sustainability.

Curriculum issues: the risk that in establishing a nationally influenced regional curriculum, the College fails to deliver its current high level of service and as a result its reputation is damaged and recruitment is affected, or that organisational capacity cannot be realigned in line with changing governmental requirement or changing patterns of demand, and the College fails to deliver programmes that are essential for local industry and prosperity.

IT issues: the risk that in implementing the change necessary for the integration of IT services in the College in a difficult financial environment, the College is not able to maintain the robustness and fitness for purpose of IT infrastructure that is essential for course delivery, student services and business services.
Quality issues: the risk that in that changing to a new SFC-driven, self-evaluation model in a climate of reducing human and financial resource will make it difficult to implement successful and robust quality arrangements for improving student outcomes and meeting stakeholder expectations which, in turn, will lead to diminished stakeholder confidence in, and reputational damage for, the College.

Financial issues: the risk that changes to Scottish Government policy, funding levels and the funding methodology, combined with the inflexibility of ONS reclassification, make it difficult to maintain a balanced budget.

Estates and Facilities issues: the risk that much reduced funding and/or the loss of assets, and the implementation of major systemic change may impact on the College's ability to implement its Estates Development Strategy and/or to maintain the necessary quantity, quality and currency of facilities and other resources.

Staffing issues: the risk that in a situation of pay constraint and a return to national collective bargaining will prevent the College from maintaining its position of staff being the highest paid in the sector and may impact adversely on other terms and conditions of employment implemented as part of harmonisation causing disruption. In reducing costs in line with much reduced funding and in adjusting to rapid structural and systemic change, the College may be unable to sustain staffing in critical areas and experiences a significant loss of knowledge and skills.

Demand for College Provision issues: the risk that demand for SFC-funded, SDS- funded and full cost recovery provision diminishes thus reducing available income to the College.

The High Level Strategic Risk Register is an appendix to the College's Strategic Plan and is considered by the Board at its Annual Planning Event.

The College has also established an Operational Risk Register which is owned, monitored and reviewed by the Senior Management Team. The Operational Risk Register Is structured in line with the critical risks identified in the High Level Strategic Risk Register, and is reviewed at least twice during each academic year.

The Board's Audit and Risk Committee has specific duties in relation to Internal Control and Risk Management:

Internal Control

- Reviewing and advising the Board of Management of the Internal Audit Services (IAS) and the external auditor's assessment of the effectiveness of the College's financial and other internal control systems, including controls specifically to prevent or detect fraud or other irregularities as well as those for securing economy, efficiency and effectiveness reviewing and advising the Board of Management on its compliance with corporate governance requirements and good practice guidance.

Risk Management

- Reviewing the Risk Management Policy, ahead of its consideration by the Board of Management
- Monitoring the effectiveness of risk management systems, including the College's risk appetite and its Risk Registers – High Level Strategic, and Operational.

The Committee also has specific duties in relation to Internal Audit, External Audit, and Value for Money.

GOVERNANCE STATEMENT

Governing Body

In addition to Board Meetings, the following Standing Committees have also been established:

- Audit and Risk Committee
- Finance and General Purposes Committee
- Human Resources Committee
- Learning & Teaching and Student Services Committee

The following additional Committees are held as required:

- Investment and Project Committee
- Remuneration Committee
- Selection and Appointments Committee.

Board's Responsibilities

The Board of Management has responsibility for overseeing the business of the College, determining its future direction and fostering an environment in which the College mission is achieved and the potential of all learners is maximised. The Board of Management must ensure compliance with the statutes, ordinances and provisions regulating the College and its framework of governance and, subject to these, take all final decisions on matters of fundamental concern to the College.

Board Effectiveness

North East Scotland College - College Post-Merger Evaluation Report, published by the SFC in May 2016, includes the following statements in relation to the College's governance arrangements:

"We found the Chair and Board members to be dedicated, experienced and supportive of the College executive and the merger process. It was evident from meeting we had with them that the Board work well together and have a shared vision for the new College.

The Board has promoted stronger partnerships and effective links with employers and universities. Current Board membership strongly reflects the priority given to those relationships.

Since establishment, the Board has aligned its self-evaluation activities with areas identified within the Code of Good Governance for Colleges. In our discussions, the Board highlighted it is not complacent about governance and continues to reflect on best practice elsewhere to ensure arrangements are fit for purpose. A Governance Steering Group has been established to further improve arrangements.

Board members also stressed to us the crucial role of the Secretary to the Board, which has worked particularly effectively. Board members also spoke of the high quality of reports provided to the Board.

We found the Chair and Board members very supportive of the Principal and SMT. The relationship between the Chair and Principal is particularly effective. Board members highlighted the open nature of interactions with the SMT and College staff, and described how the Committee system plays a key role in ensuring the SMT is engaged with the Board and the Board is assured that the College is on track. The Board and College are very clear on what are operational issues and what are governance issues."

The Board has in place agreed evaluation processes for reviewing the performance of the Board, the Regional Chair, the Committee Chairs and the Board Secretary. These processes reflect sector guidance issued in "Guidance Notes for Boards in the College Sector: A Board Development Framework".

North East Scotland College was one of three colleges invited by the Scottish Funding Council (SFC) to participate in a pilot project – Action Learning Project - intended to develop an alternative review model for Further Education Colleges. The remit was to develop a model which would be more suited to the regional context; avoid duplication of effort and increase ownership of the process to enable more effective quality improvement across the sector.

The College's self-evaluation report produced as part of the 'Action Learning Project' was externally validated by a panel of key regional stakeholders. Both the SFC and Education Scotland (ES) have both stated that the approach taken by NESCol was the correct approach. In relation to governance, a report was produced by the Economic Modelling Specialists International (EMSI), and the Executive Summary stated the following:

*"**Sustainable Institutions and Efficient Regional Structures: Leadership, Vision and Direction***
The College contribution to the local economy is hugely significant and was documented in a report commissioned which indicated that, for the £30 million invested by the Government in the College, there was an economic impact of £406 million to the local economy.

College governance is strong and has been positively reviewed by SFC and auditors. Staff and students are represented on the College Board and on key management committees to ensure all views are represented. Arrangements are in place to ensure that the quality of governance remains high and that the Code of Good Governance for Scotland's Colleges is effectively applied. Effective governance is reflected in the engagement of support teams in providing a high quality of service to students. Where shortcomings impacting on students have been identified, these have been recognised and addressed to prevent recurrence. Leadership groups composed of senior and other managers meet regularly to discuss key issues and develop measures to address key cross-college functions such as leadership and communication."

The Board's Governance Steering Group helps to ensure that the Baard remains fully effective by considering and recommending the implementation of any guidance or best practice that is issued to the sector.

Compliance with Code of Good Governance

- Past Internal Audit of Corporate Governance – Outcome 'Strong' – January 2014
- Next Internal Audit of Corporate Governance – planned for January 2017
- All college Boards of Management have been instructed to ensure that an externally facilitated evaluation of effectiveness is undertaken by the end of March 2017.

Corporate Strategy

Arrangements for Strategic Development

Board of Management Annual Planning Event

The holding of this event coincides with the start of the annual planning cycle. The event provides the Board of Management with an opportunity to consider the College's current operating environment and to set the strategic direction for the College for the upcoming planning period. The development of key planning documents, such as the Strategic Plan and Outcome Agreement, is also considered.

Strategic Planning Policy

The College recognises that the task of developing and implementing strategic planning is complex and requires timely access to complete and accurate information. It also demands effective communication and collaboration between all levels of management and across all College Schools and Departments. The College has therefore established a Strategic Planning Policy which explains the College's underlying approach to strategic planning, the main planning documents and the responsibilities of key parties.

Strategic Plan

The College's Strategic Plan identifies the strategic direction of the College for the coming 3 years and provides context and rationale. The Plan is the corporate planning statement of the Board and establishes its strategic aims and objectives. A number of single-themed strategies developed as part of the planning process support the delivery of the Strategic Plan and Outcome Agreement.

PERFORMANCE SUMMARY

Review of Financial Outturn for the Reporting Period

The Consolidated Statement of Comprehensive Income and Expenditure for the year showed a surplus on continuing operations after disposals of assets and taxation of £2,004,000 (Adjusted FY2014-15: £2,999,000 surplus). After adjusting for the effect of depreciation on re-valued assets, and the realisation of property revaluation gains of previous years, the deficit for the period was £11,181,000 (Adjusted FY2014-15: £17,738,000 surplus). Of the total income of the College, 38% (Adjusted FY2014-15: 35%) was received from non-SFC sources. It should be noted that the reporting period for 2014-15 covered 16 months.

The accumulated deficit on the Consolidated Statement of Comprehensive Income and Expenditure at 31 July 2016 was £3,843,000 (Adjusted 31 July 2015 surplus £3,824,000). The provision for future pension costs arising from early retirement of former staff and the equalisation of pension contributions under the Local Government Pension Scheme and the Scottish Teachers Superannuation Scheme at 31 July 2016 was £7,275,000 (31 July 2015: £7,131,000) whilst the FRS 17 provision for the College's share of the North East Scotland Pension Fund (NESPF) deficit was £23,916,000 (31 July 2015: £13,962,000).

The College's cash and liquid resources position at the end of the period was £1,155,000 (31 July 2015: £5,023,000), this equates to the College having 7 days of cash on hand (FY2014-15: 32 days).

Taxation Status

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.

Treasury Policies and Objectives
Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College's treasury management arrangements are governed by the College's financial regulations, which are compliant with the Financial Memorandum with the SFC, as are the College's borrowing arrangements.

Cash Flows
The College's cash balance decreased by £3,868,000 in the period (2014-15– increase of £292,000), operating cash outflow was £2,004,000 (Adjusted 2014-15: £3,548,000).

Liquidity
During the financial reporting period, the College maintained its reserves in accordance with its Reserves Policy, which is to maintain sufficient resources to fund the operation of the College. The Board of Management acknowledges the prohibition set out in the Scottish Public Finance Manual on the accumulation of reserves.

Supplier Payment
The College complies where appropriate with the CBI prompt payment code and has a policy of paying its suppliers within 30 days of invoice unless the invoice is contested. At the time of writing, no interest has been paid under the Late Payments of Commercial Debts (Interest) Act. All disputes are handled as quickly as possible. Supplier invoices were paid in 12 days in the period to 31 July 2016 (12 days in the period to 31 July 2015).

Interest paid under Late Payments of Commercial Debts (Interest) Act amounted to £0 during the period (31 July 2015 - £nil).

Resources
The College has net assets of £27,597,000 (Adjusted 31 July 2015; £39,461,000). The current asset to current liabilities ratio is 2.1:1 (31 July 2015: 2.1:1), with the gearing on long term liabilities being 2.7:1 (Adjusted 31 July 2015: 1.6:1).

Principal Risks and Uncertainties
The principal risks faced by the College are recorded in the College's risk register, which is reviewed biannually. Mitigating actions are in place to address risk. The most significant risks faced by the College are: the loss of income that might arise if the SFC changed the basis on which colleges are funded; from the loss of major customer contracts; and the potential impacts of the reclassification of colleges as 'central government bodies' as from 1 April 2014.

Deficit resulting from use of depreciation cash

One consequence of college reclassification as central government bodies is that, from 1 April 2014, while colleges continued to prepare accounts under the FE/HE Statement of Recommended Practice, they are now also required to comply with Central Government budgeting rules. This affects, amongst other things, the way in which non-cash depreciation charges are treated and how the colleges spend the cash funds previously earmarked for depreciation. There is potential for this spend to move the college's Statement of Comprehensive Income into a deficit position.

The impact of the above has contributed £1,009,000 to the reported deficit for the 2015-16 accounting year. However, the Scottish Funding Council has confirmed (in its letter to the College on 30 March 2015) that a deficit resulting from the College following its 30 January 2015 guidance should be treated as a 'technical' deficit and should not be interpreted, on its own, as a challenge to the College's ongoing financial sustainability. Audit Scotland accepts that a deficit arising from the use of cash funding originally provided for non-cash depreciation does not indicate an underlying financial sustainability concern.

The impact on the operating position is detailed below.

Table of net depreciation spend	
Revenue	£'000
Student support	587
Pay award	242
Other (give detail)	332 Superannuation increase for lecturers £151k; Accelerated harmonization costs from merger £29k; Planned loan repayment £152k.
Total impact on operating position	1,161

Resource Limit

The reclassification of colleges as central government bodies means that each college now has to operate within a resource limit which is measured annually at the end of March. The return made by North East Scotland College for the financial year to 31st March, 2016, showed that this college recorded an overspend of £577,000 on its Revenue and Capital Resource limits. This overspend was mainly due to spending in Student Support Funds being greater than the College's allocation from the SFC, and this position has also been accounted for within this set of accounts. The Revenue Resource Limit (RRL) for the College was £55,802,000, and the Capital Resource Limit was £3,260,000. These figures differ from the figures shown in this report because:

1. The Resource limit covers a different 12 month from that covered in these accounts – so there are timing differences
2. SFC income is accounted for on a cash basis for the Resource Return (as opposed to accruals basis for these accounts)
3. The charge of depreciation and the release of deferred capital grants is not included in the RRL, and is accounted for separately.

Curriculum Measures of Performance

During AY2015-16 curriculum teams made good use of high quality learner retention, attainment and progression data to inform programme evaluations and clear actions were identified where improvement was required. Curriculum teams also had a strong focus on the performance of their programmes and each had a clear understanding on where improvements had to be made. A more systematic approach to the review of curriculum performance was introduced for each of the schools. The Senior Management Team held meetings with each of the schools Directors and their Faculty Managers and Curriculum Quality Managers to monitor and review performance. These meetings were held in November, February and May with a clear focus on improving attainment. This led to a reduction in withdrawal rates and a significant improvement in attainment across a number of subject areas.

KEY STATISTICAL RESULTS

Totals	Number Enrolled			Early Withdrawal			Further Withdrawal			Completed: Partial Success			Completed: Successful			SPAR		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Total	19,044	19,932	16,251	3.10%	2.85%	3.30%	7.60%	7.25%	7.95%	12.81%	22.41%	13.61%	76.76%	67.48%	75.36%	79.22%	69.46%	77.93%
Business & Community Development	5,430	4,058	3,681	0.33%	0.67%	1.30%	3.13%	3.75%	2.91%	21.22%	32.85%	29.48%	75.32%	62.72%	67.21%	75.57%	63.14%	68.10%
Creative Industries, Computing, ESOL And Business Enterprise	4,138	5,964	3,701	4.23%	2.63%	4.03%	10.34%	7.81%	10.51%	9.01%	25.96%	8.46%	76.56%	63.60%	77.01%	79.94%	65.32%	80.24%
Curriculum Support	8	3	38	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	28.95%	100.00%	66.67%	71.05%	100.00%	66.67%	71.05%
Engineering, Science And Technology	5,516	4,815	4,767	3.14%	3.51%	2.98%	6.67%	7.00%	6.86%	11.04%	11.90%	11.10%	79.55%	77.61%	79.11%	82.13%	80.43%	81.54%
Professional Development	35	47	52	0.00%	0.00%	0.00%	11.43%	0.00%	1.92%	11.43%	14.89%	1.92%	77.14%	85.11%	96.15%	77.14%	85.11%	96.15%
Service Industries	3,917	5,045	4,012	5.72%	4.26%	4.91%	12.20%	9.73%	11.67%	7.68%	19.92%	6.80%	75.01%	66.09%	76.62%	79.56%	69.03%	80.58%

	Number Enrolled			Early Withdrawal			Further Withdrawal			Completed: Partial Success			Completed: Successful			SPAR		
Part time	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**
Total	**12,172**	**13,342**	**9,490**	**1.69%**	**1.24%**	**1.73%**	**3.89%**	**3.25%**	**3.64%**	**13.34%**	**27.27%**	**16.41%**	**81.50%**	**68.23%**	**78.60%**	**82.90%**	**69.08%**	**79.98%**
Business & Community Development	5,418	4,046	3,671	0.33%	0.67%	1.31%	3.14%	3.76%	2.91%	21.24%	32.95%	29.56%	75.29%	62.61%	67.12%	75.54%	63.03%	68.01%
Creative Industries, Computing, ESOL And Business Enterprise	1,248	3,187	817	2.64%	0.66%	1.59%	3.21%	3.01%	2.69%	3.61%	38.00%	8.20%	91.03%	58.33%	87.52%	93.50%	58.72%	88.93%
Curriculum Support	8	3	38	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	28.95%	100.00%	66.67%	71.05%	100.00%	66.67%	71.05%
Engineering, Science And Technology	3,961	3,285	3,251	2.27%	2.31%	1.81%	3.91%	2.80%	3.23%	9.27%	10.29%	10.49%	85.10%	84.63%	84.53%	87.08%	86.63%	86.09%
Professional Development	35	47	52	0.00%	0.00%	0.00%	11.43%	0.00%	1.92%	11.43%	14.89%	1.92%	77.14%	85.11%	96.15%	77.14%	85.11%	96.15%
Service Industries	1,502	2,774	1,661	4.33%	1.48%	2.65%	6.99%	3.39%	6.62%	3.79%	27.04%	3.13%	86.48%	68.10%	87.60%	90.40%	69.12%	89.98%

Full time	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**
Total	**6,872**	**6,590**	**6,761**	**5.59%**	**6.12%**	**5.50%**	**14.17%**	**15.36%**	**14.01%**	**11.86%**	**12.55%**	**9.69%**	**68.38%**	**65.98%**	**70.80%**	**72.43%**	**70.28%**	**74.93%**
Business & Community Development	**12**	**12**	**10**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**8.33%**	**0.00%**	**0.00%**	**91.67%**	**100.00%**	**100.00%**	**91.67%**	**100.00%**	**100.00%**
Creative Industries, Computing, ESOL And Business Enterprise	**2,890**	**2,777**	**2,884**	**4.91%**	**4.90%**	**4.72%**	**13.43%**	**13.32%**	**12.73%**	**11.35%**	**12.14%**	**8.53%**	**70.31%**	**69.64%**	**74.03%**	**73.94%**	**73.23%**	**77.69%**
Curriculum Support	**1,555**	**1,530**	**1,516**	**5.34%**	**6.08%**	**5.47%**	**13.70%**	**16.01%**	**14.64%**	**15.56%**	**15.36%**	**12.40%**	**65.40%**	**62.55%**	**67.48%**	**69.09%**	**66.60%**	**71.39%**
Engineering, Science And Technology	**2,415**	**2,271**	**2,351**	**6.58%**	**7.66%**	**6.51%**	**15.45%**	**17.48%**	**15.23%**	**10.10%**	**11.23%**	**9.40%**	**67.87%**	**63.63%**	**68.86%**	**72.65%**	**68.91%**	**73.66%**

Key Statistical Results:

The Performance Indicators for 2015/16 are the NESCOL statistics for the period up to 31st July, 2016. The comparative data for 2013/14 is the information taken from NESCOL's accounts – prior to that the information is taken from Aberdeen College's accounts

(i) Level of Student Activity

	2015-16	2014-15	2013-14	2012-13	2011-12
WSUMs	-	180,919	161,456	134,388	146,075
Credits	141,796	-	-	-	-

(ii) Enrolments

	2015-16	2014-15	2013-14	2012-13	2011-12
All	19,607	18,213	25,402	13,855	16,456
Full-time	6,767	6,103	6,968	5,779	6,049
Part-time	12,940	12,110	18,434	8,076	10,407

(iii) Headcount

	2015-16	2014-15	2013-14	2012-13	2011-12
Students	15,077	14,168	21,959	13,872	16,131

(iv) Staff Turnover Levels

	2015-16	2014-15	2013-14	2012-13	2011-12
Lecturers	6.89%	11.6%		17.5%	13%
Support	8.28%	16.9%		8.7%	14.7%
Total			13.68%		

Organisational Development

During the period August 2015 to July 2016 the Organisational Development team focussed on the following: -

a) implementing induction processes to enable new and promoted staff to settle into their roles as quickly and as effectively as possible;

b) putting resources in place to ensure that staff either hold or achieve the qualifications required for their posts within a reasonable time scale and

c) implementing appropriate training and development initiatives to ensure that all staff have the skills, knowledge and competencies required for their roles and to meet professional standards where these are established.

d) embedding the Performance Review Process

e) working with Colleagues to embed the College Vision and Values and support the development of the organisation. During the year we achieved IiP accreditation at Silver reflecting our work in this regard.

Employer Engagement

As an organisation which has always been principally in the business of vocational education and skills training it has been relatively easy for the College to respond positively to the Government's renewed emphasis on skills (the 'skills agenda'). Our service to individuals in employment and to employers in the private, public and third sectors consists of a wide range of training opportunities provided in the College's own premises (where the service is subsumed in the wider work of the organisation), an extensive work-based training and assessment service provided by the College's Business and Community Development Team. Programmes were delivered mainly in the North-East of Scotland in partnership with local and national employers and private providers.

PROFESSIONAL ADVISERS

External auditor:	Anne MacDonald Senior Audit Manager Audit Scotland Business Hub 15, 3rd Floor South Marischal College, Broad Street Aberdeen AB10 1AB
Internal auditors:	Wylie and Bisset 168 Bath Street Glasgow G2 4TP
Bankers:	Clydesdale Bank 56 Carden Place Aberdeen AB10 1UP
Solicitors:	Burness Paull Union Plaza 1 Union Wynd Aberdeen AB10 1DQ

Approved by the Principal and Chief Executive on 5th December 2016.

Rob Wallen
Principal and Chief Executive

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE

BOARD MEMBERS AND KEY COMMITTEES

The undernoted individuals were Members of the Board of Management during the period of these financial statements:

Mr D. Anderson
Ms K. Anderson (student representative) (term of office ended 30 June 2016)
Ms A. Bell
Ms S. Brimmer (resigned 29 March 2016)
Ms S. Cormack
Mr D. Duthie (Vice Chair)
Mr J. Gall (student representative) (appointed 01 July 2016)
Mr I. Gossip
Prof J. Harper
Mr J. Henderson
Ms C. Inglis
Ms S. Masson (teaching staff representative)
Mr R. McGregor (support staff representative) (appointed 10 February 2016)
Mr K. Milroy (Chair)
Mr A. Russell
Ms A. Simpson
Mr A. Smith
Mr S. Smith (support staff representative) (resigned 12 January 2016)
Mr R. Wallen (Principal and Chief Executive)
Ms K. Wetherall (student representative)

Committees of the Board of Management
The Board of Management has formally constituted several committees with terms of reference. These committees act with delegated authority. Information on the Board's Committees is given below, together with details of membership of key committees during the period to 31 July 2016. A scheduled review of the membership of these committees took place on 19th July, 2016.

Key Committees before the review:

- **Audit and Risk Committee**
- Members – Mr D Anderson, Ms A. Bell, Ms S. Cormack, Mr D. Duthie, Mr A. Russell, Ms A. Simpson.

- **Finance and General Purposes Committee**
- Members – Ms S. Brimmer, Mr I. Gossip, Prof J. Harper, Mr J. Henderson, Ms S. Masson, Mr K. Milroy, Mr A. Smith, Mr R. Wallen, Ms K. Wetherall.

- **Human Resources Committee**
- Members – Ms K. Anderson, Ms S. Brimmer, Mr J. Gall, Mr I. Gossip, Mr J Henderson, Ms C. Inglis, Mr R. McGregor, Mr K. Milroy, Ms A. Simpson, Mr A. Smith, Mr S. Smith, Mr R. Wallen.

- **Investment and Project Committee**
- Members – Mr D. Duthie, Mr I. Gossip, Mr J. Henderson, Mr K. Milroy, Mr A. Smith.

- **Learning & Teaching and Student Services Committee**
- Members – Mr D. Anderson, Ms K. Anderson, Ms A. Bell, Ms S. Cormack, Mr D. Duthie, Mr J. Gall, Prof J. Harper, Ms C. Inglis, Ms S. Masson, Mr R. McGregor, Mr A. Russell, Ms A. Simpson, Mr S. Smith, Mr R. Wallen, Ms K. Wetherall.

- **Remuneration Committee**
- Members – Mr D. Duthie, Mr I. Gossip, Ms C. Inglis, Mr K. Milroy.

- **Selection and Appointments Committee**
- Members – Mr D. Duthie, Mr I. Gossip, Ms C. Inglis, Mr K. Milroy.

Key Committees after the review:

- **Audit and Risk Committee**
- Members – Mr D Anderson, Ms A. Bell, Mr D. Duthie, Mr I Gossip, Ms. C Inglis, Mr A. Russell, Ms A. Simpson, Mr. A Smith

- **Finance and General Purposes Committee**
- Members –Prof J. Harper, Mr J. Henderson, Ms S. Masson, Mr K. Milroy, Mr A. Smith, Mr R. Wallen, Ms K. Wetherall.

- **Human Resources Committee**
- Members – Ms. A Bell, Ms. C Cormack, Mr J. Gall, Mr I. Gossip, Mr J Henderson, Ms C. Inglis, Mr R. McGregor, Mr K. Milroy, Mr R. Wallen.

- **Investment and Project Committee**
- Members – Mr. D Anderson, Ms. A Bell, Mr D. Duthie, Prof. J Harper, Mr J. Henderson, Mr K. Milroy.

- **Learning & Teaching and Student Services Committee**
- Members –Ms S. Cormack, Mr D. Duthie, Mr J. Gall, Prof J. Harper, Ms S. Masson, Mr R. McGregor, Mr A. Russell, Ms A. Simpson, Mr R. Wallen, Ms K. Wetherall.

- **Remuneration Committee**
- Members – Mr D. Duthie, Prof, J Harper, Ms C. Inglis, Mr K. Milroy, Ms. A Simpson, Ms. K Wetherall, Mr. R. McGregor

- **Selection and Appointments Committee**
- Members – Mr D. Duthie, Prof. J Harper, Ms C. Inglis, Mr K. Milroy, Ms. A Simpson.

The College's Board of Management meets four times in the year and has several committees through which it conducts its business. Each committee has formally constituted terms of reference. These committees include: the Audit and Risk Committee, Finance and General Purposes Committee, Human Resources Committee, Investment and Project Committee, Learning and Teaching Committee, Remuneration Committee and the Selection and Appointment Committee.

The Finance and General Purposes Committee, among other business, sets the College's annual revenue and capital budgets and monitors performance in relation to approved budgets.

The Selection and Appointment Committee was established by the Board of Management to advise on matters relating to the appointment of Chairs, Vice Chairs and membership of the Board's Committees.

The Board has established arrangements that ensure that a process is in place to ensure appropriate training is given to Board of Management members as required.

The Remuneration Committee makes recommendations to the Board of Management on the service arrangements and remuneration of the Principal and determines the service arrangements and remuneration of the other senior post holders. Details of senior post-holders for the period ended 31 July 2016 are set out in note 6 to the financial statements and the Remuneration Report on pages 19 to 23.

The Audit and Risk Committee meets six times a year, with the College's external and internal auditors in attendance as required. The Audit and Risk Committee advises the College on the appointment of the internal auditor and the auditors' remuneration.

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

Whilst senior staff of the College attends meetings of the Audit and Risk Committee as necessary, they are not members of the Committee.

Governance Steering Group
The Board has established a Governance Steering Group with the following remit:
To support the Board of Management in maintaining high standards of governance by:

- Considering and approving amendments to the Board of Management's Governance Manual
- Ensuring that the Board of Management complies with the Code of Good Governance of Scotland's Colleges
- Providing a forum to consider any governance issues that arise centrally or in other college regions and any possible related implications or considerations for the Board of Management of North East Scotland College.

ESTATE STRATEGY

In 2016, the Board of Management completed a revision of its estates strategy and adopted masterplans for the development of the College estate.

Good progress has been made during the period in taking forward the estates strategy in the north of the region. Construction work began at the Fraserburgh Campus in October 2015 to extend and refurbish teaching facilities for engineering technologies and science. The project was completed in October 2016 and was funded by grant from the NESFE Foundation.

Masterplans for the development of the Altens and City Campuses have been established and outline business cases have been prepared as part of the process of securing funding for future development.

The delivery of a robust Estates Strategy is to be achieved within the context of the College's status as a public body and the financial rules and regulations that apply following reclassification in April 2014. The allocation of funding under the new regional college model places more focus on the needs of the region, which are defined by the socio-economic characteristics of the area and its learners. The constantly changing social and economic environments, both nationally and locally, will therefore have a significant impact on the demand for courses and the availability of funding.

NESCol must therefore continue to maximise the flexibility, adaptability and agility of its estate, including maximising the value of surplus assets and how capital receipts are reinvested to respond to ever changing needs and financial uncertainty, whilst continuing to meet Government expectations and its own strategic aims and objectives, as set out in the Strategic Plan. The strategy, masterplans and business cases have been prepared in this context.

Board's statement on internal control

The College's Board of Management is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board's standing committees and senior management team receive 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 academic sectors and teams and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit that include recommendations for improvement.

The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control.

The Board of Management's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Board of Management conducts regular reviews of its Governance Manual.

The Board, having responsibility for the overall management of risk and opportunity, has in place a high level strategic risk register. It also has in place a Risk Management Policy to ensure that sound risk management and internal control systems are understood, in place, maintained and monitored, and further training on Risk Management has been delivered by Internal Audit. Such an approach, operated within an effective Board of Management Committee structure, ensures that the Board has in place a robust and formal on-going process for identifying, reporting, evaluating and managing the College's significant risks and reviewing the effectiveness of risk management, business continuity planning and internal control systems. The Board gains added confidence in regard to the comprehensiveness, reliability and integrity of assurances including the College's governance, risk management and internal control framework, via the Audit Committee's Annual Report.

The College's Board of Management is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board of Management is of a view that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place throughout the period ended 31 July 2016 and up to the date of approval of the annual report and accounts. The Board of Management regularly review this process, which accords with the Turnbull guidance on internal control, as applicable to the further education sector.

A programme of internal audit work has been undertaken and the results have provided evidence to the Board that there are strong controls in most areas under review. Areas in which controls were reported as strong were: budgetary and financial controls; income collection and credit control; management of contact managed services; enrolments, attendance and applications; strategic and business planning; Freedom of Information; Aberdeen Skills and Enterprise Training Ltd (the Board's wholly owned subsidiary company); organisational services; payroll; IT systems; marketing; and School of Service Industries. Substantial controls were identified in areas of: data protection; human resources; information technology systems and the implementation of previous recommendations. The review of payroll identified controls as being weak. Additional audit work was undertaken to provide assurance to the Board on the payroll system and has confirmed that actions have been taken to strengthen controls.

In its report to the Board, the internal auditor highlighted thirteen of its recommendations graded as 'high priority'. Actions have been, or a planned to be, taken to address these matters and strengthen controls in these areas.

The internal auditor has expressed the opinion that the Board of Management of North East Scotland College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time internal audit work was undertaken and that the College has proper arrangements to promote and secure value for money.

REMUNERATION AND STAFF REPORTS

Remuneration Committee

The Remuneration Committee is clerked independently from College management – the administrative roles being carried out by the College's solicitors. The Committee has responsibility for recommending to the Board the salaries and conditions of service for members of the College's Senior Management Team, as well as the structure of the SMT. The Committee meets as required.

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

Actuals	**12 months ended 31 July 2016**			**16 months ended 31 July 2015**		
Name	**Salary £'000**	**Pension Benefit £'000**	**Total £'000**	**Salary £'000**	**Pension Benefit £'000**	**Total £'000**
Ken Milroy, Chair of Board of Management	15-20	0	15-20	25-30	0	25-30
Rob Wallen, Principal & Chief Executive	145-150	0	145-150	180-185	60-65	240-245
Neil Cowie, Vice Principal - Organisational Services	80-85	55-60	135-140	100-105	45-50	150-155
John Davidson, Vice Principal - Learning & Quality	90-95	135-140	225-230	100-105	55-60	155-160
Elaine Hart, Vice Principal - HR	90-95	75-80	165-170	115-120	20-25	135-140
Roderick Scott, Vice Principal - Finance	110-115	25-30	135-140	150-155	25 - 30	175-180
Atholl Menzies, Chief Executive & Executive Director of ASET	100-105	Note 4		120-125	Note 4	
Paul Sherrington, Depute Principal (retired)	0	0	0	105-110	15-20	120-125
Sandra Walker, Vice Principal - Curriculum (retired)	0	0	0	115-120	75-80	115-120
Frank Hughes, Vice Principal - Student Services	0	0	0	30-35	10-15	40-45
Doug Duthie, Vice Chair of Board of Management and Director of ASET	5-10	0	5-10	5-10	0	5-10
Ian Gossip, Board Member and Director of ASET	5-10	0	5-10	5-10	0	5-10
David Morgan, Director of ASET	5-10	0	5-10	5-10	0	5-10
Adrian Smith, Board Member and Director of ASET	5-10	0	5-10	10-15	0	10-15

Annual Equivalent	**12 months ended 31 July 2016**			**16 months ended 31 July 2015**		
Name	**Salary £'000**	**Pension Benefit £'000**	**Total £'000**	**Salary £'000**	**Pension Benefit £'000**	**Total £'000**
Ken Milroy, Chair of Board of Management	15-20	0	15-20	20-25	0	20-25
Rob Wallen, Principal & Chief Executive	145-150	0	145-150	135-140	60 - 65	195-200
Neil Cowie, Vice Principal - Organisational Services	80-85	55-60	135-140	75-80	35-40	110-115
John Davidson, Vice Principal - Learning & Quality	90-95	135-140	225-230	75-80	40-45	115-120
Elaine Hart, Vice Principal - HR	90-95	75-80	165-170	85-90	15-20	100-105
Roderick Scott, Vice Principal - Finance	110-115	25-30	135-140	110 - 115	15-20	130-135
Atholl Menzies, Chief Executive & Executive Director of ASET	100-105	Note 4		90-95	Note 4	
Paul Sherrington, Depute Principal (retired)	0	0	0	75-80	10-15	90-95
Sandra Walker, Vice Principal - Curriculum (retired)	0	0	0	85-90	60-65	145-150
Frank Hughes, Vice Principal - Student Services	0	0	0	70 - 75	30-35	105-110
Doug Duthie, Vice Chair of Board of Management and Director of ASET	5-10	0	5-10	5 - 10	0	5 - 10
Ian Gossip, Board Member and Director of ASET	5-10	0	5-10	5 - 10	0	5 - 10
David Morgan, Director of ASET	5-10	0	5-10	5 - 10	0	5 - 10
Adrian Smith, Board Member and Director of ASET	5-10	0	5-10	5 - 10	0	5 - 10

Notes:

1. The comparative figures shown above have been converted from the sixteen month accounting period that ended on 31st July, 2015, to give a 12 month annualised figure.
2. Frank Hughes left the College on 31st August 2014. Paul Sherrington left the College on 30th April 2015. Sandra Walker left the College on 30th June 2015.
3. From 1st April, 2014, the Principal of the College receives a payment of £20,000 - £25,000 per annum as a contribution towards his pension benefit. This amount is in addition to the figures shown in the two tables above.
4. Atholl Menzies is not enrolled in a public services defined benefit pension scheme. The actual contributions made by his employer, ASET, for the year ended 31st July 2016 were £10,000 - £15,000 (2014/15: £10,000 - £15,000)

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

From 1 April 2015 the STSS and LGPS changed from a final salary scheme to a CARE scheme where pension is based on career average revalued earnings, taking the average earnings over the employee's working life, while member of the scheme, to calculate pension entitlement. Pension on service up to 31 March 2015 is still however calculated on a final salary basis.

The scheme's normal retirement age is 65.

Contribution rates for all employees are determined annually by the respective pension schemes and can be found in note 32.

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 a career average earnings basis.
Pension benefits are provided to senior management 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 Benefits for senior staff:

Name	Accrued pension at pension age at 31 July 2016	Accrued lump sum at pension age at 31 July 2016	Real increase in pension 1 Aug 2015 to 31 July 2016	Real increase in lump sum 1 Aug 2015 to 31 July 2016	CETV at 31 July 2016	CETV at 31 July 2015	Real increase/ (decrease) in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rob Wallen, Principal & Chief Executive	60-65	145-150	0	0	1,295-1,300	1,315-1,320	(20-25)
Roderick Scott, Vice Principal - Finance	40-45	85-90	0-5	0	910-915	865-870	40-45
John Davidson, Vice Principal - Learning & Quality	25-30	0	5-10	0	365-370	285-290	75-80
Elaine Hart, Vice Principal - HR	40-45	0	0-5	0	565-570	565-570	0
Neil Cowie, Vice Principal - Organisational Services	15-20	55-60	0-5	5-10	330-335	270-275	45-50

Note that for the above table, Atholl Menzies, Doug Duthie, Ian Gossip, David Morgan and Adrian Smith have been excluded from the list as they are not in receipt of a pension benefit from public service.

Compensation for loss of office

6 staff left under voluntary exit terms in 2015/16. They received a combined compensation payment of £224,612.

The table below summaries the exit packages by cost band.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	1	1
£10,000 - £25,000	0	0	0
£25,000 - £50,000	0	4	4
£50,000 - £100,000	0	1	1
Total number of exit packages	0	6	6
Total cost (£)	0	224,612	224,612

Median Remuneration

Colleges are required to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce.
The banded remuneration of the highest paid official in the organisation in the financial year 2015/16 was £145,000-£150,000 (2014/15 £135,000-£140,000). This was 4.2 (2014/15 4.2) times the median total remuneration for the College which was £33,908 (2014/15 £33,127).

The College spent £208,000 on Consultancy during the year, but there was no off-payroll engagements, nor were there any exit packages for staff leaving the College's employment.

The number of senior staff in bands of £5,000 is as follows:

	Year ended 31 July 2016 No. of Senior Staff
£5,001 to £10,000	4
£15,001 to £20,000	1
£80,001 to £85,000	1
£90,001 to £95,000	2
£100,001 to £105,000	1
£110,001 to £115,000	1
£145,001 to £150,000	1
	11

Staff Data as at 31 July 2016	**Total**	**Male**	**Female**
Number of staff (headcount)	592	259	333
Number of staff (FTE)	527	247	280
Number of staff (FTE) on permanent contracts	518	242	276
Number of staff (FTE) on temporary contracts	9	5	4

There were an average of 35 FTE agency staff employed each month by the College.

Note: FTE figures are rounded to the nearest whole number

During the year, the College incurred staffing costs of £26,079,000, and costs of £2,779,000 on agency staff. The number of days lost to sickness during the year was approximately 3,896. This represented 2.74% as a percentage of days available to work.

The College's Recruitment & Selection Policy, Strategy and Procedure states that the College will endeavour to hold the 'two ticks' positive about disability symbol awarded by Job Centre Plus. This year, the College became a Disability Confident Employer, which replaces the JobCentrePlus two tick symbol. This means that the College has committed to:

- Ensure its recruitment process is inclusive and accessible
- Communicate and promote vacancies
- Offer an interview to disabled candidates if they meet the minimum criteria for the job
- Anticipate and provide reasonable adjustments as required
- Support any existing employee who acquires a disability or long-term health condition to stay at work

The College's Health and Attendance Policy also details that particular consideration will be given to whether there are reasonable adjustments that could be made to the requirements of a job or other aspects of working arrangements that will provide support at work and/or assist a return to work.

The College's Staff Development Policy applies to all staff.

Signed:

Ken Milroy	**Rob Wallen**
Chair of the Board of Management	**Principal and Chief Executive**
5th December 2016	

STATEMENT OF THE RESPONSIBILITIES OF THE BOARD OF MANAGEMENT

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

The Board of Management is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2015 Statement of Recommended Practice Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Management, the Board, through its designated office holder, is required to prepare financial statements for each financial period that give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that period.

These financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by the Scottish Government. They are also prepared in accordance with the Accounts Direction issued by the Scottish Funding Council, which brings together the provisions of the Financial Memorandum with other formal disclosures that the Scottish Funding Council require the Board of Management to make in the financial statements and related notes.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the College will continue in operation. The Board is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:
- ensure that funds from the Scottish Funding Council (SFC) are used only for the purposes that they have been given and in accordance with the Financial Memorandum with the SFC and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and prevent and detect fraud;
- secure the economical, efficient, and effective management of the College's resources and expenditure.

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

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

Approved by the Board of Management and signed on its behalf by:

Ken Milroy
Chair of the Board of Management
5th December 2016

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

I have audited the financial statements of North East Scotland College and its group for the period ended 31 July 2016 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 Consolidated Statement of Comprehensive Income and Expenditure, Consolidated Statement of Changes in Reserves, the Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to board members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Board of Management and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college and its group as at 31 July 2016 and of their surplus for the period then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

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

Independent auditor's report to the members of the Board of Management of North East Scotland College, the Auditor General for Scotland and the Scottish Parliament (Continued)

Opinion on regularity

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

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Ministers; and

- the information given in the Performance Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- proper accounting records have not been kept; or

- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records; or

- I have not received all the information and explanations I require for my audit; or

- the Governance Statement does not comply with Scottish Funding Council requirements.

I have nothing to report in respect of these matters.

Anne MacDonald CA
Senior Audit Manager
Audit Scotland
Business Hub 15, 3rd Floor South
Marischal College
Broad Street
ABERDEEN
AB10 1AB

5th December 2016

Anne MacDonald is eligible to act as an auditor in terms of Section 21 of the Public Finance and Accountability (Scotland) Act 2000.

Statement of Accounting Policies

Basis of preparation
These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (SORP) 2015: 'Accounting in Further and Higher Education' and the 2015/16 Government Financial Reporting Manual (FReM) issued by the Scottish Government and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

These financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments.

Basis of consolidation
The consolidated financial statements include the College and its subsidiary undertakings, Aberdeen Skills and Enterprise Training Limited and Clinterty Estates Limited. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 2, the activities of the College Students' Association have not been consolidated because the College does not control those activities.

Income recognition
Income from tuition fees is recognised in the year in which it is receivable and includes all fees chargeable to students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent of completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs.

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

Recurrent grant from the Scottish Funding Council is recognised in the period in which it is receivable.

Donor imposed restrictions are recognised in income when the College is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Grant funding
Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been meet. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grants
Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Government Social Fund Grants
Capital based Government European Social Fund grants are treated as deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Maintenance of Premises
The cost of maintenance is charged to the Consolidated Statement of Comprehensive Income and Expenditure in the period in which it is incurred.

Foreign Currency Translation
Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in that they arise.

Research and Development

Research and development expenditure is written off as incurred, with the exception of development expenditure incurred on an individual project, which is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Accounting for retirement benefits

Retirement benefits to employees of the College are provided by the North East Scotland Pension Fund (NESPF), which administers the Local Government Pension Scheme (LGPS), and the Scottish Teachers Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA).

These are defined benefit schemes, which are externally funded and contracted out of the State Earnings Related Pension Scheme.

North East Scotland Pension Fund (NESPF)

The contributions are determined by an actuary on the basis of periodic valuations using the projected unit method. The amount charged to the Consolidated Statement of Comprehensive Income and Expenditure represents the service cost expected to arise from employee service in the current year.

Scottish Public Pensions Agency (SPPA)

The College participates in the Scottish Teacher's Superannuation Scheme, a defined benefit scheme, which is externally funded and contracted out of State Earnings-Related Pension Scheme. The assets of the scheme are held separately from those of the College in a separate trustee-administered fund. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Financial Reporting standard 17 (Retirement Benefits), the scheme is accounted for as if it were a defined contribution scheme. As a result, the amounts charged to the Consolidated Statement of Comprehensive Income and Expenditure represent the contributions payable to the scheme in the year.

In the event of staff taking early retirement, the full liability to the College is calculated and charged to the Consolidated Income and Expenditure Account in the year or retiral, with a corresponding provision being established in the Balance Sheet.

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the College's obligation is to provide the agreed benefits to current and former employees and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the College. The Group should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the College is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Employment benefits

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

Finance leases

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability. The lease that the College entered in to for the facility at Ellon has been recognised over a 5 year period, being to the first break clause in that lease.

Operating leases
Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum least term.

Fixed assets
Assets that have physical substance and are held for use in the supply of services, or for administrative purposes, and that are expected to be used during more than one financial year are classified as Tangible Fixed Assets. Classification as a tangible fixed asset is subject to a de minimus level of £10,000 for vehicles, plant and machinery.

Fixed assets are stated at [cost / deemed cost] less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of the revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings
Land and buildings are measured using the revaluation model. Under the revaluation model, assets are revalued to fair value. The College has a policy of ensuring a full revaluation takes place at least every 5 years such that the market value is not materially different to the current value. Depreciation and impairment losses are subsequently charged on the revalued amount.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives as estimated by the valuer, ranging from 20 years to 60 years.

Leasehold land is depreciated over the life for the lease up to a maximum of 50 years. No depreciation is charged on assets in the course of construction.

Equipment
Equipment, including computers and software, costing less than de minimus per individual item is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over the useful life of the asset as advised by a suitably qualified officer, ranging from 3 years to 20 years.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Intangible assets and Goodwill
Goodwill arises on consolidation and is based on the difference between the fair value of the consideration given for the undertaking acquired and the fair value of its separable net assets at the date of acquisition.

Goodwill is subject to periodic impairment review as appropriate.

Negative goodwill is amortised over 5 years or the service lives of long life assets to which the goodwill is attributed.

Research and development expenditure is written off as incurred, with the exception of development expenditure incurred on an individual project which is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project. Amortisation commences in the year in which sales from the related product commence. These assets have been fully depreciated since July 2010.

Investment properties
Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services.

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Surplus or Deficit Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

Investments
Non-current asset investments are held on the Balance Sheet at amortised cost less impairment.

Investments in subsidiaries are carried at cost (less impairment) in the College's accounts.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

Stock
Stocks consist of catering items. Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Cash and cash equivalents
Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Provisions, contingent liabilities and contingent assets
Provisions are recognised in the financial statements when:

(a) The College has a present obligation (legal or constructive) as a result of a past event;
(b) It is probably that an outflow of economic benefits will be required to settle the obligation; and
(c) A reliable estimate can be made of the amount of the obligation

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence of otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probably that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Taxation
The College is an exempt Charity within the meaning of the Trustee Investment and Charities (Scotland) Act 2005 and, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. The College is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained by the Office of Scottish Charity Regulator. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College received no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is include in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The College's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystalise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

Transition to 2015 SORP
The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 33.

Application of first time adoption grants certain exemption from the full requirements of 2015 SORP in the transition period. The following exemptions have been taken into these financial statements:

Fair value or revaluation as deemed cost – at 31 July 2016, fair value has been used for deemed cost for properties measured at fair value.

Agency Arrangements
The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the College Income and Expenditure Account and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, and those funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College Income and Expenditure Account.

Subsequent Expenditure on Fixed Assets
Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed asset in excess of the previously assessed standard of performance;

Statement of accounting policies (continued)

- Where a component of the tangible fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful economic life, is replaced or restored; or
- Where the subsequent expenditure relates to a major inspection or overhaul of tangible fixed asset that restores the economic benefits of the asset that have been consumed by the entity and have already been reflected in depreciation.

Accounting for Business Combinations
The College merged with Banff and Buchan College on 1 November 2013. The merger was accounted for by the “acquisition method of accounting” in order to comply with FRS6, Acquisitions and Mergers (the applicable standard in place at that time). Fair values are attributable to the net separable assets and liabilities acquired. The benefit arising as a consequence of no consideration having been paid by the College for the net value of the assets acquired is included in the consolidated balance sheet as negative goodwill as a deduction from tangible and intangible fixed assets.

The fair value of the benefit arising in relation to non-monetary assets is released to the income and expenditure account over the periods in which the non-monetary assets are recovered, whether through disposals or depreciation. The release is aligned with the corresponding depreciation charge relating to the assets.

Consolidated Statement of Comprehensive Income and Expenditure
For the year ended 31 July 2016

	Notes	Year ended 31 July 2016 £000	As re-stated Period ended 31 July 2015 £000
INCOME			
Tuition fees and education contracts	2	**11,127**	16,628
Funding body grants	3	**33,305**	48,786
Research grants and contracts		**-**	-
Other income	4	**8,981**	9,427
Investment income	5	**20**	49
Total income		**53,433**	74,890
EXPENDITURE			
Staff costs	6	**26,079**	35,715
Fundamental restructuring costs	6	**1,996**	3,137
Other operating expenses	9	**21,402**	30,477
Depreciation	11	**2,065**	3,425
Interest and other finance costs	8	**2**	20
Total expenditure		**51,544**	72,774
Surplus before other gain, losses and Shares of operating surplus/deficit of joint Ventures and associates		**1,889**	**2,116**
Gain on disposal of fixed assets		**6**	18
(Loss)/Gain on Investments		**-**	-
Release of negative goodwill	12	**109**	853
Surplus before tax		**2,004**	2,987
Taxation	10	**-**	12
(Deficit)/Surplus for the year		**2,004**	2,999
Unrealised (deficit)/surplus on revaluation of land and buildings		**(4,400)**	14,777
Actuarial (loss)/gain in respect of pension schemes		**(8,785)**	(38)
Change in fair value of hedging financial statements		**-**	-
Total comprehensive income for the year		**(11,181)**	**17,738**
Represented by:			
Unrestricted comprehensive income for the year		**(6,781)**	2,457
Revaluation reserve comprehensive income for the year		**(4,400)**	15,281
		(11,181)	**17,738**
Surplus / (Deficit) for the year attributable to:			
Non controlling interest		**-**	-
College		**(11,181)**	**17,738**
Total Comprehensive Income for the year attributable to:			
Non controlling interest		**-**	-
College		**53,433**	74,890

Consolidated and College Statement of Changes in Reserves For the year ended 31 July 2016

	Income and expenditure account			Revaluation	Total excluding Non-controlling	Non-controlling	
	Endowment	**Restricted**	**Unrestricted**	**Interest**	**Interest**	**Interest**	**Total**
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2014	**-**	**5**	**692**	**20,351**	**21,048**	**-**	**21,048**
Surplus/Deficit from the Comprehensive Statement of income and Expenditure	-	-	3,783	-	3,783	-	3,783
Transfers between revaluation and income & expenditure reserve	-	-	(504)	15,281	14,777	-	14,777
Consolidation adjustment			(147)	-	(147)	-	(147)
Release of restricted funds spent in year	-	-	-				
Total comprehensive income for the year	-	-	3,132	15,281	18,413	-	18,413
Balance at 1 August 2015 (re-stated)	**-**	**5**	**3,824**	**35,632**	**39,461**	**-**	**39,461**
Deficit from income & expenditure statement	-	-	(6,781)	(4,400)	(11,181)	-	(11,181)
Transfers between revaluation and income & expenditure reserve	-	-	(203)	203		-	-
Student support fund overspend	-	-	(683)	-	(683)	-	(683)
Total comprehensive income for the year	-	-	(7,667)	(4,197)	(11,864)	-	(11,864)
Balance at 31 July 2016	**-**	**5**	**(3,843)**	**31,435**	**27,597**	**-**	**27,597**

Balance Sheets as at 31 July 2016

	Notes	Group 31 July 2016 £000	As re-stated Group 31 July 2015 £000	College 31 July 2016 £000	As re-stated College 31 July 2015 £000
Non-current assets					
Negative goodwill	12	**(434)**	(543)	**(434)**	(543)
Fixed assets	11	**97,277**	93,035	**96,953**	92,833
Investments	13	**-**	-	**30**	30
		96,843	92,492	**96,549**	92,320
Current assets					
Stock	14	**23**	20	**23**	20
Trade and other receivables	15	**1,772**	3,227	**1,820**	3,744
Asset Held for Resale	17	**5,600**	10,000	**5,600**	10,000
Cash and cash equivalents	22	**1,155**	5,023	**1,012**	4,463
		8,550	18,270	**8,455**	18,227
Less: Creditors: amounts falling due within one year	16	**(4,088)**	(8,537)	**(3,794)**	(8,248)
Net current (liabilities)/assets		**4,462**	9,733	**4,661**	9,979
Total assets less current liabilities		**101,305**	102,225	**101,210**	102,299
Creditors: amounts falling due after more than one year	19	**(42,534)**	(41,688)	**(42,535)**	(41,688)
Deferred tax asset/(liability)	18	**17**	17	**-**	-
Provisions					
Pension provisions	20	**(31,191)**	(21,093)	**(31,191)**	(21,093)
TOTAL NET ASSETS		**27,597**	39,461	**27,484**	39,518
Restricted Reserves					
Income & Expenditure reserve – restricted reserve	21	**5**	5	**5**	5
Unrestricted Reserves					
Income & Expenditure reserve – unrestricted		**(3,843)**	3,824	**(3,956)**	3,881
Revaluation reserve	1	**31,435**	35,632	**31,435**	35,632
		27,597	39,461	**27,484**	39,518
Non controlling interest		**-**	-	**-**	-
Total reserves		**27,597**	39,461	**27,484**	39,518

The financial statements on pages 27 to 61 were approved and authorised for issue by the Board of Management on 5th December, 2016 and signed on its behalf by:

Ken Milroy
Chair of the Board of Management

Rob Wallen
Principal and Chief Executive

Consolidated Cash Flow Statement
For the period ended 31 July 2016

	Notes	Year ended 31 July 2016 £000	As re-stated Period ended 31 July 2015 £000
Cash flow from operating activities			
Surplus for the year (before tax)		**2,004**	2,987
Adjustment for non-cash items			
Depreciation	11	**2,065**	3,425
Amortisation of goodwill	12	(109)	(853)
Decrease/(increase) in stock	14	**(3)**	(5)
Decrease/(increase) in debtors	15	**1,455**	3,103
Increase/(decrease) in creditors	16	**(4,449)**	(10,709)
Increase/(decrease) in pension provision	20	**1,313**	818
Increase/(decrease) in other provisions		**0**	-
Adjustment for investing or financing activities			
Investment income	5	**(20)**	(49)
Interest payable	8	**2**	20
Student Support Fund deficit		**(683)**	-
Profit on the sale of fixed assets		**(6)**	**(18)**
Capital grant income		**-**	**-**
Net cash inflow from operating activities		**1,569**	**(1,281)**
Cash flows from investing activities			
Proceeds from sales of fixed assets		**6**	26
Capital grant receipts		**1,013**	6,106
Disposal of non-current asset investments		**-**	-
Withdrawal of deposits		**-**	-
Investment income		**-**	77
Payments made to acquire fixed assets (net)		**(6,306)**	(4,463)
Payments made to acquire intangible assets		**-**	-
New non-current asset investments		**-**	-
New deposits		**-**	-
		(5,287)	1,746
Cash flows from financing activities			
Interest paid		**(2)**	(20)
Interest element of finance lease and service concession payments		**20**	49
Endowment cash received		**-**	-
New secured loans		**-**	-
New unsecured loans		**-**	-
Repayments of amounts borrowed		**(168)**	(202)
Capital element of finance lease and service concession payments		**-**	-
		(150)	(173)
(Decrease)/Increase in cash and cash equivalents in the year		**(3,868)**	292
Cash and cash equivalents at beginning of year	22	**5,023**	**4,731**
Cash and cash equivalents at end of the year	22	**1,155**	**5,023**

Notes to the Accounts
For the year ended 31 July 2016

1. PRIOR YEAR ADJUSTMENTS

A: Valuation of Balgownie

The College undertook a complete revaluation of its land and buildings for the period ended 31st July, 2015. As part of that valuation, the property at Balgownie was omitted from list of adjustments that were processed through the College's accounts. Balgownie has been recorded at a book value of £1,075,000 for some time, however, this site should have been revalued to a sum of £10,000,000 as per the exercise undertaken by the valuer. This change means that there should have been a further increase to the Revaluation Reserve of £8,925,000, and so the 2014-15 comparative figures have been restated to include this prior year adjustment, as shown below:

	£000
Revaluation Reserve reported at 31 July 2015	26,707
Adjustment to increase valuation of Balgownie	8,925
Group Restated Revaluation Reserve at 31 July 2015	35,632

	£000
Asset Held for Resale reported at 31 July 2015	1,075
Adjustment to increase valuation of Balgownie	8,925
Group Restated Asset Held for Resale at 31 July 2015	10,000

The valuation of Balgownie from the end of the previous accounting period to the end of the current accounting period has fallen by an estimated £4,400,000, and this fall has been reflected in the financial statements to 31st July 2016

B: Holiday Pay

In the accounts of the College for the year ended 31st July 2015, only the difference in the level of Holiday Pay to be accrued as that time was made. (These were the first set of financial statements in which this non-cash adjustment was required.) This meant that the financial statements were showing a figure for salaries and wages that was £561,000 less that should have been reported. The 2014-15 comparative figures have been restated to include this prior year adjustment, as shown below.

	£000
Staff costs reported at 31 July 2015	35,154
Adjustment for holiday pay accrual	561
Restated Staff costs reported at 31 July 2015	35,715

	£000
Creditors: Amounts falling due within one year at 31 July 2015	7,976
Adjustment for holiday pay accrual	561
Restated Creditors at 31 July 2015	8,537

	£000
Reserves: Income & Expenditure reserve at 31 July 2015	4,385
Adjustment for holiday pay accrual	(561)
Restated Reserve – Income & Expenditure at 31 July 2015	3,824

2. TUITION FEES AND EDUCATION CONTRACTS

	Notes	Year ended 31 July 2016 £'000	Period ended 31 July 2015 £'000
Full Time home and EU students		**6,240**	8,342
Full Time International students		**143**	132
Total fees paid by or on behalf of individual students		**6,383**	8,474
Education contracts:			
Scottish Enterprise		**1,327**	1,868
Other tuition		**3,417**	6,286
		4,744	8,154
Total		**11,127**	16,628

3. FUNDING BODY GRANTS

	Period ended 31 July 2016 £000	Period ended 31 July 2015 £000
Recurrent grant		
Scottish Funding Council (SFC)	**29,377**	41,660
Specific grants		
Childcare funds	**657**	999
Release of capital grants	**1,119**	1,684
Other SFC grants	**1,760**	1,076
Transitional funding	**392**	3367
	33,305	48,786

4. OTHER INCOME

	Notes	Year ended 31 July 2016 £'000	Period ended 31 July 2015 £'000
Residences, catering and conferences		**1,508**	1,926
EU revenue grants		**12**	16
Farming activities		**12**	20
Other income		**1,279**	1,441
Accommodation recharge		**1,124**	1,576
Release of deferred income (Foundation)		**5,046**	4,448
Total		**8,981**	9,427

5. INVESTMENT INCOME

	Year ended 31 July 2016 £000	Period ended 31 July 2015 £000
Other investment income	**20**	49
	20	49

6. STAFF COSTS

	Year ended 31 July 2016 £'000	Period ended 31 July 2015 £'000
Salaries	**21,112**	28,406
Social security costs	**1,850**	2,280
Other pension costs	**3,117**	5,029
Fundamental restructuring costs	**1,996**	3,137
	28,075	38,852
Teaching departments	**16,355**	23,854
Teaching support services	**1,181**	2,671
Administration and central services	**8,380**	8,982
Premises	**163**	208
	26,079	35,715
Analysed as:		
Staff on permanent contracts	**26,079**	35,715
Fundamental restructuring costs	**1,996**	3,137
	28,075	38,852
Fundamental restructuring costs		
Provision for future pension costs	1,312	819
Restructuring costs	684	2,318
	1,996	**3,137**

In 2015 the College's accounting period was for 16 months, so the figures shown below for the period ended 31st July, 2015 are annualized. For the current year, no higher paid members of staff left the College through the approved voluntary severance scheme, and for last year the comparative figures were 3 staff at a cost of £349,824. The number of staff, including the Principal, who received emoluments including benefits in kind and excluding pension contributions in the following ranges was:

	Year ended 31 July 2016		**16 month Period ended 31 July 2015**	
	Number Senior post-holders	**Number other staff**	**Number Senior post-holders**	**Number other staff**
£60,001 to £70,000	**-**	13	-	12
£70,001 to £80,000	**-**	-	1	-
£80,001 to £90,000	**3**	-	2	-
£90,001 to £100,000	**-**	-	-	-
£100,001 to £110,000	**-**	-	-	-
£110,001 to £120,000	**1**	-	1	-
£120,001 to £130,000	**-**	-	-	-
£130,001 to £140,000	**-**	-	-	-
£140,001 to £150,000	**1**	-	1	-
	5	**13**	**5**	12

The number of persons (including senior post-holders) employed by the College as at 31st July, expressed as full-time equivalents, was:

	Year ended 31 July 2016	Period ended 31 July 2015
Average staff numbers by major category:		
Teaching departments	**305**	278
Teaching support services	**67**	111
Administration and central services	**150**	168
Premises	**5**	5
	527	562
Analysed as:		
Staff on permanent contracts	**518**	547
Staff on temporary contracts	**9**	15
	527	562

7. BOARD MEMBERS AND SENIOR POST-HOLDER EMOLUMENTS

	Year ended 31 July 2016 No.	Period ended 31 July 2015 No.
The number of senior post-holders including the Principal was:	**5**	5

The emoluments paid to Mr Robert Wallen, Principal and Chief Executive, (who is also the highest paid senior post-holder) were £149,000 (2014-15: £184,000) in salary, £22,000 (2014-15: £30,000) in pension compensation, and £0 (2014-15: £0) in employer pension contributions to the Local Government Pension Scheme. Note that these figures reflect a 12 month period up to the end of 31st July, 2016, and comparative figures are for a period of 16 months up to the end of 31st July, 2015.

The Principal is now a paid up member of the Local Government Pension Scheme. Other senior post-holders are also members of that Scheme. The College's contributions to the Scheme in respect of senior post-holders' are paid at the same rate as for other members of staff.

Board of Management

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

	Year ended 31 July 2016 £'000	Period ended 31 July 2015 £'000
Fees for services as non-executive directors of subsidiary companies:		
Fees paid	0	-
Expenses paid to board members	2	-
	2	**-**

8. INTEREST AND OTHER FINANCE COSTS

	Year ended 31 July 2016 £'000	16 month period ended 31 July 2015 £'000
Interest payable	2	20

9. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	Staff costs £'000	Other operating expenses £'000	Depreciation £'000	Interest payable £'000	Year ended 31 July 2016 £'000	16 month period ended 31 July 2015 £'000
Teaching activities	**20,105**	**5,809**	**82**	**-**	**25,996**	34,567
Residences and catering	**-**	**1,342**	**-**	**-**	**1,342**	1,774
Farm	**-**	**15**	**-**	**-**	**15**	24
Premises	**137**	**7,470**	**1,848**	**-**	**9,455**	11,834
Administration	**16,114**	**3,933**	**35**	**1**	**20,083**	19,629
Other expenses	**504**	**301**	**100**	**1**	**906**	1,314
Agency costs	**-**	**2,532**	**-**	**-**	**2,532**	3,632
	36,860	**21,402**	**2,065**	**2**	**60,329**	72,774

	Year ended 31 July 2016 £'000	16 month period ended 31 July 2015 £'000
Other operating expenses include:		
Auditors' remuneration (including irrecoverable VAT)		
- external audit services	**34**	44
- internal audit services	**42**	42
- external audit other services	**10**	15
- other audit services	**-**	-
Rentals under operating leases - land and buildings	**-**	-
Rentals under operating leases – other	**188**	110

Other operating expenses also include a donation of £0 (2014-15: £880,000) to the NESFE Foundation.

10. TAXATION

	Year ended 31 July 2016 £'000	16 month period ended 31 July 2015 £'000
Recognised in the statement of comprehensive income		
Current tax		
Current tax expense	**-**	-
Adjustment in respect of previous years	**-**	-
Current tax expense	**-**	-
Deferred tax:		
Decrease in deferred tax liability	**-**	(12)
Total tax expense	**-**	(12)

11. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £'000	Fixtures, Fittings & Equipment £'000	Total £'000
Group			
Cost or Valuation			
At 1 August 2015	91,050	8,047	99,097
Additions	5,674	633	6,307
Disposals	-	(283)	(283)
At 31 July 2016	**96,724**	**8,397**	**105,121**
Depreciation			
At 1 August 2015	-	6,062	6,062
Charge for the year	1,690	375	2,065
Disposals	-	(283)	(283)
At 31 July 2016	**1,690**	**6,154**	**7,844**
Net book value			
At 31 July 2016	**95,034**	**2,243**	**97,277**
At 31 July 2015	91,050	1,985	93,035
Inherited	30,002	-	30,002
Financed by capital grant	42,291	618	42,909
Other	22,741	1,625	24,366
At 31 July 2016	**95,034**	**2,243**	**97,277**
College			
Cost or Valuation			
At 1 August 2015	91,050	6,179	97,229
Additions	5,674	417	6,091
Disposals	-	(17)	(17)
At 31 July 2016	**96,724**	**6,579**	**103,303**
Depreciation			
At 1 August 2015	-	4,396	4,396
Charge for the year	1,690	281	1,971
Disposals	-	(17)	(17)
At 31 July 2016	**1,690**	**4,660**	**6,350**
Net book value			
At 31 July 2016	**95,034**	**1,919**	**96,953**
At 31 July 2015	91,050	1,783	92,833

At 31 July 2016, freehold land and buildings included £6.071m (2015: £6.071m) in respect of freehold land and is not depreciated.

12. NEGATIVE GOODWILL ARISING FROM THE ACCOUNTING ACQUISITION OF BANFF & BUCHAN COLLEGE

	Group & College 31 July 2016 £000
At 1 August 2015	543
Released to income and expenditure account	(109)
At 31 July 2016	**434**
Netbook value	
At 31 July 2015	543
At 31 July 2016	**434**

The negative goodwill arising during the period relates to the merger of Aberdeen College and Banff and Buchan College on 1 November 2013. Aberdeen College was the host for the merger and under relevant accounting standard, acquisition accounting has been applied. The negative goodwill represents the fair value of the assets acquired for no consideration. The balance is amortised over five years.

13. NON-CURRENT INVESTMENTS

	Subsidiary companies £'000
At 1 August 2015 and 31 July 2016	**30**

The College had transactions with a number of agricultural co-operatives. These organisations award shares based in the level of trading activity undertaken. The value of these shares is not considered material and is included in the accounts at nil value.

The Board of Management owns 100 per cent of the issued ordinary £1 shares of Aberdeen Skills and Enterprise Training Limited, a company incorporated in Great Britain and registered in Scotland. The principal business activity of Aberdeen Skills and Enterprise Training Limited is the provision of quality education and training.

The Board of Management owns 100 per cent of the issued ordinary £1 shares of Clinterty Estates Limited, a company incorporated in Great Britain and registered in Scotland. The principal business activity of Clinterty Estates Limited is the management of the College's teaching farms. The company ceased to trade on 30 April 1998. The company's Directors decided upon this course of action in the light of adverse trading conditions facing the agricultural sector.

14. STOCK

	Group & College 31 July 2016 £'000	Group & College 31 July 2015 £'000
Catering stock	**23**	20

15. TRADE AND OTHER RECEIVABLES

	31 July 2016		31 July 2015	
	Group £'000	**College £'000**	**Group £'000**	**College £'000**
Amounts falling due within one year:				
Other trade receivables	**864**	615	**763**	384
Other receivables	**47**	64	**27**	27
Amounts owed by subsidiary undertakings	**-**	326	**-**	966
Prepayments and accrued income	**861**	815	**2,437**	2,367
	1,772	1,820	**3,227**	3,744

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 July 2016		31 July 2015	
	Group £'000	**College £'000**	**Group £'000**	**College £'000**
Secured loans	**156**	156	**156**	156
Trade payables	**45**	34	**160**	109
Social security and other taxation payable	**4**	4	**612**	451
Accruals and deferred income	**3,883**	3,600	**7,609**	7,532
	4,088	3,794	**8,537**	8,248

17. CURRENT ASSET – HELD FOR RESALE

	31 July 2016 Group and College £'000	31 July 2015 Group and College £'000
Assets held for sale – Balgownie Centre	**5,600**	10,000

18. DEFERRED TAX

The deferred tax liability recognized in the financial statements is as follows:

	31 July 2016		31 July 2015	
	Group £'000	**College £'000**	**Group £'000**	**College £'000**
Asset/ (Liability) brought forward	**17**	**0**	5	0
Income and Expenditure movement in period	**0**	**0**	12	0
Asset/(Liability) carried forward	**17**	**0**	17	0

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 July 2016		As re-stated 31 July 2015	
	Group £'000	**College £'000**	**Group £'000**	**College £'000**
Deferred income	**42,165**	**42,165**	41,151	41,151
Secured loans	**369**	**369**	537	537
	42,534	**42,534**	41,688	41,688
Analysis of secured and unsecured loans:				
Due within one year or on demand (Note 22)	**161**	**161**	156	156
Due between one and two years	**162**	**162**	156	156
Due between two and five years	**207**	**207**	314	314
Due in five years or more	**0**	**0**	67	67
Due after more than one year	**369**	**369**	537	537
Total secured and unsecured loans	**530**	**530**	693	693
Secured loans repayable by 2019	**530**	**530**	693	693
	530	**530**	693	693

The secured loans were all repaid during the year. Refinancing followed at a lower amount.
Included in loans are the following:

Lender	Amount £	Term	Interest Rate %	Borrower
Bank of Scotland	2,496,831	2019	0.95 above base	College

Loans comprise an original bank loan of £2,496,831 at 0.95% over Bank of England base rate, repayable monthly over 19 years commencing August 2000. The Board of Management with the approval of the former Scottish Office, has granted the Bank of Scotland a standard security over the Gordon Barracks and Balgownie Centre, for the amount of the bank loan.

The bank facility for ASET is secured by a floating charge over the assets of that company. It is not secured over the assets of the College.

20. PROVISIONS

Group

	Pension costs arising from early retirement £'000	Other – FRS17 £'000	2016 Total £'000	Pension costs arising from early retirement £'000	Other – FRS17 £'000	2015 Total £'000
At 1 August 2015	**7,131**	**13,962**	**21,093**	5,746	14,529	20,275
Additional / (reduced) provision required in period	**144**	**9,954**	**10,098**	1,385	(567)	**818**
At 31 July 2016	**7,275**	**23,916**	**31,191**	**7,131**	**13,962**	**21,093**

College

	Pension costs arising from early retirement £000	Other – FRS 17 £000	2016 Total £000	Pension costs arising from early retirement £000	Other – FRS 17 £000	2015 Total £000
At 1 August 2015	**7,131**	**13,962**	**21,093**	5,746	14,529	20,275
Additional/(reduced) provision required in period	**144**	**9,954**	**10,098**	1,385	(567)	818
At 31 July 2016	**7,275**	**23,916**	**31,191**	**7,131**	**13,962**	**21,093**

Mercers, an independent firm of actuaries at 31 July 2016, carried out a valuation of the existing pension provision under FRS 17. The total movement for the year was made up from an actuarial loss of £8,785,000 for the year, as well as a cash adjustment in the provision of £1,313,000. Only the latter figure is reflected in the Consolidated Cash Flow Statement on page 35 of the accounts.

21. RESTRICTED RESERVES

Reserves with restrictions are as follows:

	2016 Total £'000	2015 Total £'000
Balances at 1 August 2015	**5**	**5**
New grants	-	-
New donations	-	-
Expenditure	-	-
Total restricted comprehensive income for the year:	-	-
At 31 July 2016	**5**	**5**

	2016 Total £'000	2015 Total £'000
Analysis of other restricted funds/donations by type of purpose:		
Prize funds	**5**	**5**
General	**-**	**-**
	5	**5**

22. CASH AND CASH EQUIVALENTS

Group	At 1 August 2015 £'000	Cash Flows £'000	At 31 July 2016 £'000
Cash and cash equivalents	5,023	(3,868)	1,155
Bank overdraft	0	0	0
	5,023	**(3,868)**	**1,155**

23. CAPITAL AND OTHER COMMITMENTS

Provision has not been made for the following capital commitments at 31 July 2016:

	Year ended 31 July 2016		16 month period ended 31 July 2015	
	Group £'000	**College £'000**	**Group £'000**	**College £'000**
Commitments authorised but not contracted for	**0**	**0**	1,500	-
Commitments contracted for	**3,144**	**2,722**	8,974	8,874
	3,144	**2,722**	10,474	8,974

24. CONTINGENT LIABILITIES

There are no contingent liabilities at 31 July 2016.

25. LEASE OBLIGATIONS

At the period end the Group and the College had annual commitments under non-cancellable operating leases as follows:

	Year to 31 July 2016			Restated
	Vehicles £'000	**Plant & Machinery £'000**	**Total £'000**	**31 July 2015 £'000**
Payable during the year	**54**	**134**	**188**	58
Future minimum lease payments due:				
Not later than 1 year	**56**	**46**	**102**	188
Later than 1 year and not later than 5	**52**	**132**	**184**	286
Later than 5 years	**0**	**0**	**0**	0
Total lease payments due	**108**	**178**	**286**	474

26. EVENTS AFTER THE REPORTING PERIOD

In October 2016, the project to develop the Fraserburgh Campus was completed on target and on budget. The overall budget for the project is £8,550,000, which was in the main funded from grant by an arms-length foundation.

Mr. Rob Wallen, Principal and Chief Executive, retires from his role on 31st December, 2016. Ms Liz McIntyre, has been appointed to the role.

27. SUBSIDIARY UNDERTAKINGS

The subsidiary companies (all of which are registered in Scotland), wholly-owned or effectively controlled by the College, are as follows:

Company	Principal Activity	Status	Note
Aberdeen Skills & Enterprise Training Ltd	Provision of quality education and training	100% owned	
Clinterty Estates Ltd	Management of College's teaching farms	100% owned	14

28. RELATED PARTY TRANSACTIONS

The Board of Management of North East Scotland College is a body incorporated under the Further and Higher Education (Scotland) Act 1992 sponsored by the Scottish Further and Higher Education Funding Council (SFC).

There were no related party transactions during the year.

29. TRANSACTIONS WITH MEMBERS OF THE BOARD OF MANAGEMENT

Due to the nature of the College's operations and the composition of its Board of Management (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the College's Board of Management may have an interest. All transactions involving organisations in which a member of the Board of Management may have a material interest are conducted at arm's length and in accordance with normal project and procurement procedures.

There were no transactions during the period with non-public bodies in which a member of the Board of Management of the College has an interest and which in aggregate exceeded £5,000.

The College had transactions during the period or worked in partnership with the following publicly funded or representative bodies in which members of the Board of Management hold or held official positions. The bodies that the College had transactions with that were over £5,000 were Aberdeen Foyer, The Robert Gordon University, and the North East Articulation Hub.

Mr. K Milroy, Chair of the Board of Management, is Chief Executive of Aberdeen Foyer. The College made payments of £378,944 (2014-15: £240,070) and received income of £15,474 (2014-15: £18,000) during the year.

Prof. J Harper is Depute Principal and Ms S Cormack was Vice Principal of The Robert Gordon University. The College made payments of £660 (2014-15 £3,000), and received income of £53,551 (2014-15 - £61,000) during the year.
The College also received income from the North East Articulation Hub (which is facilitated through The Robert Gordon University) of £123,402 (2014-15: £222,025).

Ms. C. Inglis is the University Secretary and Director of Operations at University of Aberdeen. The College made payments of £104,382 (2014-15 - £788,000) and received income of £22,230 (2014-15 £34,000) during the year.

30. TRANSACTIONS WITH MEMBERS OF THE BOARD OF MANAGEMENT (Continued)

Member	Organisation	Position
Mr D Anderson	Score Diagnostics Ltd	Sales & Marketing Director
Ms S Cormack	The Robert Gordon University (until 30th June 2016)	Vice Principal and Pro-Vice Chancellor
Prof J Harper	The Robert Gordon University	Depute Principal and Vice Chancellor
Ms C Inglis	University of Aberdeen	Secretary & Director of Operations
Mr K Milroy	Aberdeen Foyer The Robert Gordon University Colleges Scotland	Chief Executive Member of the Board of Governors Board Member
Mr R Wallen	Colleges Scotland Quality Assurance Agency Scotland SCQF Partnership SQA Qualifications Committee ONE Oil and Gas	Board Member Committee Member Board Chair Member Board Member

In addition the undernoted individuals were Members of the Board of Management during the period and had no significant transactions with the College: Ms K Anderson, Ms A. Bell, Ms S. Brimmer, Mr J Gall, Mr I. Gossip, Mr J. Henderson, Ms S. Masson, Prof M. Melvin, Mr A. Russell, Ms A. Simpson. Mr A. Smith, Mr S. Smith, Ms K Wetherall.

30. STUDENT SUPPORT FUNDS
Bursaries and other student support funds

	Bursary £'000	Hardship £'000	EMA £'000	Year ended 31 July 2016 £'000	Period ended 31 July 2015 £'000
At 1 August 2015	**-**	**-**	**-**	**-**	-
Allocation received in period	**5,475**	**704**	**278**	**6,457**	9,697
Expenditure in period	**6,138**	**710**	**292**	**7,140**	(8,919)
At 31 July 2016	**(663)**	**(6)**	**(14)**	**(683)**	778
Represented by:					
Charged to College Reserves	**(663)**	**(6)**	**(14)**	**(683)**	778
	(663)	**(6)**	**(14)**	**(683)**	778

Scottish Funding Council grants are available solely for students, the College acts as paying agent. The Scottish Funding Council has this year accounted for these funds strictly within the allocations per academic and fiscal years, meaning no carry forward is available.

FE and HE Childcare Funds

	Period ended 31 July 2016 £000	Period ended 31 July 2015 £000
At 1 August 2015	**-**	295
Allocation received in period	**657**	999
Expenditure in period	**(828)**	(962)
	-	-
At 31 July 2016	**(171)**	332
Represented by:		
Charged to College Reserves	**(171)**	332
	(171)	332

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

31. PENSION CONTRIBUTIONS

The College's employees belong to one of two principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS) and the North East Scotland Pensions Fund Scheme (NESPF), which are of the defined benefit type. The STSS scheme is a notional fund and there are specific regulations regarding the basis on which the actuarial valuation should be carried out. The assets of the NESPF scheme are held in a separate, trustee-administered fund.

North East Scotland Pensions Fund Scheme (NESPF)

The North East Scotland Pension Fund is a statutory multi-employer defined benefit scheme. It is administered by Aberdeen City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 2008, as amended.

A formal valuation of the North East Scotland Pension Fund was performed at 31 March 2014 by a qualified, independent actuary.

The principal actuarial assumptions used by the actuary are as follows:

	31 July 2016 % pa	31 July 2015 % pa
Pension increase rate	**1.8%**	2.2%
Salary increase rate	**3.2%**	3.7%
Discount rate	**2.5%**	3.7%
Average future life expectancies at age 65 are summarised below for a male (female):		
Current pensioners	**22.2 (24.8)**	**22.1 (24.7)**
Future pensioners in 20 years' time	**24.4 (27.6)**	**24.3 (27.5)**

The employer contributions for year to 31 July 2017 will be approximately £1,245,000.

The assets in the scheme are:

	Asset Allocation Value at 31 July 2016 £000	Asset Allocation Value at 31 July 2015 £000
Equities	43,123	47,865
Government Bonds	7,961	5,420
Bonds	1,327	1,279
Property	4,644	4,202
Cash	1,990	2,010
Other	7,298	122
	66,343	60,898

The table below compares the present value of the scheme liabilities, based on the actuary's assumptions, with the estimated employer assets:

Changes in the fair value of scheme assets are as follows:

	Year ended 31 July 2016 £'000	Period ended 31 July 2015 £000
Fair value of employer assets	**66,343**	60,898
Present value of funded obligations	**(90,259)**	(74,860)
Net (under)/overfunding in funded plans	**(23,916)**	(13,962)
Present value of unfunded liabilities	**(733)**	(689)
Net liability	**(24,649)**	(14,651)
Amount in the balance sheet:		
Liabilities	**(24,649)**	(14,651)
Assets	**0**	-
Net liability	**(24,619)**	(14,651)

The total pension cost to the College in the period was £2,425,000 (2014-15: £2,459,000). The contribution rate payable was 15.7% for the year (2014-15: 15.7%).

The amounts recognised in the Income and Expenditure Account are as follows:

	Year ended 31 July 2016 £'000	Period ended 31 July 2015 £'000
Current service cost	**1,804**	2,459
Interest on obligation	**2,775**	4,022
Expected return on employer assets	**(2,255)**	(4,467)
Losses on curtailments	**72**	577
Total	**2,396**	2,591
Actual return on scheme assets	**5,362**	6,068

	Year ended 31 July 2016 £'000	Period ended 31 July 2015 £'000
Opening fair value of scheme assets	**60,898**	53,614
Expected return on assets	**2,255**	4,467
Contribution by members	**476**	692
Contribution by the employer	**1,212**	3,141
Contributions in respect of unfunded benefits	**45**	60
Actuarial gains/(losses)	**0**	888
Remeasurement of assets	**3,107**	-
Unfunded benefits paid	**(45)**	(60)
Benefits paid	**(1,576)**	(1,904)
Administration expenses	**(29)**	-
Closing fair value of scheme assets	**66,343**	60,898

Changes in the present value of the defined benefit obligation are as follows:

	Year ended 31 July 2015 £'000	Period ended 31 July 2015 £'000
Opening defined benefit obligation	**75,549**	68,837
Current service cost	**1,804**	2,459
Interest cost	**2,775**	4,022
Contribution by members	**476**	692
Actuarial losses/(gains)	**0**	926
Curtailments	**72**	577
Remeasurement of liabilities	**11,829**	-
Unfunded loss on assumptions	**63**	-
Unfunded benefits paid	**(45)**	(60)
Benefits paid	**(1,531)**	(1,904)
Closing defined benefit obligation	**90,992**	75,549

	Year ended 31 July 2016 £'000	Period ended 31 July 2015 £'000
History of experience gains/(losses)		
Scheme assets	**66,343**	60,898
Defined benefit obligation	**(90,992)**	(75,549)
Deficit	**(24,649)**	(14,651)

The pension deficit is recognised in the financial statements, the Group's net assets and Income & Expenditure Account is as follows:

	£'000	£'000
Net assets excluding pension deficit	**58,788**	60,554
Pension deficit	**(24,649)**	(14,651)
Net assets including pension deficit	**34,139**	45,903
Income & Expenditure Account excluding pension liability	**1,854**	18,556
Pension deficit	**(24,649)**	(14,651)
Income & Expenditure Account including pension liability	**(22,795)**	**3,905**

The transactions in respect of the North East Scotland Pension Fund which are now included in the accounts as required by FRS 17 are as follows:

Analysis of the amount charged to staff costs (Note 6)

	Year ended 31 July 2016 £'000	**Period ended 31 July 2015 £'000**
Current service cost	**2,353**	2,459
Past service cost/(gain)	**0**	-
Curtailments and settlements	**72**	577
Total operating charge	**2,425**	3,036
Less: contributions paid	**(1,212)**	(3,201)
Pension costs less contributions paid	**1,213**	(165)

Analysis of the amount credited to investment income

	Year ended 31 July 2016 £'000	**Period ended 31 July 2015 £'000**
Expected return on pension scheme assets	**2,255**	4,467
Interest on pension scheme liabilities	**(2,775)**	(4,022)
Net return	**(520)**	445
Net revenue account (expenditure)/income	**(8,243)**	(567)

	Year ended 31 July 2016 £'000	**Period ended 31July 2015 £'000**
Movement in deficit during the year:		
Deficit in scheme at beginning of the year	**(14,651)**	(15,223)
Movement in year:		
Current service cost	**(2,353)**	(2,459)
Contributions	**1,212**	3,201
Curtailments	**(72)**	(577)
Other finance income	**0**	445
Remeasurements	**(8,785)**	-
Actuarial (loss)	**0**	(38)
Deficit in scheme at end of the year	**(24,649)**	(14,651)

An amount of £53,000 (2014-15: £689,000) included in provisions (note 23), represents future pension costs arising from early retirements.

<u>Scottish Teachers Superannuation Scheme (STSS)</u>

The College participates in the Scottish Teacher's Superannuation Scheme, a defined benefit scheme, which is externally funded and contracted out of State Earnings-Related Pension Scheme. The assets of the scheme are in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The total STSS pension cost for the College was £1,934,000 (2014-15: £1,936,000). This includes £0 (2014-15: £131,000) outstanding contributions at the balance sheet date. The contributions rate payable by the college was 17.2% for the year (2014-15: 14.9%).

As the scheme is unfunded, there can be no surplus or shortfall. Pension contribution rates will be set by the scheme actuary, at a level to meet the cost of pensions, as they accrue,

An amount of £7,275,000 (2014-15: £7,131,000) included in provisions (note 20), represents future pension costs arising from early retirements.

Group Personal Pension Plan

In addition, the subsidiary company operates a group personal pension plan for employees providing benefits based on defined levels of contribution.

32. Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the College's first financial statements prepared in accordance with FRS102 and the SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the period ended 31st July 2015, the comparative information presented in these financial statements for the period ended 31st March 2014 and in the preparation of an opening FRS102 Statement of Financial Position at 1 April 2014. In preparing its FRS102, SORP based Statement of Financial Position, the College has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS102 and the SORP has affected the College's financial position, financial performance and cash flows is set out in the following tables.

	1 April 2014		31 Jul 2015	
	Group	**College**	**Group**	**College**
Financial position	**£'000**	**£'000**	**£'000**	**£'000**
Total reserves under 2007 SORP	21,048	20,884	35,013	35,070
Grant income	0	0	4,448	4,448
Total effect of transition to FRS102	**0**	**0**	**4,448**	**4,448**
Total reserves under 2015 SORP	**21,048**	**20,884**	**39,461**	**39,518**

Final performance	Year ended 31 July 2015 Group £'000	College £'000
Surplus/(deficit) for year under 2007 SORP	**(1,449)**	**(1,372)**
Grant income	4,448	4,448
Total effect of transition to FRS102	4,448	4,448
Surplus for the year under 2015 SORP	2,999	3,076

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Cash Flows

The only impact of the transition to FRS102 on the cash flows of the College or the Group is the reclassification of grant income as show above.

32. Transition to FRS102 and the 2015 SORP [continued]

Group

	Notes	1 April 2014			31 July 2015		
		2007 SORP £'000	**Effect of transition to 2015 SORP £'000**	**2015 SORP £'000**	**2007 SORP £'000**	**Effect of transition to 2015 SORP £'000**	**2015 SORP £'000**
Non-current assets							
Intangible assets and goodwill		(1,396)	0	(1,396)	(543)	0	(543)
Fixed assets		86,153	0	86,153	93,035	0	93,035
Investments		0	0	0	0	0	0
		84,757	0	84,757	92,492	0	92,492
Endowment assets		0	0	0	0	0	0
Current assets							
Stock		15	0	15	20	0	20
Assets held for sale		1,075	0	1,075	10,000	0	10,000
Trade and other receivables		5,254	0	5,254	3,227	0	3,227
Cash and cash equivalents		4,731	0	4,731	5,023	0	5,023
Less: Creditors: amounts falling due within one year		(11,461)	0	(11,461)	(8,537)	0	(8,537)
Net current (liabilities)/assets		(386)	0	(386)	9,733	0	9,733
Total assets less current liabilities		84,371	0	84,371	102,225	0	102,225
Recorded within other comprehensive income							
Creditors: amounts falling due after more than one year		(743)	0	(743)	(537)	0	(537)

32. Transition to FRS102 and the 2015 SORP [continued]
GROUP

	Notes	1 April 2014			31 July 2015		
		2007 SORP	**Effect of transition to 2015 SORP**	**2015 SORP**	**2007 SORP**	**Effect of transition to 2015 SORP**	**2015 SORP**
Provisions							
Deferred tax asset/(liability)		5	0	5	17	0	17
Pension liability		(20,275)	0	(20,275)	(21,093)	0	(21,093)
Total net assets		63,358	0	63,358	80,612	0	80,612
Deferred capital grants		**42,310**	**0**	**42,310**	**45,599**	**(4,448)**	**41,151**
Restricted reserves							
Income and expenditure reserve – restricted reserve		5	0	5	5	0	5
Unrestricted reserves							
Income and expenditure reserve – unrestricted reserve		**692**	**0**	**692**	**(624)**	**4,448**	**3,824**
Revaluation reserve		20,351	0	20,351	35,632	0	35,632
		21,048	0	21,048	35,013	4,448	39,461
Non-controlling interest		0	0	0	0	0	0
Total reserves		**21,048**	**0**	**21,048**	**35,013**	**4,448**	**39,461**

Notes to the reconciliation of reserves

As explained in the accounting policies, grants received from the Foundation are considered as non-government grants and are accounted for under the 2015 SORP using the performance model with the income recognized in the year of receipt unless any attached performance conditions have not been met at the balance sheet where the grants is then held as deferred income. The funds are then released to the Statement of Comprehensive income and Expenditure once conditions have been met.

Reconciliation of surplus/(deficit) for 2015:

	£'000
Deficit previously reported under 2007 SORP	(1,449)
Grant income released from deferred income	4,448
Restated surplus reported under the 2015 SORP	2,999

32. Transition to FRS102 and the 2015 SORP [continued]

College

	Notes	1 April 2014			31 July 2015		
		2007 SORP £'000	Effect of transition to 2015 SORP £'000	2015 SORP £'000	2007 SORP £'000	Effect of transition to 2015 SORP £'000	2015 SORP £'000
Non-current assets							
Intangible assets and goodwill		(1,396)	0	(1,396)	(543)	0	(543)
Fixed assets		85,799	0	85,799	92,833	0	92,833
Investments		30	0	30	30	0	30
		84,433	0	84,433	92,320	0	92,320
Endowment assets		0	0	0	0	0	0
Current assets							
Stock		15	0	15	20	0	20
Assets held for sale		1,075	0	1,075	10,000	0	10,000
Trade and other receivables		4,781	0	4,871	3,744	0	3,744
Cash and cash equivalents		4,997	0	4,997	4,463	0	4,463
Less: Creditors: amounts falling due within one year		(11,089)	0	(11,089)	(8,248)	0	(8,248)
Net current (liabilities)/assets		(221)	0	(221)	9,979	0	9,979
Total assets less current liabilities		84,212	0	84,212	102,299	0	102,299
Recorded within other comprehensive income							
Creditors: amounts falling due after more than one year		(743)	0	(743)	(537)	0	(537)

32. Transition to FRS102 and the 2015 SORP [continued]

College

	Notes	1 April 2014			31 July 2015		
		2007 SORP	**Effect of transition to 2015 SORP**	**2015 SORP**	**2007 SORP**	**Effect of transition to 2015 SORP**	**2015 SORP**
Provisions							
Deferred tax asset/(liability)		0	0	0	0	0	0
Pension liability		(20,275)	0	(20,275)	(21,093)	0	(21,093)
Total net assets		63,194	0	63,194	80,669	0	80,669
Deferred capital grants		**42,310**	**0**	**42,130**	**45,599**	**(4,448)**	**41,151**
Restricted reserves							
Income and expenditure reserve – restricted reserve		5	0	5	5	0	5
Unrestricted reserves							
Income and expenditure reserve – unrestricted reserve		528	0	528	(567)	4,448	3,881
Revaluation reserve		20,351	0	20,351	35,632	0	35,632
		20,884	0	20,884	35,070	4,448	39,518
Non-controlling interest		0	0	0	0	0	0
Total reserves		20,884	0	20,884	35,070	4,448	39,518

Notes to the reconciliation of reserves

As explained in the accounting policies, grants received from the Foundation are considered as non-government grants and are accounted for under the 2015 SORP using the performance model with the income recognized in the year of receipt unless any attached performance conditions have not been met at the balance sheet where the grants is then held as deferred income. The funds are then released to the Statement of Comprehensive income and Expenditure once conditions have been met.

Reconciliation of surplus/(deficit) for 2015:

	£'000
Deficit previously reported under 2007 SORP	(1,372)
Grant income released from deferred income	4,448
Restated surplus reported under the 2015 SORP	3,076

32. Transition to FRS102 and the 2015 SORP [continued]

	Notes	2007 SORP £'000	STRGL Items*	Effect of transition to 2015 SORP £'000	2015 SORP £'000
Income					
Tuition fees and education contracts		16,628	0	0	16,628
Funding body grants		48,786	0	0	48,786
Research grants and contracts		0	0	0	0
Other income (adjusted to exclude income from joint ventures)		4,979	0	4,448	9,427
Investment income		49	0	0	49
Total income before donations and endowments		70,442	0	4,448	74,890
Donations and endowments		**0**		**0**	0
Total income		70,442	0	4,448	74,890
Expenditure					
Staff costs		35,715	0	0	35,715
Fundamental restructuring costs		3,137	0	0	3,137
Other operating expenses		30,477	0	0	30,477
Depreciation		3,425	0	0	3,425
Interest and other finance costs		20	0	0	20
Total expenditure		72,774	0	0	72,774
Gain/(loss) on disposal of fixed assets		18	0	0	18
Gain/(loss) on investments		0	0	0	0
Release of negative goodwill		853	0	0	853
Surplus before tax		(1,461)	0	4,448	2,987
Taxation		12	0	0	12
Surplus after tax		(1,449)	0	4,448	2,999
Non controlling interest		0	0	0	0
Surplus for the year		(1,449)	0	4,448	2,999
Unrealised surplus on revaluation of land and buildings		0	14,777	0	14,777
Actuarial (loss)/gain in respect of pension schemes		0	(38)	0	(38)
Change in fair value of hedging financial instruments		0	0	0	0
Total comprehensive income for the year		(1,449)	14,739	4,448	17,738

* This column represents items that were previously recorded within the Statement of Total Recognised Gains and Losses (STRGL) and are now recorded within the Consolidated Statement of Comprehensive Income and Expenditure). This column should not include recognition of valuation changes arising from the adoption of the 2015 SORP. These are included within the effect of transition of 2015 SORP column.

Notes to the reconciliation of surplus/(deficit)

Reconciliation of surplus/(deficit) for 2015:

	£'000
Deficit previously reported under the 2007 SORP	(1,449)
Grant income released from deferred income	4,448
Restated surplus reported under the 2015 SORP	2,999

4. Appendix 1

2015-16 Accounts direction for Scotland's colleges and universities

1 It is the Scottish Funding Council's direction that colleges and universities comply with the 2015 *Statement of Recommended Practice: Accounting for Further and Higher Education* (SORP) in preparing their annual report and accounts.

2 Colleges and universities 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 (for assigned colleges).

3 Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2015-16 (FReM) where applicable.

4 Incorporated colleges are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2016.

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

6 Incorporated colleges should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
24 August 2016