

Colleges Scotland

Financial Statements for the Year Ended 31st July 2020

Charity Number: SC023848
Company Number: SC143210

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Report of the Directors for the Year Ended 31st July 2020

The Directors (who are the Trustees for the purposes of charity law) present their report and audited financial statements for the year ended 31st July 2020.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charity's Memorandum and Articles of Association, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)".

Objectives and Activities

The Company's objectives and principal activities remained throughout 2019/20 to promote the advancement of college education for the public benefit.

The board of Colleges Scotland comprises of all 13 regional chairs, the Chief Executive of the charity, the Chair of the College Principals' Group and three college principals, who were elected by their peers. The board is supported by a committee structure in place.

The vision, mission, and values statements for the organisation throughout 2019/20 were as follows:

Our Vision

Colleges Scotland to be at the heart of a world class college sector that is recognised, valued, and available to all.

Our Mission

Colleges Scotland is the collective voice of the college sector. We will support and champion the sector by leading and influencing policy, enhancing and maintaining strong partnerships, and demonstrating the positive impacts of the sector.

Our Values

- **Respect** – we will act with respect, integrity, openness, and honesty.
- **Support** – we will strive for excellence, provide effective leadership, understand and respond to the needs of colleges and regional strategic bodies.
- **Trust** – we will use truthfulness as the guiding principle for everything we do and it is essential to our success.
- **Inclusivity** – we will advocate diversity and equality.

Colleges Scotland Strategic Plan 2019-2023 sets out the strategic aims for Colleges Scotland over the next five years are:

Aim 1: Strengthen the college sector's position as a key deliverer of professional, technical, and skills education as well as training opportunities for both learners and businesses

Aim 2: Enhance sustainable partnerships and communicate with a single sector voice

Aim 3: Implement National Bargaining objectives

Aim 4: Demonstrate Colleges Scotland is effective, efficient, and sustainable

Specific activities performed by the management and staff of the Colleges Scotland includes:

- Supporting the Colleges Scotland Board.
- Supporting the committees of the Colleges Scotland Board. These arrangements ensure collective consideration of substantive policy issues.
- Developing a range of briefing papers on various issues impacting upon the sector and formal responses to consultations on behalf of the sector.
- Active participation with key stakeholders to influence strategic dialogue.

Achievements and Performance

Colleges Scotland has continued to maintain a focus on building and enhancing relationships with stakeholders and influencing the policy agenda on behalf of the college sector. Key achievements including the response to Covid-19 are below:

Activity	Strategic Aims			
	1	2	3	4
Positioned college sector at heart of economic recovery and gained additional revenue and capital funding for colleges.	✓	✓		✓
Participated in regular Ministerial Leadership Group as part of the COVID-19 response.	✓	✓		
Held weekly College Principals' Group meetings throughout the initial lockdown period.		✓		
Worked with SQA around arrangements for exams and qualifications following the cancellation of the exam diet by the Scottish Government due to COVID-19.	✓	✓		
Held a Facebook Live with a panel of experts in May 2020 for students to answer any questions around exams, coursework and enrolments, which was viewed over 12,000 times.	✓	✓		
Participated in weekly meetings with communications teams in colleges and worked collaboratively on key messages, implemented a #virtuallyopen campaign for the sector and highlighted the many ways colleges have been innovatively teaching virtually and remotely, and also supporting frontline services during the pandemic.	✓	✓		
Worked in partnership with trade unions to provide guidance for colleges during COVID-19. Produced and distributed two joint circulars, detailing guidelines for colleges on annual leave and job retention during COVID-19.	✓	✓	✓	
Worked with Managing Agents to support apprentices affected by the COVID-19 situation, and to overcome mutual challenges around ensuring apprentices could continue in training programmes and complete assessments and qualifications.	✓	✓		
Worked with representatives from across the sector to address all areas of concern around the reopening of campuses and the new academic year.	✓	✓		
Developed propositions for the college sector offer to contribute to the social and economic recovery and co-development with other agencies.	✓	✓		
Responded to the Review of Further and Higher Education Support concerning the future sustainability of colleges in light of COVID-19, setting out the critical role of colleges in the social and economic	✓	✓		

Activity	Strategic Aims			
	1	2	3	4
recovery and calling for a systems change wherein there is greater flexibility to support the sector.				
Developed costings models and negotiating principles to take into discussions with Managing Agents, with a view to reviewing existing arrangements to identify and develop more sustainable business models across all trades.	✓	✓		
Colleges Scotland working with members assisting in the development of Pathways to Apprenticeships programme – new offering in key areas determined by Scottish Government, to address youth employment impact and provide input on practicalities of courses introduced.	✓	✓		
Published a Flexible Workforce Development Fund case studies report and provided data to Scottish Government on full-spend totals for the fund.	✓			
Contributed to the National Articulation Forum and worked in partnership with the SFC and Universities Scotland to publish the forum's report.	✓	✓		
Participation in regular forums for ongoing improvements in providing routes to study for adult learners, through access courses and opportunity driven initiatives in lifelong learning.	✓	✓		
Held nine workshops across Scotland to develop a Digital Ambition for the college sector and conducted a survey with all colleges on short-term digital planning as part of the accompanying road map.	✓	✓		
Completed engagement visits to every college in Scotland.				✓
Implemented a Stakeholder Engagement Plan for the sector.	✓	✓		✓
Held the annual Colleges Scotland Parliamentary Reception at which 14 colleges showcased activity and was attended by approximately 150 people and 18 MSPs.	✓			✓
The Employment Services team continues to take forward the work of the Employers' Association and a further two years funding (A/Y 2019-21) has been secured from the Scottish Funding Council.			✓	✓
Work is progressing on developing a bespoke model of registration for lecturing staff. The GTCS College Lecturers Registration Working Group has established two sub-groups to take forward two workstreams – Registration and Professionalism.		✓	✓	
The Job Evaluation project is underway with 21 Role Analysts seconded from the sector and trained, comprising of representatives of both staff and employer sides. The process of live evaluation commenced in January 2020 with 2,147 roles requiring to be evaluated.			✓	
Secured a further £682k from the Scottish Funding Council's strategic funds to deliver the Job Evaluation Project in A/Y 2020/21.			✓	✓
A Pay and Rewards Project Lead was seconded from the sector to consider the pay implications arising from the outcomes of the Job Evaluation process.			✓	
Held two Employers' Association events – a residential in November 2019 in Dundee and a virtual event in May 2020.		✓	✓	

Activity	Strategic Aims			
	1	2	3	4
Consulted, engaged and participated in various forums, including the College Principals' Group, HR Strategic Group, HR Practitioners Group, Professional Development Network, and Finance Development Network.		✓	✓	
Serviced and participated in a number of working groups, including the College Lecturer Registration Group, Pay Working Group, Policies Working Group, NRPA Working Group and Technical Working Group.			✓	
21 colleges are fully signed to the NRPA and one signed up for lecturers only.			✓	
21 colleges are Living Wage accredited.			✓	
Published a new Strategic Plan for the organisation for 2019-23.	✓	✓	✓	✓

Financial Review

Colleges Scotland has continued to deliver against its objectives and activities during the year. During 2019/20 the charitable company reported an operational deficit of £12,000 (2018/19: deficit £-70,000), before other recognised gains or losses on the pension scheme.

Other recognised losses associated with the defined benefit pension scheme, which do not represent the in-year operating position, increased the total net movement in funds to £680,000. Net liabilities on the balance sheet are £1.7m (2018/19: £1.0m). This is explained further within the reserves policy below.

Principal Funding Sources

Colleges Scotland's Policy, Communications and Public Affairs continues to be funded through college subscriptions during the year at a level sufficient to meet the budgetary requirements agreed by the Board.

The Colleges Scotland Employment Services Team is financed through a separate grant provided by the Scottish Funding Council (SFC) to support the implementation of National Bargaining across the college sector. Following the initial three-year funding period (2016-19), a further two-year period of funding (2019-2021) has been secured for the Employment Services Team, with a further third year agreed in principle. In addition to this, the Job Evaluation Project Delivery Team has also received grant income to implement Job Evaluation for Scotland's colleges and this funding has been secured for a two-year period (2019-21).

Investment Policy

Under the Memorandum and Articles of Association, Colleges Scotland has the power to invest in any way the directors think fit. Having regard to the operational liquidity requirements, the directors operate a policy of keeping funds required in the short to medium term in a non-interest bearing bank account, whilst funds not so required are held in an interest bearing bank account. Restricted funds (Employers' Association) are held in a separate non-interest bearing bank account.

Reserves Policy

The Board of Directors have established a policy to build unrestricted funds to a level sufficient to cover any unexpected liabilities which cannot be met out of operational income in the year. The level of reserves has therefore been set giving cognisance to the main risks and potential liabilities faced by the company. This lends a degree of financial stability to the business in the event that income sources are lost or reduced to ensure continuity of service provision. This policy will be revisited by the charity's Directors in future periods to ensure that an appropriate level of reserves continues to be maintained.

For 2019-20, the main risks and potential liabilities faced are as set out in the risk management section of this report together with fluctuations in pensions liabilities arising under FRS102. The strategy is therefore to maintain reserves at a level sufficient to cover any potential liabilities arising.

The reserves position at 31st July 2020, excluding pensions liabilities, is therefore £483k (2018/19: £479k) and including pensions liabilities, a net liability position of £1,696k (2018/19: £1,016k). Of these reserves, £32k relates to restricted reserves (2018/19: £41k). The Directors are aware of the net liability position at the balance sheet date as a result of FRS102 – section 28 accounting for the Falkirk Pension Scheme and recognise that operational reserves are £483k and are therefore content that the reserves policy has been met.

Plans for Future Periods

Colleges Scotland will focus its work and resources around four overarching aims of the Colleges Scotland Strategic Plan 2019-2023 to help deliver the college sector's ambitions, as set out in the College Sector Statement of Ambition 2018-23. These ambitions are developing our people and partnerships, supporting a successful economy, and helping communities thrive.

During the global pandemic Colleges Scotland supported the sector and delivered on our priorities to ensure that colleges can continue to be civic anchors within their communities, supporting students into careers and helping to deliver sustainable economic growth.

Structure, Governance and Management

Governing Document

Colleges Scotland is a charitable company limited by guarantee and registered as a charity in July 1995. The company was established under a Memorandum of Association which establishes the objects and powers of the charitable company and is governed under its Articles of Association. In the event of the company being wound up, members are required to contribute an amount not exceeding £1. Colleges Scotland is owned by the Regional Colleges and Regional Strategic Bodies.

Legal Status

Colleges Scotland is a charitable company limited by guarantee in terms of the Companies Act 2006. There are 13 members – all of the regional colleges and regional strategic bodies in Scotland. The liability of each member is limited to £1.

Recruitment and Appointment of the Board of Directors

The Board of Directors are also charity trustees for the purposes of charity law.

The Board consists of up to eighteen Board members: twelve Ministerially-appointed Regional Chairs of each regional member and the Regional Chair of Highlands and Islands as a University of Highlands and Islands court appointment, the Chair of the College Principals' Group, the Chief Executive and up to three Principals drawn from company members.

Under the requirements of the Memorandum and Articles of Association, with the exception of the Chief Executive who continues to hold office until termination of appointment, the Board of Directors are elected to serve for a period of not more than four years after which they may be re-appointed for a further four years provided that no member holds office for more than eight years in aggregate.

Director Induction and Training

New directors are provided with login details to a private members area where they are able to access an induction pack briefing them on their legal obligations; their duties as Board Members; the main documents which set out the operational framework for Colleges Scotland; including the Memorandum and Articles, financial performance, relevant policies and procedures and future plans and objectives. The Board are also given opportunities to meet staff and are encouraged to attend training events where these will facilitate the undertaking of their role.

The insurance policies are (Offices and Surgeries Package, Engineering Computers, Combined Business Travel/PA/Sickness, Fidelity Guarantee, and Cyber Liability).

Organisation

The Board meets at least quarterly and formally constituted committees, with remits approved by the Board, are in place covering the following:

- Audit and Risk Assurance Committee
- College Principals' Group
- Employers' Association
- Funding and Finance Committee
- Remuneration Committee (*disbanded October 2019*)
- Chairs' Committee

At present, there are eighteen members including the Chief Executive. The Chief Executive is appointed by the Board of Directors to manage the day-to-day operations of the company.

The Board of Colleges Scotland has chosen to adopt the Model Code of Conduct that is in place in the college sector to ensure that its conduct is consistent with the Ethical Standards in Public Life etc (Scotland) Act 2000.

The Board has also chosen to develop its own Code of Governance (the Code) which draws on the UK Code on Corporate Governance and the Code of Good Governance for Scotland's Colleges in setting out key principles and supporting provisions for effective governance.

Our [Corporate Governance Code](#) addresses: protocol for how decisions are made; what decisions are made by trustees; what decisions are delegated; and arrangements for setting pay and remuneration of key management personnel as outlined in the following four sections:

1. The Board Composition and Performance

Colleges Scotland is headed by an effective Board, which is collectively responsible for the success of Colleges Scotland.

All Board members must take decisions objectively in the interests of Colleges Scotland and in pursuance of its charitable objects.

As part of their role as members of the Board, members should constructively challenge and help develop proposals on strategy. Board members should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

There should be a clear division of responsibilities within Colleges Scotland, between the running of the Board and the executive responsibility for the running of Colleges Scotland day to day operations. No one individual should have unfettered powers of decision. To achieve this, there are clear roles established for the Board, its Chair, the Chief Executive and also the Secretary to the Board.

In order to supply the Board in a timely manner with the information in a form and quality appropriate to enable it to discharge its duties, management has an obligation to provide relevant information in an appropriate form, but equally Board members should seek clarification or amplification where necessary.

The Board and its committees should have the appropriate balance of skills, experience, independence and knowledge of Colleges Scotland to enable them to discharge their respective duties and responsibilities effectively. Appointments to the Board must be made in accordance with the Articles of Association, and the Board retains oversight of the membership and tenure of its members and satisfies itself that plans are in place for orderly succession in relation to appointments to the Board.

All Board members receive an induction on joining the Board and should regularly update and refresh their skills and knowledge. They are supported in this by the various roles of the Chair of the Board, the Chief Executive and the Secretary to the Board.

The Board should undertake a formal annual evaluation of compliance with the provisions of this document, its own performance, that of its committees, individual Board members, the Chair of the Board and committee chairs.

Individual evaluation should aim to show whether each Board member continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for Board and committee meetings and any other duties). The Chair should act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the Board.

This normally takes place at least annually and every three years by an external facilitator but due to Covid-19 this has been postponed.

2. Remuneration

The Board has determined that levels of remuneration should be set fairly to commensurate with the duties, responsibilities, skills and experience of the post, sufficient to attract and retain. There should be a formal and transparent procedure for developing policy on remuneration and for fixing the remuneration package of the Chief Executive and Directors. The Chief Executive and Directors should not be involved in deciding his or her own remuneration.

The Chairs' Committee is an advisory committee with limited decision-making authority on reserved matters and meets at least once per year. The Chairs' Committee is responsible for making recommendations to the Board for setting remuneration levels, salary awards, pensions, terms and conditions of employment and any other related matters for the Chief Executive and directors.

The Chairs' Committee works in conjunction with the Chief Executive, on the appointment process and appointment of directors/department heads within the organisation. The Chairs' Committee leads the appointment process of the Chief Executive and makes a recommendation for their appointment to the full board.

The Chairs' Committee reviews and agrees the performance management system of the organisation where the chair of the Colleges Scotland Board will be responsible for reviewing the performance of the Chief Executive and reporting findings annually to the board of management. The Chief Executive will be responsible for reviewing the performance of the directors/department heads within the organisation and reporting findings annually to members of the Chairs' Committee.

The Chairs' Committee will consider proposals and make recommendations to the board regarding pay awards for all staff.

The Chairs' Committee will monitor the staffing complement and structure and be consulted on any proposals for major changes to employee benefit structures/working conditions (e.g. location and make recommendations to the board as appropriate).

3. Accountability and Audit

The Board has a responsibility to present a balanced and understandable assessment of Colleges Scotland's position and prospects. This extends to public reports and reports to regulators (particularly the Office of the Scottish Charity Regulator) as well as to information required to be presented by statutory requirements.

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board should maintain sound risk management and internal controls systems.

The Board should establish formal and transparent arrangements for considering how they should apply the risk management and internal control principles and for maintaining an appropriate relationship with Colleges Scotland's auditors.

To this end, the Board has established an Audit and Risk Assurance Committee. The Audit and Risk Assurance Committee meets, as a minimum, twice a year but may meet with the external auditors in attendance if requested. The committee considers detailed reports together with the

recommendations for the improvement of the systems of internal control and management's responses and implementation plans. An Annual Report is presented to the Board by the Audit and Risk Assurance Committee expressing an opinion on whether it believes that the company has effective systems and processes in place regarding risk management, governance and financial control. The Audit and Risk Assurance Committee also recommends to the Board of Directors the annual budget.

The Audit and Risk Assurance Committee is also responsible for reviewing arrangements by which staff of Colleges Scotland may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

4. Other Committees

The Board is also supported in its duties by two additional committees and an advisory group. The two committees are the Funding and Finance, and Employers' Association. The advisory group is the College Principals' Group. These are all sector-facing groups established to consider issues impacting the sector and help share the policy agenda in these areas. In addition, the Employers' Association is responsible for establishing and agreeing a mandate for the Management side negotiating position regarding National Bargaining.

Statement as to Disclosure of Information to Auditor

In so far as the directors are aware there is no relevant information of which the company's auditor is unaware, and they have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

In accordance with the Company's Articles, the auditor of the company will be re-appointed at the forthcoming Annual General Meeting.

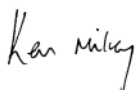
Reference and Administrative Information

Company Number:	SC143210
Registered Charity Number:	SC023848
Registered Office:	Argyll Court Castle Business Park Stirling FK9 4TY
External Auditor:	Johnston Carmichael LLP Chartered Accountants 227 West George Street Glasgow G2 2ND
Solicitors:	Thorntons LLP Whitehall House 33 Yeaman Shore Dundee DD1 4BJ
Bankers:	Bank of Scotland plc Business Banking PO Box 1984 Andover SP10 9GZ

Directors and Trustees

The Directors/Trustees of the Company during the year were:

1. Ken Milroy (Chair)	Regional Chair, North East Scotland College
2. Carol Turnbull (Vice Chair)	Principal and Chief Executive, Ayrshire College
3. Elaine Acaster	Interim Regional Chair, Borders College (Companies House reg 11 November 2020)
4. Hugh Carr	Interim Regional Chair, Dumfries & Galloway College (Companies House reg 6 November 2020)
5. Liz Connolly	Principal, West College Scotland (Appointed 1 January 2020)
6. Margaret Cook	Principal and Chief Executive, Perth College UHI
7. Ian Diamond	Regional Chair, Edinburgh College (Resigned 31 October 2019)
8. Michael Foxley	Regional Chair, Highlands and Islands Further Education Regional Board
9. Waiyin Hatton	Regional Chair, West College Scotland (Appointed 2 March 2020)
10. Tony Jakimciw	Regional Chair, Borders College (Resigned 2 March 2020)
11. Brian Johnstone	Regional Chair, Dumfries & Galloway College (Resigned 2 March 2020)
12. Ann Landels	Interim Regional Chair, Edinburgh College (Companies House reg, 6 November 2020)
13. Alex Linkston	Regional Chair, West Lothian College
14. Willie Mackie	Regional Chair, Ayrshire College
15. Angela McCusker	Regional Chair, Dundee & Angus College
16. Janie McCusker	Regional Chair, Glasgow Colleges' Regional Board
17. Liz McIntyre	Principal, North East Scotland College (Resigned 31 December 2019)
18. Keith McKellar	Regional Chair, West College Scotland (Resigned 2 March 2020)
19. Ross Martin	Regional Chair, Forth Valley College
20. Lydia Rohmer	Principal, West Highland College, UHI
21. Ronald Smith	Regional Chair, The Lanarkshire Board (Appointed 3 October 2019)
22. Shona Struthers	Chief Executive and Company Secretary
23. David Watt	Regional Chair, Fife College



Ken Milroy, Director

28/01/2021

Date

Statement of Directors' Responsibilities for the Year Ended 31 July 2020

The trustees (who are also directors of Colleges Scotland for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Trustees and Members of Colleges Scotland

Opinion

We have audited the financial statements of Colleges Scotland (the 'charitable company') for the year ended 31 July 2020 which comprise the Statement of Financial Activities, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2020, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The trustees are responsible for the other information. The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report (incorporating the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 require us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 12, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

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

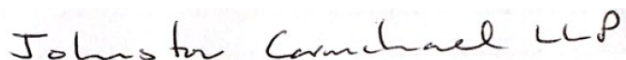
As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the charitable company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the charitable company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Keith Macpherson (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

23 / 02 / 2021

.....

Chartered Accountants
Statutory Auditor

227 West George Street
GLASGOW
G2 2ND

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

Statement of Financial Activities (SOFA)
(including Income & Expenditure Account)
for the year ended 31 July 2020

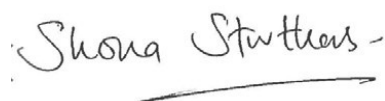
		2020 £'000	2020 £'000	2020 £'000	2019 £'000	2019 £'000	2019 £'000
	Notes	Restricted Funds	Un- restricted Funds	Total Funds	Restricted Funds	Un- restricted Funds	Total Funds
Income and endowments from:							
Donations and legacies		-	-	-	47	-	47
Charitable activities	3	1,475	808	2,283	497	792	1,289
Total		1,475	808	2,283	544	792	1,336
Expenditure on:							
Charitable activities	4	1,322	811	2,133	584	822	1,406
Total		1,322	811	2,133	584	822	1,406
Net expenditure		153	(3)	150	(40)	(30)	(70)
Transfer between funds		-	-	-	75	(75)	-
Net income / (expenditure) after transfers		153	(3)	150	35	(105)	(70)
Other recognised losses:							
(Loss) on defined benefit pension scheme	15	-	(668)	(668)	-	(356)	(356)
Net movement in funds		153	(671)	(518)	35	(461)	(426)
Reconciliation of funds:							
Total funds brought forward		41	(1,057)	(1,016)	6	(596)	(590)
Total funds carried forward		194	(1,728)	(1,534)	41	(1,057)	(1,016)

The statement of financial activities includes all gains and losses recognised in the year. All incoming resources and resources expended derive from continuing activities in the above two periods.

Balance Sheet as at 31st July 2020

	Notes	2020 £'000	2019 £'000
Fixed assets:			
Tangible assets	9	53	70
Current assets:			
Debtors	10	128	91
Cash at bank and in hand	11	797	545
		925	636
Liabilities:			
Creditors: Amounts falling due within one year	12	(312)	(213)
Net current assets		613	423
Total assets less current liabilities		666	493
Creditors: Amounts falling due after more than one year – dilapidations provision	13	(21)	(14)
Net assets excluding pension liability		645	479
Pension liabilities	15	(2,179)	(1,495)
Total net liabilities		(1,534)	(1,016)
The funds of the charity:			
Restricted funds	17	194	41
Unrestricted funds:			
General funds	18	451	438
Designated funds:			
Pension liability	18	(2,179)	(1,495)
Total charity funds		(1,534)	(1,016)

Approved and authorised for issue by the Board of Directors and signed on its behalf by:



Shona Struthers, Chief Executive



Ken Milroy, Director

28/01/2021

Date

Colleges Scotland
Company Number: SC143210
Charity Number: SC023848

Statement of Cash Flows

for the year ended 31st July 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities:			
Net cash provided by operating activities	19	252	(189)
Cash flows from investing activities			
Interest received		-	-
Cash provided by investing activities		-	-
Change in cash and cash equivalents in the year		252	(189)
Cash and cash equivalents at the beginning of the year		545	734
Cash and cash equivalents at the end of the year	11	797	545

Notes to the Financial Statements for the Year Ended 31st July 2020

1. Accounting Policies

(a) General Information

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the company's transactions are denominated. They comprise the financial statements of the charitable company drawn up for the year ended 31 July 2020.

The continuing activities of Colleges Scotland is to promote the advancement of college education for the public benefit.

Colleges Scotland is a charitable company limited by guarantee and is incorporated in Scotland. The charitable company's registered charity number is SC023848 and its registered company number is SC143210.

The address of the charitable company's registered office is Argyll Court, Castle Business Park, Stirling, FK9 4TY.

(b) Basis of accounting

The financial statements have been prepared in accordance with the Financial Reporting Standard 102 as issued by the Financial Reporting Council, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)", the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

The charitable company has availed itself of s396 of the Companies Act 2006, as permitted in paragraph 4(1) of Schedule 1 of SI 2008 No 409, and adapted the Companies Act formats to reflect the special nature of the charitable company's activities.

Colleges Scotland meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transition value unless otherwise stated in the relevant accounting policy.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires trustees to exercise their judgements in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

(c) Going concern

The Board is of the view that it would be reasonable to assume that Colleges Scotland will continue to operate for the foreseeable future, being at least 12 months from the date of approval of these financial statements, and, accordingly, the financial statements have been prepared on the going concern basis. The directors are aware of the net liability balance at the year end, this relates to the FRS 102 accounting for the charitable company's participation in the FCPF defined benefit pension scheme. As the net liabilities do not fall due in any one year, the directors are satisfied that Colleges Scotland is able to meet all the annual cash contributions payable to the pension scheme using its current working capital and therefore it has been considered appropriate to adopt the going concern basis of preparation for the preparation of these financial statements.

Notes to the Financial Statements for the Year Ended 31 July 2020 (continued)

1. Accounting Policies (continued)

(d) Fund accounting

All funds are classified as follows:

- Restricted funds represent grant monies from the Scottish Funding Council to specifically support the Employment Services Team.
- Unrestricted funds are available for use at the discretion of the Board of Directors in furtherance of the general objectives of the company.
- Designated funds are unrestricted funds earmarked by the Board of Directors for particular purposes.

(e) Income recognition

Income is included in the Statement of Financial Activities when the charitable company is entitled to the income, receipt is probable and the amount can be reliably measured.

- Subscription income is recognised in the period in which the charity provides the services and so is entitled to the income, receipt is probable and the amount can be measured reliably.
- Grants and donations are recognised when the charity is entitled to the income, receipt is probable and the amount can be measured reliably. Where there are terms or performance related conditions attached, income is recognised to the extent that the conditions have been met.
- Incoming resources from charitable trading activities are accounted for when earned.

(f) Expenditure

Expenditure is included in the Statement of Financial Activities (SOFA) on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure. All costs have been directly attributed to one of the functional categories of expenditure in the SOFA and include any VAT which cannot be recovered.

- Charitable expenditure comprises those costs incurred by Colleges Scotland in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those of an indirect nature necessary to support them.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of Colleges Scotland and include costs linked with strategic management.
- Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources.

(g) Taxation

The company is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 466 to 493 of Corporation Tax Act 2010 to the extent that such income or gains are applied to exclusively charitable purposes.

Non-recoverable Value Added Tax arising from expenditure on activities is charged to the income and expenditure account in the year in which it is incurred.

Notes to the Financial Statements for the Year Ended 31 July 2020 (continued)

1. Accounting Policies (continued)

(h) Tangible fixed assets

Tangible fixed assets are included in the balance sheet at net book value, being cost less depreciation. Depreciation is provided to write off the cost on a straight line basis over the expected useful lives of the assets, which for computer equipment is between 3 and 5 years, and furniture & fittings 5 years.

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments.

(i) Debtors

Trade debtors are amounts due from members for membership services and sponsorship. Trade debtors are recognised at the undiscounted amount of cash receivable, which is normally the invoiced amount, less any allowance for doubtful debts.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances with banks which are readily convertible, being those with maturities of three months or fewer from inception. Cash and cash equivalents are measured at amortised cost.

(k) Creditors

Trade creditors are obligations to pay for goods or services that have been acquired. Accounts payable are classified as creditors falling due within one year if payment is due within one year or less. If not, they are presented as creditors falling due after one year.

Trade creditors are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

(l) Financial assets and liabilities

Financial instruments are recognised in the balance sheet when the charitable company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price. Subsequent to initial recognition, they are accounted for as set out below.

Financial instruments are classified as either 'basic' or 'other' in accordance with Section 11 and 12 of FRS 102.

At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest method.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the charitable company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Notes to the Financial Statements for the Year Ended 31 July 2020 (continued)

1. Accounting Policies (continued)

(m) Pensions

Retirement benefits to the employees of the company are provided by Falkirk Council (FCPF) and Aegon. FCPF is a defined benefit scheme. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses arising from experience adjustments and changes in assumptions are recognised immediately in the Statement of Financial Activities. All costs related to the defined benefit plan are recognised in the Statement of Financial Activities within employee benefit costs.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting is limited to the present value of available refunds or reductions in future contributions to the plan.

The company also participates in a defined contribution scheme with Aegon. The assets of the scheme are held separately from those of the company in an independently administered fund. Pension costs charged to the statement of financial activities represent the contributions payable by the charity in the year.

(n) Leases

Rentals payable and receivable under operating leases are charged to the Statement of Financial Activities on a straight-line basis over the period of the lease.

2. Critical judgements and estimates

In preparing the financial statements, trustees make estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Critical judgements are made in the application of income recognition accounting policies, and the timing of the recognition of income in accordance with the Charities SORP (FRS 102).

In measuring the defined benefit pension liability in note 17, the directors take advice from the actuaries on the appropriate actuarial assumptions required to value the liabilities arising. The estimate is necessarily sensitive to the actual assumptions chosen as follows:

- A 0.5% decrease in the real discount rate would increase the defined benefit obligation by 13% (£605,000)
- A 0.5% increase in the salary increase rate would increase the defined benefit obligation by 2% (£109,000)
- A 0.5% increase in the pension increase rate would increase the defined benefit obligation by 11% (£481,000)

Notes to the Financial Statements for the Year Ended 31 July 2020 (continued)

3. Income from charitable activities

	2020 £'000	2020 £'000	2020 £'000	2019 £'000	2019 £'000	2019 £'000
	Restricted Funds	Un- restricted Funds	Total Funds	Restricted Funds	Un- restricted Funds	Total Funds
Subscriptions	-	786	786	-	771	771
Contracts and support services	-	22	22	-	21	21
Grant funding from SFC	1,475	-	1,475	497	-	497
Total	1,475	808	2,283	497	792	1,289

4. Expenditure on charitable activities

	Policy & Comms £'000	Employment Services £'000	Job Evaluatio n £'000	GTCS £'000	2020 Total £'000	2019 Total £'000
Staffing costs	592	255	817	-	1,664	912
Other costs associated with support to colleges	195	149	32	55	431	448
SLA support costs (see note 5)	19	11	-	-	30	29
Governance costs (see note 5)	5	3	-	-	8	17
Total	811	418	849	55	2,133	1,406
Analysis between funds						
Unrestricted					811	822
Restricted					1,322	584
					2,133	1,406

5. Analysis of support and governance costs

	Basis of allocation £'000	Support Costs £'000	Governance £'000	2020 Total £'000	2019 Total £'000
Staffing costs	Direct	30	-	30	29
Board meeting Costs	Direct	-	1	1	10
Audit fees	Direct	-	7	7	7
Total		30	8	38	46

Notes to the Financial Statements for the Year Ended 31 July 2020 (continued)

6. Board remuneration

The emoluments of key management, including the Chief Executive, are disclosed in note 7. No other member of the Board either received or waived any emoluments during the year (2019: £nil).

Out of pocket expenses relating to travel and subsistence costs were reimbursed to Board members as follows:

	2020 No.	2019 No.	2020 £'000	2019 £'000
Travel	0	1	0	1

7. Staff costs

	2020 £'000	2019 £'000
Core Staff		
Wages and salaries	658	669
Social security costs	67	59
Other pension costs	162	273
FRS 102 defined benefit adjustments	(15)	(112)
Short-term and temporary staff		
Consultants	792	23
Total	1,664	912

The average monthly headcount was 15 staff (2019: 13 staff).

The number of staff including the Chief Executive and senior post-holders who received emoluments within the following ranges was:

	2020	2019
£50,000 - £59,999	0	1
£60,000 - £69,999	3	1
£80,000 - £89,999	1	1

The emoluments of key management are made up as follows:

	2020 £'000	2019 £'000
Salary	221	213
Benefits in Kind	2	2
Pension Contributions	50	59
Secondment Costs	0	20
Total Emoluments	273	294

Key management personnel is defined as the Trustees, Chief Executive, the Director of Employment Services and the Director of Sector Policy. The above emoluments include amounts payable to the Chief Executive, Shona Struthers, who is also a trustee for the purposes of charity law of £85,197 (2019: £84,542). Contributions to pension schemes on behalf of the Chief Executive were £24,281 (2019: £24,066). The Chief Executive also received benefits in kind of £763 (2019: £660).

As authorised by the charitable company's Articles of Association, the above noted remuneration to Shona Struthers is for her role in the day to day running of the charitable company.

Notes to the Financial Statements for the Year Ended 31 July 2020 (continued)

8. Net expenditure for the year

	2020 £'000	2019 £'000
This is stated after charging:		
External Auditor's remuneration		
- Audit	7	7
- Non-audit	-	-
Rental Payable in respect of Operating Leases	67	67
Depreciation	20	12
Pension	147	161
	241	247

9. Tangible fixed assets

	2020 £'000	2020 £'000	2020 £'000	2019 £'000	2019 £'000	2019 £'000
	Equipment	Furniture & Fittings	Total	Equipment	Furniture & Fittings	Total
Cost at 1 st August	84	5	89	28	5	33
Additions in year	3	-	3	56	-	56
Cost at 31st July	87	5	92	84	5	89
Depreciation at 1 st August	17	2	19	6	1	7
Charge for year	19	1	20	11	1	12
Depreciation at 31st July	36	3	39	17	2	19
Opening Net Book Value	67	3	70	22	4	26
Closing Net Book Value	51	2	53	67	3	70

10. Debtors

	2020 £'000	2019 £'000
Other debtors (out with 1 year)	36	36
Prepayments and accrued income	92	55
Total	128	91

11. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	797	545
Total	797	545

Notes to the Financial Statements for the Year Ended 31 July 2020 (continued)

12. Creditors

	2020 £'000	2019 £'000
Trade creditors	94	37
Taxes and social security costs	-	17
Accruals and other creditors	218	159
Total	312	213

13. Provisions

	2020 £'000	2019 £'000
Balance at 1 August 2019	14	7
Increased in the year	7	7
Balance at 31 July 2020	21	14

The above dilapidations provision has been recognised in relation to the lease of the office premises expiring in 2022.

14. Lease commitments

Future minimum lease payments falling due under non-cancellable operating leases are:

	2020 £'000	2019 £'000
In less than 1 year	67	67
Within 2-5 years	96	163
Total	163	230

Notes to the Financial Statements for the Year Ended 31 July 2020 (continued)

15. Pension costs

Colleges Scotland is a member of the Falkirk Council Pension Fund (FCPF) and operates the Aegon scheme. Colleges Scotland also contributes into a personal pension plan for employees on request.

The total employer's pension cost for the period was as follows:

	2020 £'000	2019 £'000
Contribution to FCPF	141	257
Contribution to Aegon scheme	27	16
Total pension cost	168	273

Contributions outstanding at the year-end were £2,225 (2019: £14,024).

Falkirk Council Pension Fund (FCPF)

The FCPF is a funded defined benefit scheme where the assets are held in a separate, trustee-administered fund. The fund is open to all Colleges Scotland staff above an agreed grade, all other members of staff are able to join the Aegon Scheme.

Colleges Scotland paid contributions of 28.5% of pensionable pay plus £50,000 for the period from 1 August 2019 to 31 July 2020.

Actuarial valuations determine the level of employer contribution to the scheme and are as follows:

From 1 April 2016	10% of pensionable pay plus £5,100
From 1 April 2017	10% of pensionable pay plus £5,300
From 1 April 2018 to 31 July 2018	10% of pensionable pay plus £16,667
From 1 August 2018	28.5% of pensionable pay plus £50,000 per annum

Anticipated employer contributions to the scheme for the year ending 31st July 2021 will be approximately £141,000.

Employees' contribution rate is calculated on a tiered contribution basis dependant on pensionable salary.

The following information is based upon a full actuarial valuation of the Fund at 31st March 2017 updated to 31st July 2020 by a qualified independent actuary, Hymans Robertson LLP.

Financial Assumptions

	At 31 st July 2020	At 31 st July 2019
Rate of increase on salaries	2.6%	2.9%
Rate of increase on pensions	2.2%	2.4%
Discount rate for liabilities	1.4%	2.1%

Major categories of plan assets as a percentage of total plan assets

	At 31 st July 2020	At 31 st July 2019
Equities	60%	62%
Bonds	30%	27%
Property	5%	6%
Cash	5%	5%

Notes to the Financial Statements for the Year Ended 31 July 2020 (continued)

Mortality

	At 31 st July 2020 Males	At 31 st July 2020 Females	At 31 st July 2019 Males	At 31 st July 2019 Females
Current Pensioners	20.5 years	22.8 years	20.5 years	22.8 years
Future Pensioners	21.7 years	24.3 years	21.7 years	24.3 years

The fair value of scheme assets attributed to Colleges Scotland, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of scheme liabilities attributed to Colleges Scotland which are derived from cash flow projections over a long period and thus inherently uncertain, were:

	Value at 31 st July 2020 £'000	Value at 31 st July 2019 £'000
Total Fair Value of assets	2,403	2,426
Present Value of scheme liabilities	(4,582)	(3,921)
Net liabilities	(2,179)	(1,495)

Analysis of amount charged to other financial income

	2020 £'000	2019 £'000
Service cost	134	134
Past service cost	(8)	11
Total operating charge	126	145

Analysis of net return on pension scheme

	2020 £'000	2019 £'000
Expected return on pension scheme assets	52	60
Interest on pension liabilities	(83)	(92)
Net return	(31)	(32)

Analysis of amount recognised in statement of financial activities

	2020 £'000	2019 £'000
Current service cost	134	134
Past service cost	(8)	11
Contributions	(141)	(257)
Interest cost	83	92
Interest income on plan assets	(52)	(60)
Total included in statement of financial activities	16	(80)

Notes to the Financial Statements for the Year Ended 31 July 2020 (continued)

Movement in deficit during the year

	2020 £'000	2019 £'000
Deficit in scheme at beginning of year	(1,495)	(1,219)
Current service cost	(134)	(134)
Past service cost	8	(11)
Contributions paid	141	257
Actuarial (loss)/gain	(668)	(356)
Net return on assets	(31)	(32)
Deficit in the scheme at end of year	(2,179)	(1,495)

Reconciliation of defined benefit obligation

	2020 £'000	2019 £'000
Opening Defined Benefit Obligation	3,921	3,250
Current service cost	134	134
Past service cost	(8)	11
Interest cost	83	92
Contributions by members	26	32
Actuarial losses/(gains)	488	463
Estimated benefits paid	(62)	(61)
Closing Defined Benefit Obligation	4,582	3,921

Reconciliation of fair value of employer assets

	2020 £'000	2019 £'000
Opening Fair Value of Employer Assets	2,426	2,031
Expected return on assets	52	60
Contributions by members	26	32
Contributions by employers	141	257
Actuarial gains/(losses)	(180)	107
Benefits paid	(62)	(61)
Closing Fair Value of Employer Assets	2,403	2,426

The Aegon Scheme

The Aegon scheme is a defined contribution scheme, open to all staff in Colleges Scotland. Pension costs charged to the income and expenditure account represent the contributions payable by the company in the year and are based upon a fixed percentage of employee salary aligned to salary band.

Notes to the Financial Statements for the Year Ended 31 July 2020 (continued)

16. Analysis of net assets among funds

	Restricted funds £'000	Unrestricted designated fund £'000	Unrestricted general funds £'000	Total funds 2020 £'000	Total funds 2019 £'000
Net assets	194	-	472	666	493
Net pension liability	-	(2,179)	-	(2,179)	(1,495)
Provisions	-	-	(21)	(21)	(14)
Total	194	(2,179)	451	(1,534)	(1,016)

	Restricted funds £'000	Unrestricted designated fund £'000	Unrestricted general funds £'000	Total funds 2019 £'000	Total funds 2018 £'000
Net assets	41	-	452	493	636
Net pension liability	-	(1,495)	-	(1,495)	(1,219)
Provisions	-	-	(14)	(14)	(7)
Total	41	(1,495)	438	(1,016)	(590)

17. Analysis of restricted funds

	Balance at 1 st August 2019 £'000	Income (inc.gains) £'000	Expenditure £'000	Transfer s £'000	Recognised gain/(loss) £'000	Balance at 31 st July 2020 £'000
Employers' Association	41	1,475	(1,322)	-	-	194
Total	41	1,475	(1,322)	-	-	194

	Balance at 1 st August 2018 £'000	Income (inc.gains) £'000	Expenditure £'000	Transfer s £'000	Recognised gain/(loss) £'000	Balance at 31 st July 2019 £'000
Employers' Association	6	544	(584)	75	-	41
Total	6	544	(584)	75	-	41

Restricted funds represent grant monies from the Scottish Funding Council to specifically support the Employment Services Team.

18. Analysis of unrestricted funds

	Balance at 1 st August 2019 £'000	Income (inc. gains) £'000	Expenditure £'000	Transfers £'000	Recognised gain/(loss) £'000	Balance at 31 st July 2020 £'000
General funds	438	808	(795)	-	-	451
Designated funds:						
Pension liability	(1,495)	-	(16)		(668)	(2,179)
Total	(1,057)	808	(811)	-	(668)	(1,728)

	Balance at 1 st August 2018 £'000	Income (inc. gains) £'000	Expenditure £'000	Transfers £'000	Recognised gain/(loss) £'000	Balance at 31 st July 2019 £'000
General funds	623	792	(902)	(75)	-	438
Designated funds:						
Pension liability	(1,219)	-	80		(356)	(1,495)
Total	(596)	792	(822)	(75)	(356)	(1,057)

The Pension Liability Fund is designed to meet potential pension liabilities under section 28 of FRS 102.

19. Reconciliation of net expenditure to net cash flow from operating activities

	2020 £'000	2019 £'000
Net expenditure for the reporting period	151	(70)
Adjustment for:		
Interest received	-	-
(Increase)/Decrease in debtors	(37)	(20)
Increase/(Decrease) in creditors	98	18
Purchase of fixed assets	(3)	(56)
Depreciation charge	20	12
Dilapidations Provision	7	7
Defined benefit pension scheme	16	(80)
Net cash flows from operating activities	252	(189)

Notes to the Financial Statements for the Year Ended 31 July 2020 (continued)

20. Analysis of changes in net funds

	At 1 August 2019 £'000	Cash Flows £'000	At 31 July 2020 £'000
Cash at bank and in hand	545	252	797

The charitable company had no debt during the year.

21. Related parties

Facilities time costs totalling £nil (2019: £9,577) was paid to Colleges (2019: Five), whose Chairs are members of our Board. These payments enabled Union Representatives to participate in national negotiations.

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