

**Newbattle Abbey College**  
(A company limited by guarantee)

Financial statements  
Registered number SC262968  
Charity number SC035294  
31 July 2021

## Contents

	Page
Report of the Board of Directors	1
Statement of the Board of Directors' responsibilities	9
Corporate governance statement	10
Independent auditors' report to the members of Newbattle Abbey College	13
Statement of comprehensive income	17
College statement of changes in reserves	18
Balance sheet	19
Cash flow statement	20
Notes to the financial statements	21

## Report of the Board of Directors for the year ended 31 July 2021

### 1 Mission

To be a national residential learning community which:

- Promotes lifelong learning
- Raises aspirations
- Supports learners in transition
- Enables learners to change their lives

### 2 Statutory background

The college was established in the Trust Deed granted by The Most Honourable Philip Kerr, Marquess of Lothian, Companion of Honour, dated 8 March 1937.

The Trust is administered by seven trustees whose number includes the Principals of the Universities of Aberdeen, Edinburgh, St Andrews and Glasgow.

The ultimate management of the college is vested in the governing body ("the Directors").

On 1 August 2004, the entire assets and liabilities of the college were transferred to a charitable company, limited by guarantee, which was incorporated on 5 February 2004 and the Registrar of Companies has given permission to omit the word "limited" from the company name. The college is governed by a Memorandum and Articles of Association and has been granted charitable status by HM Inspector of Taxes, Scottish Charity Number 035294.

### 3 Financial objectives and review for the period

The college's financial objective is to generate resources to fulfil its mission statement, resource its estates strategy and improve and expand education provision to its students. The financial statements have been prepared in line with the principles and guidance set out in the Statement of Recommended Practice, Accounting for Further and Higher Education.

The college's Statement of comprehensive income for the financial period shows a surplus of £705,835 (2019/20: £674,642 deficit). Income for the period is £2,123,264 (2019/20: £2,553,483).

Staff costs of £1,293,838 (2019/20: £1,248,333) accounted for 60% (2019/20: 48%) of the total expenditure of £2,174,429 (2019/20: £2,603,125). Other operating expenses of £796,139 (2019/20: £1,281,037) accounted for a further 37% (2019/20: 49%) of expenditure.

The table below shows the Adjusted Operating Position which is intended to reflect the underlying operating performance after allowing for one-off or distorting items required by the SORP or other items out with the control of the College.

	2020/21 £	2019/20 £
<b>(Deficit) before other gains and losses</b>	<b>(51,165)</b>	<b>(49,642)</b>
<b>Add back:</b>		
Pension adjustment – Net service cost	168,000	88,000
Pension adjustment – Net interest cost	2,000	
<b>Deduct:</b>		
Non-Government capital grants credited to SOCI	(10,960)	(274,224)
Pension adjustment – Net interest income	-	(11,000)
<b>Adjusted operating surplus</b>	<b>107,875</b>	<b>(246,866)</b>

## Report of the Board of Directors *(continued)*

*for the year ended 31 July 2021*

### 4 Background

As a small national specialist college, Newbattle Abbey College sought, through the period of these accounts, to develop its distinctive national profile, whilst also addressing regional outcomes.

As Scotland's national adult education residential college, we provide a high standard of education to our local community and the wider communities across Scotland and the UK. Unique in our approach, we offer extensive support and opportunities to adults returning to education and to younger learners at points of transition.

College activities for 2020/21 should be consistent with Scottish Government priorities, including:

- Developing the Young Workforce
- Scotland's Skills Strategy
- Curriculum for Excellence
- National Gaelic Language Plan

### 5 Efficient and sustainable

We have reviewed and aligned our governance arrangements with the *Code of Good Governance for Scotland's Colleges*. We currently have 22 Board members (73% male; 27% female). The full Board of Directors met at least five times by Zoom during 2020-21 and each of its committees had a minimum of three scheduled meetings. The committees are: Chairs, Audit, Learning & Teaching, Planning & Resource and Remuneration. The Board undertook an annual evaluation process, including Board and Sub-Committee self-evaluations.

During 2020-21 the financial strategy for Newbattle Abbey College continued to focus on financial security, given the major impact of the Coronavirus on all aspects of college activity. 58% of college income was provided by the Scottish Funding Council (SFC) for the development and delivery of the curriculum. The college received capital funding (£1,383,000 for 2020-21, *although only £341,497 is actually in accounts due to Covid related delays*) from the SFC as a contribution to backlog and lifecycle maintenance work in the building. This also enabled the college to undertake a major digital development programme SFC have confirmed that the college will receive an additional £90K for capital funding in 2021-22 to meet further essential maintenance. Funding from the college Trustees enabled completion of the upgrade to the residency started in the previous year.

Dealing with the financial impact of the pandemic and college lockdowns proved a major priority in 2020-21. All commercial activity, apart from the Business Park, ended in February 2020. The partnership with OSCARS International, which had provided 19% of the college's income in 2017-18, ended. A new contract was signed with another language school, International House, during 2018-19. While some income was received in summer 2019, all business was cancelled from February 2020 due to restrictions in travel and the closure of the college during lockdown. It was mutually agreed between International House and the college that there would be no business in summer 2020 and no minimum guarantee payment would be made. This had a significant impact on the college income of approximately £150k. The college has maintained a good working relationship with International House to ensure business will resume as soon the international situation improves. Other language school options are being explored to ensure the upgraded residency is fully utilised. Corporate business has also been significantly affected by Covid-19, and all events were cancelled from March 2020 with a loss of approximately £50K. The college launched a new corporate website in July 2020 which highlights the facilities available for events, weddings and conferences. The closure of the college in March 2020 and the second lockdown in January 2021 also affected the board and accommodation income from residential students, as many vacated the residency.

## **Report of the Board of Directors** *(continued)* **for the year ended 31 July 2021**

### **5 Efficient and sustainable** *(continued)*

The rental income from the Business Park was unaffected by Covid-19 and the college worked with the tenants where necessary to ensure payment.

The impact of Covid-19 on the college income continued throughout 2020-21. The management of the college have discussed the situation with the Scottish Funding Council, who have committed to a cash advance from 2021-22 funding allocation. This cash advance will be payable as and when the college requests this funding and the amount will be dependent on financial requirements.

The college recognises that Brexit may also have an impact on income from international language schools. We are in contact with our partners to ensure we comply with any necessary legislation. We do not have a high level of EU students attending the college and we do not expect this to have a significant impact. It is anticipated that Brexit will affect the food supply chain and the cost of resources and building materials. Management continues to seek regular updates from agencies, including APUC.

The development of a college business plan and estates strategy, in partnership with the College Trustees, is ongoing. Options for wider estate development are being explored in partnership with the College Trustees. This development programme has also been affected by the impact of the pandemic and Brexit.

### **6 High Quality and Efficient Learning**

During the period of these accounts, Newbattle Abbey College has engaged fully with Education Scotland and the SFC to implement the Quality Framework as part of the arrangements for assuring and improving the quality of provision delivered by Scotland's colleges. As a result of the pandemic, Education Scotland suspended its programme of Evaluative Reports and Enhancement Plans in 2020-21. The college did, however, submit a 2020-21 Outcome Agreement to SFC.

Our 2020-21 curriculum was designed to promote access and inclusion. The SFC supported the following courses:

- 1 year full-time Access to HE Arts & Social Sciences (SCQF Level 6), including Celtic Studies
- 1 year full-time Access to HE Primary Education (SCQF Level 6)
- 1 year full-time National Certificate in Rural Skills (SCQF Level 4)
- 6 month Preparation for FE Course (SCQF Level 4), delivered in partnership with Midlothian Council

In addition, in collaboration with a range of local and national partners, we offered:

- 1 year full-time HNC Social Sciences Course (SCQF Level 7), an Associate Student Scheme delivered in partnership with Queen Margaret University (QMU)
- Adult Achievement Awards, available at SCQF Levels 2, 3, 4 and 6
- Forest and Outdoor Learning Awards, available at SCQF 2-6 and 8
- Short courses in Rural Skills and Gaelic language, delivered in partnership with Midlothian Council and City of Edinburgh Council

## **Report of the Board of Directors** *(continued)* *for the year ended 31 July 2021*

### **6 High Quality and Efficient Learning** *(continued)*

The college plays a strategic national role in promoting adult learning through extensive collaboration with a wide range of partners to promote inclusion and progression. We play a strategic role in the Adult Learning Strategic Forum and its Adult Learning Strategy Drafting Group. The college has hosted seven national conferences to promote the development of adult learning and plans to host the launch of the national Adult Learning Strategy in spring 2022.

The college continued to develop the Adult Achievement Awards, a unique development in Europe. The awards offer accreditation to learners with few or no qualifications. Over 400 adults across Scotland have been involved. Given their online nature, the awards increased in popularity during college lockdowns in 2020-21.

We also worked with key organisations to develop our role as a Forest College. This provides creative outdoor learning opportunities with national accreditation for adults and young people. It is socially inclusive and offers multiple learning and training opportunities to people of all ages. The college has developed the Forest and Outdoor Learning Awards (FOLAs), a new initiative in outdoor learning, as part of the Forest College programme. The awards have been credit-rated at levels 2-6 and 8 on the Scottish Credit and Qualifications Framework (SCQF). Funding from the Green Infrastructure Community Engagement Fund enabled the recruitment of staff to support the development of the Forest College programme and the maintenance of the woodland. We were also awarded funding over three years received from Midlothian Council to support the project. In addition, the college also received £51K from Scottish Government in 2019-20 to support the appointment of a Forest College Co-ordinator. While this work was delayed due to the pandemic, it has increased in popularity since spring 2021.

The college makes a significant contribution to local community planning and our curriculum reflects local economic needs. We are key members of Midlothian Community Planning Partnership sub groups, including Developing Midlothian's Young Workforce and ELM (Employment and Learning Midlothian). Partnership with Midlothian Social Work Department has developed accredited progression pathways for adult offenders. We also support the East Lothian Adult Learning Partnership through our outdoor learning programmes.

Our SFC credit outcome for 2020-21 was 932. 23 students enrolled on the HNC course and 203 completed the Adult Achievement Awards. In partnership with Napier University, we also ran a Musicianship Course for senior pupils in Midlothian high schools. We improved retention and progression in almost all courses. Our Extended Learning Support strategy, including enhanced support for care-experienced students, contributed to our improved PIs. The college achieved almost all of the 2020-21 OA Outcomes.

Following strategic planning with the Board, teaching staff and stakeholders, we will continue to develop our Forest College, offering our FOLAs to learners of all ages across Scotland. In partnership with a range of local and national agencies, we will continue to extend our Adult Achievement Awards across the country. These developments will enhance access and progression, improve employability and extend employer links.

The Strategic Plan 2016-2020 '*Ambitions for the Future*' indicates the future direction of the college, as endorsed by the Newbattle Abbey College Board of Directors. Building on our strengths, our strategic intentions will deliver opportunities through:

- Extending access for adult learners seeking to improve their life chances and lifelong learning prospects

## **Report of the Board of Directors** *(continued)* *for the year ended 31 July 2021*

### **6 High Quality and Efficient Learning** *(continued)*

- Successful delivery of learner destination, growth and diversification
- High standards of corporate governance and continuous improvement

An Interim Operating Plan was put in place for the emergency years 2020-21. A new Strategic Plan for 2022-25 will be developed in 2022.

### **7 Principal risks and uncertainties**

The board have assessed that the following constitute key risks to the college:

- Failure to meet planned student recruitment targets
- Failure to respond to need for ICT development
- Reduction in commercial income
- Reduction in commercial income due to the impact of Covid-19
- The impact of Covid-19 on student retention

### **8 Employment of disabled person and equality of opportunity**

The college is an equal opportunities employer. Our success in a highly competitive environment depends on our students and staff and the development of their skills and abilities.

We are committed to equality of opportunity and ensuring that all legislative requirements are met. Applicants and existing employees are treated fairly and there is no discrimination on grounds of disability, sex, marital status, religion, colour, race, gender, sexual orientation or ethnicity.

All employees have a responsibility to apply this principle in practice.

### **9 Information for and consultation with employees**

There are regular consultation meetings with staff. To enhance communication, the Principal meets all staff on a bi-monthly basis and also offers regular updates to staff in three cross-college Quality Days.

### **10 Prompt payment to suppliers**

The college endeavours to comply with the CBI Prompt Payment Code of paying its suppliers within 30 days of invoice unless the invoice is contested. All disputes and complaints are handled as quickly as possible.

There are no matters to disclose in connection with payment under the Late Payment of Commercial Debts (Interest) Act 1998.

### **11 Trade Union Officials**

The college has three employees who are EIS Trade Union officials. The branch was set up during 2019-20 and a Recognition and Procedure Agreement between the College and the EIS is currently being negotiated.

**Report of the Board of Directors** *(continued)*  
**for the year ended 31 July 2021**

**12 Professional advisors**

<i>External auditors</i>	Henderson Loggie LLP
<i>Bankers</i>	Bank of Scotland
<i>Solicitors (Property)</i>	Shepherd & Wedderburn
<i>Solicitors (Other)</i>	Brodies WS
<i>Internal Auditors</i>	University of Edinburgh Internal Audit Departments



**Report of the Board of Directors** *(continued)*  
*for the year ended 31 July 2021*

**13 Board of Directors**

Brian Lister OBE	Co-opted	Planning & Resource Committee Chairs' Committee Learning & Teaching Committee Remuneration Committee
Dr Richard Dockrell	Co-opted	Learning & Teaching Committee Chairs' Committee Remuneration Committee
Marian Docherty	Principal	Audit Committee Planning & Resource Committee Chairs' Committee Learning & Teaching Committee
Roddy Henry	Principal as from 1 November 2021	Audit Committee Planning & Resource Committee Chairs' Committee Learning & Teaching Committee
Terry Brotherstone*	Co-opted	Learning & Teaching Committee
Stuart Capperault	Non-academic staff representative	
Duncan Robb	Co-opted	Planning & Resource Committee Chairs' Committee Remuneration Committee
George Archibald**	The Business Partnership	Audit Committee
Professor Richard Butt	Queen Margaret University	Audit Committee
Andy McGoff	Napier University	Audit
Professor Gillian Hogg	Heriot Watt University	Audit Committee Chairs' Committee Remuneration Committee
Marlene Gill	Co-opted	
Tommy Angus	University of Edinburgh	Planning & Resource Committee
Angus Donaldson	University of Aberdeen	
Neil Hargraves	Academic Staff Representative	
Jean Urquhart***	Co-opted	Audit Committee
Dr Dorothy Welch	University of Glasgow	Planning & Resource Committee
Peter Smith	Co-opted	Audit Committee
Dr Gary Husband	University of Stirling	Planning & Resource Committee
Stuart Moir	University of Edinburgh	Learning & Teaching Committee
David Hamer	Co-opted	Learning & Teaching Committee
Jan Polley	Co-opted	Audit
SRC President****	Student Representative	

\*Resigned 16 June 2021

\*\* Resigned 26 November 2020

\*\*\* Resigned 30 November 2020

\*\*\*\* Resigned 18 June 2021

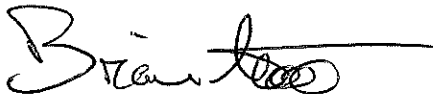
**Report of the Board of Directors** *(continued)*  
*for the year ended 31 July 2021*

**13 Board of Directors** *(continued)*

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

Transactions during the year with non-public bodies in which a member of the Board of Directors has an interest and which in aggregate exceeded £5,000 are noted below:

None



**Brian Lister**  
Chair, Board of Directors

25 NOVEMBER

2021

## **Statement of the Board of Directors responsibilities** *for the year ended 31 July 2021*

The Trustees (who are also directors of Newbattle Abbey College 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 Higher and Further Education Sectors SORP
- 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; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping proper 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. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware; and
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

### **Statement to Auditors**

In accordance with company law, as the company's Trustees, we certify that:

- So far as we are aware, there is no relevant audit information of which the company's auditors are unaware; and
- As the Trustees of the company, we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Auditors**

A resolution will be proposed at the Annual General Meeting that Henderson Loggie LLP be appointed as auditors to the charity for the ensuing year.

This report has been prepared in accordance with the 2015 Statement of Recommended Practice — Accounting for Further and Higher Education and in accordance with the provisions applicable to companies subject to the small companies' regime of the Companies Act 2006.

Brian Lister  
Chair



25 November

2021

## **Corporate governance statement** *for the year ended 31 July 2021*

### **Introduction**

The college is committed to exhibiting best practice in all aspects of corporate governance. The college complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, and it has complied throughout the year ended 31 July 2021.

### **Board of Directors**

The College's Board of Directors meet five times a year and has several committees, including a Chairs' Committee, Planning & Resource Committee, Learning & Teaching Committee, Audit Committee, and Remuneration Committee. All of these committees are formally constituted with terms of reference.

The Planning & Resource Committee meets four times a year and recommends to the Board of Directors the college's annual revenue and capital budgets, monitors performance in relation to the approved budgets and recommends to the Board of Directors staff arrangements.

The Audit Committee meets three times a year to monitor the accounting policies, internal controls and financial reporting. The duties of the Audit Committee also include keeping under review the scope and costs of audit and the nature and extent of non-audit services provided by the auditors. The auditors attend all the meetings and have direct access to the Committee Chair.

The Chairs' Committee meets five times a year and this is followed by a Remuneration Committee when required.

For 2020-21 the college appointed University of Edinburgh, Internal Audit Department as the college's Internal Auditors. The college's internal auditors undertake internal audit work on the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input. They report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and external auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit Committee considers full reports incorporating recommendations for the improvement of the college's systems of internal control and management's responses, implementation plans and details of remedial actions completed.

Whilst Senior Management Team members attend meetings on the Audit Committee, as necessary, they are not members of the committee.

### **Corporate strategy**

In respect of its strategic and development responsibilities, the Board of Directors receive recommendations and advice from all of its committees and from the Senior Management Team of the college.

## **Corporate governance statement** *(continued)* *for the year ended 31 July 2021*

### **Board's statement of internal control**

The college's Governing body, the Board of Directors, is 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 no absolute assurance against material misstatement or loss.

The Senior Management Team receives reports setting out key performance and risk indicators for the area of work within its remit and considers possible control issues brought to its attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control.

The Audit Committee agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

The Board of Directors is of a view that there is an ongoing process for identifying and managing the college's significant risk and that has been in place throughout the year ended 31 July 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Directors.

**Corporate governance statement** *(continued)*  
*for the year ended 31 July 2021*

**Attendance at Board and Committee Meetings**

	Board	Learning & Teaching	Planning & Resources	Audit	Chairs
Brian Lister OBE	100%	75%	100%		100%
Dr Richard Dockrell	100%	100%			80%
Marian Docherty	75%	100%	100%	100%	
Terry Brotherstone <i>resigned 16 June 2021</i>	100%	100%			
Stuart Capperauld	50%				
Duncan Robb	75%	75%	100%		100%
George Archibald <i>resigned 26 November 2021</i>	0%			0%	
Professor Richard Butt	100%			100%	
Andy McGoff	100%			100%	
Professor Gillian Hogg	100%			100%	100%
Marlene Gill	100%				
Tommy Angus	75%		75%		
Angus Donaldson	50%				
Neil Hargraves	75%				
Jean Urquhart <i>resigned 30 November 2021</i>	0%			0%	
Dr Dorothy Welch	100%		100%		
Peter Smith	100%			100%	
Dr Gary Husband	100%		50%		
SRC President*	100%	100%			
Jan Polley**	100%			100%	
David Hamer***	100%	100%			
Stuart Moir****	100%	75%			
Roddy Henry*****	100%	75%			

\*Joined November 2020 and resigned 18 June 2021

\*\* Joined 25 March 2021

\*\*\* Joined 25 March 2021

\*\*\*\* Joined 25 March 2021

\*\*\*\*\* Joined 1 November 2021

**Going Concern**

The Board of Directors considers that the college has adequate resources to continue in operational existence for the foreseeable future. The impact of Covid-19 on the college income will continue into 2022. The management of the college have discussed the situation with the Scottish Funding Council, who have committed to a cash advance. This cash advance will be payable as and when the college requests this funding, and the amount will be dependent on financial requirements.

Brian Lister  
Chair



28 November

2021

## **Independent auditors' report to the directors and members of Newbattle Abbey College for the year ended 31 July 2021**

### **Opinion**

We have audited the financial statements of Newbattle Abbey College (the 'charitable company' for the year ended 31 July 2021 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Cash Flow Statement and the 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 FRS 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 2021 and of the 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 Regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

### **Basis of 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 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report..

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

**Independent auditors' report to the directors and members of  
Newbattle Abbey College** *(continued)*  
**for the year ended 31 July 2021**

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 and Charities Accounts (Scotland) Regulations 2006 (as amended)**

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

- the information given in the Report of the Board of Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Board of Directors has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the 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 Report of the Board of Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 or the Scottish Funding Council Accounts Direction requires us to report to you if, in our opinion:

- the charitable company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company's 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 Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

**Responsibilities of directors**

As explained more fully in the Statement of the Board of Directors' Responsibilities, the directors (who are also the trustees of the charitable company for the purposes of charitable 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 directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



## **Independent auditors' report to the directors and members of Newbattle Abbey College (continued) for the year ended 31 July 2021**

In preparing the financial statements, the directors 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 directors 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 the Acts and relevant regulations made or having effect thereunder.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Enquiring with management about any known or suspected instances of non-compliance with laws and regulations, including GDPR and employment law, and fraud;
- Review of correspondence with regulators including OSCR and the Health & Safety Executive;
- Review of legal fee expenditure and board minutes;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Because of the field in which the client operates, we identified the following areas as those most likely to have a material impact on the financial statements: Health and Safety; employment law (including the Working Time Directive); GDPR; and compliance with the UK Companies Act, Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts Regulations 2006.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognize the non-compliance.

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

**Independent auditors' report to the directors and members of  
Newbattle Abbey College** *(continued)*  
**for the year ended 31 July 2021**

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's directors, as a body, in accordance with Section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the members and the charity's directors 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 charity, its members as a body and its directors as a body, for our audit work, for this report, or for the opinions we have formed.



**James Davidson (Senior Statutory Auditor)**  
**For and on behalf of Henderson Loggie LLP**  
**Chartered Accountants**  
**Statutory Auditor**

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006  
11-15 Thistle Street  
Edinburgh  
EH2 1DF

8 December 2021

**Statement of comprehensive income**  
*for the year ended 31 July 2021*

	Notes	Total 2021 £	Total 2020 £
<b>Income</b>			
Funding body grants	2	1,295,646	1,231,994
Tuition fees and education contracts	3	125,865	137,052
Other grants and contracts	4	334,622	479,530
Other income	5	367,125	693,907
Investment income	6	6	11,000
<b>Total income</b>		<b>2,123,264</b>	<b>2,553,483</b>
<b>Expenditure</b>			
Staff costs	7	1,293,838	1,248,333
Other operating expenses	8	796,139	1,281,037
Depreciation and amortisation		81,769	71,523
Interest and other finance costs		2,683	2,232
<b>Total expenditure</b>		<b>2,174,429</b>	<b>2,603,125</b>
<b>(Deficit) before other gains and losses</b>		<b>(51,165)</b>	<b>(49,642)</b>
Actuarial gain/(loss) in respect of pension scheme	16	757,000	(625,000)
<b>Total comprehensive income for the year</b>		<b>705,835</b>	<b>(674,642)</b>
<b>Represented by:</b>			
Restricted comprehensive income for the year		-	-
Unrestricted comprehensive income for the year		705,835	(674,642)
		<b>705,835</b>	<b>(674,642)</b>

The statement of comprehensive income includes all gains and losses recognised in the year. All income and expenditure included in the statement is in respect of continuing activities.

**College statement of changes in reserves**  
*for the year ended 31 July 2021*

	Restricted reserve £	Unrestricted reserve £	Total Reserves £
Balance at 31 July 2019	-	556,473	556,473
(Deficit) from the Statement of Comprehensive Income	-	(49,642)	(49,642)
Other comprehensive income	-	(625,000)	(625,000)
Transfer between reserves	-	-	-
Balance at 31 July 2020	-	(118,169)	(118,169)
(Deficit) from the Statement of Comprehensive Income	-	(51,165)	(51,165)
Other comprehensive income	-	757,000	757,000
Transfer between reserves	-	-	-
Balance at 31 July 2021	-	587,666	587,666

**Balance sheet**  
*as at 31 July 2021*

	Note	2021 £	2021 £	2020 £	2020 £
<b>Non current assets</b>					
Tangible fixed assets	9		1,241,751		1,251,462
Intangible asset	10		2,210		2,465
<b>Current assets</b>					
Stocks	11	2,920		2,787	
Trade and other receivables	12	101,174		129,697	
Cash and cash equivalents		1,361,473		320,035	
		<u>1,465,567</u>		<u>452,519</u>	
Creditors: Amounts falling due within one year	13	(1,791,334)		(417,056)	
<b>Net current assets/(liabilities)</b>			<u>(325,767)</u>		<u>35,463</u>
<b>Total assets less current liabilities</b>			<u>918,194</u>		<u>1,289,390</u>
Creditors: Amounts falling due after more than one year	14		(792,528)		(1,282,559)
Pension asset/(deficit)	16		462,000		(125,000)
<b>Total net assets/(liabilities)</b>			<u>587,666</u>		<u>(118,169)</u>
<b>Unrestricted Reserves</b>					
Income and expenditure account			587,666		(118,169)
<b>Total reserves</b>	15		<u>587,666</u>		<u>(118,169)</u>

The financial statements were approved by the Board of Directors on 25 Nov 2021 and signed on its behalf by:

**Brian Lister**  
Chair



**Roddy Henry**  
Principal



**Cash flow statement**  
*for the year ended 31 July 2021*

	2021 £	2021 £	2020 £	2020 £
<b>Cash flow from operating activities</b>				
(Deficit) for the year		(51,165)		(49,642)
<b>Adjustment for non-cash items</b>				
Depreciation		81,514		71,438
Amortisation		255		85
Decrease/(increase) in stocks		(133)		1,726
Decrease/(increase) in debtors		28,523		58,445
Increase/(decrease) in creditors		898,660		430,694
(Increase)/decrease in pension asset		(587,000)		702,000
Actuarial movement on pension scheme		757,000		(625,000)
Loss on disposal of fixed assets		-		5,141
<b>Adjustment for investing or financing activities</b>				
Investment income		(6)		-
Interest payable		683		2,232
<b>Net cash inflow/(outflow) from operating activities</b>		<u>1,128,331</u>		<u>597,119</u>
<b>Cash flows from investing activities</b>				
Investment income	6		-	
Purchase of fixed assets	(71,803)		(236,820)	
Purchase of intangible assets	-		(2,550)	
		<u>(71,797)</u>		<u>(239,370)</u>
<b>Cash flows from financing activities</b>				
Repayment of amounts borrowed		(10,000)		(20,000)
Capital element of finance lease rental payments		(4,412)		(4,413)
Interest paid		(54)		(1,602)
Interest element of finance lease rental payments		(630)		(630)
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<u>1,041,438</u>		<u>331,104</u>
Cash and cash equivalents at the beginning of the year		<u>320,035</u>		<u>(11,069)</u>
<b>Cash and cash equivalents at the end of the year</b>		<u><u>1,361,473</u></u>		<u><u>320,035</u></u>
<b>Relating to:</b>				
Cash at bank and in hand		<u><u>1,361,473</u></u>		<u><u>320,035</u></u>

## Notes

for the year ended 31 July 2021

### 1. Statement of accounting policies and estimation techniques

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE/HE SORP) and in accordance with Financial Reporting Standard 102 — "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

#### Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Directors Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

The Board has also considered the impact of the Covid-19 pandemic and consider it appropriate to prepare the financial statements on a going concern basis of preparation for the reasons as set out in the Directors' Report.

#### Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved.

The recurrent grant from SFC represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. 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.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

**Notes** *(continued)*  
**for the year ended 31 July 2021**

**1. Statement of accounting policies and estimation techniques** *(continued)*

**Recognition of income** *(continued)*

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

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

**Accounting for post-employment benefits**

Post-employment benefits to employees of the College are principally provided by the Teachers' Superannuation Scheme (Scotland) (STSS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

The STSS is an unfunded scheme. Contributions to the STSS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The STSS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The STSS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive

Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

----- Actuarial gains and losses are recognised immediately in other recognised gains and losses. -----

**Short term employment benefits**

Short term employment benefits such as salaries and compensated absences (holiday pay) 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.



**Notes** *(continued)*  
**for the year ended 31 July 2021**

**1. Statement of accounting policies and estimation techniques** *(continued)*

**Non-current assets - Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

**Land and buildings**

Building improvements are depreciated on a straight line basis over their expected useful lives as follows:

- Improvement to property — 4% straight line.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

**Subsequent expenditure on existing fixed assets**

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

**Intangible assets**

Intangible assets are amortised on a straight line basis over their expected useful lives as follows:

- Website costs – 10% straight line

**Equipment**

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- computer equipment 33 1/3% straight line
- plant and machinery 10% straight line

**Donated assets**

Donated assets are incorporated at their current value. These assets are subsequently revalued at each year end date.

**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. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

**Notes** *(continued)*  
**for the year ended 31 July 2021**

**1. Statement of accounting policies and estimation techniques** *(continued)*

**Financial liabilities and equity**

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

**Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 4% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

**Provisions and contingent liabilities**

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or 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 probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

**Notes** *(continued)*  
**for the year ended 31 July 2021**

**1. Statement of accounting policies and estimation techniques** *(continued)*

**Agency arrangements**

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

**Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements, management have made the following judgements:

- Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account.

Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2017 has been used by the actuary in valuing the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

**2 Funding body grants**

	2021 £	2020 £
<b>Recurrent grant</b>		
Scottish Funding Council	1,235,612	1,153,210
<b>Specific grants</b>		
Learner Support Income	8,030	8,030
Releases of government capital grants	52,004	52,004
Adult achievement award funding	-	18,750
	<hr/>	<hr/>
	<b>1,295,646</b>	<b>1,231,994</b>
	<hr/>	<hr/>

**Notes (continued)**  
**for the year ended 31 July 2021**

**3 Tuition fees and education contracts**

	2021 £	2020 £
Further education	125,865	137,052

**4 Other grants and contracts**

	2021 £	2020 £
Gaelic Development	2,400	-
Project income	7,800	-
MDC SW CPO project	13,333	8,000
GLAIF income	42,960	9,420
Forest College	12,462	67,660
Literally at Newbattle	-	(875)
Trustee project income	175,000	75,000
Residency Project	10,960	274,224
Other Income	(40)	3,600
Furlough Grant	69,747	42,501
	334,622	479,530

**5 Other income**

	2021 £	2020 £
Board and accommodation	29,381	37,760
Catering income	2,928	3,737
Rental income	203,153	189,752
Room hire	44,653	1,050
General sales	38,965	12,205
Other income	48,045	59,933
Insurance proceeds	-	389,470
Total	367,125	693,907

**6 Investment income**

	2021 £	2020 £
Other investment income	6	-
Net return on pension liability (Note 16)	-	11,000
	6	11,000

**Notes** (continued)  
for the year ended 31 July 2021

**7 Staff costs**

The average number of persons (including key management personnel) employed by the College during the year was

	2021 No	2020 No
Learning & Teaching	16	16
Administration & other	15	16
Adult Achievement Awards	-	1
Forest College	2	2
Facilities	3	3
Housekeeping	4	4
Catering	7	9
	<hr/>	<hr/>
	47	51
	<hr/>	<hr/>

**Staff costs for the above persons**

	2021 £	2020 £
Wages and salaries	896,432	932,210
Social security costs	72,485	72,615
Other pension costs	156,921	155,508
Pension cost (note 16)	168,000	88,000
	<hr/>	<hr/>
	1,293,838	1,248,333
	<hr/>	<hr/>

**Analysed:**

	2021 £	2020 £
Learning & Teaching	328,040	334,618
Administration & other	450,680	441,127
Adult Achievement Awards	-	13,863
Forest College	54,464	56,465
Facilities	100,996	99,941
Housekeeping	69,259	71,528
Catering	122,399	142,791
Pension cost (note 16)	168,000	88,000
	<hr/>	<hr/>
	1,293,838	1,248,333
	<hr/>	<hr/>

**Notes (continued)**  
**for the year ended 31 July 2021**

**7 Staff costs (continued)**

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Senior Management Team which comprises the Principal, Depute Principal and Business & Resource Manager.

**Emoluments of Key management personnel, Accounting Officer and other higher paid staff**

	2021 No	2020 No
The number of key management personnel was	4	3

**Key management personnel compensation is made up as follows:**

	2021 £	2020 £
Salaries	178,895	168,316
Employer's National Insurance	20,893	19,789
Employer's pension contributions	38,520	36,553
Total key management personnel compensation	238,308	224,658

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Key management personnel	
	2021 No	2020 No
£70,001 to £80,000 p.a.	1	1

**Senior Post-holder's emoluments**

	2021 £	2020 £
Principal – salary – gross	71,883	70,112
Employer's pension contributions	16,533	15,875
	88,416	85,987

**Notes** *(continued)*  
**for the year ended 31 July 2021**

**7 Staff costs** *(continued)*

There were no amounts due to key management personnel that were unclaimed in the year, nor any salary sacrifice arrangements in place.

The Directors other than the staff members did not receive any payment from the institution other than reimbursement of travel and subsistence expenses incurred in the course of their duties.

**8 Other operating expenses**

	2021 £	2020 £
Teaching costs	10,570	16,193
Residences and catering	38,913	59,139
Premises costs	510,240	928,343
Administration and central services	236,416	277,362
	<hr/>	<hr/>
	796,139	1,281,037
	<hr/>	<hr/>
Other operating expenses include:		
	2021 £	2020 £
Auditors' remuneration – external audit	12,594	10,030
Internal audit	-	5,000
	<hr/>	<hr/>
	12,594	15,030
	<hr/>	<hr/>

**Notes (continued)**  
**for the year ended 31 July 2021**

**9 Tangible fixed assets**

	Improvements to property £	Plant and machinery £	Computers £	Donated Assets £	Total £
<b>Cost or valuation</b>					
At 1 August 2020	1,752,566	95,124	212,229	12,220	2,072,139
Additions	45,756	24,279	1,768	-	71,803
At 31 July 2021	1,798,322	119,403	213,997	12,220	2,143,942
<b>Depreciation</b>					
At 1 August 2020	546,541	55,532	206,384	12,220	820,677
Charge for year	71,342	6,670	3,502	-	81,514
At 31 July 2021	617,883	62,202	209,886	12,220	902,191
<b>Net book value</b>					
At 31 July 2021	1,180,439	57,201	4,111	-	1,241,751
At 31 July 2020	1,206,025	39,592	5,845	-	1,251,462

Included within improvements to property are costs in relation to work carried out on the building which the college occupies. The building is owned by Newbattle Abbey College Trust but as the college benefit from the use of the building the costs have been capitalised.

**10 Intangible Fixed Assets**

	Website £
<b>Cost</b>	
As at 1 August 2020 and at 31 July 2021	2,550
<b>Amortisation</b>	
At 1 August 2020	85
Charge for year	255
At 31 July 2021	340
<b>Net book value</b>	
At 31 July 2021	2,210
At 31 July 2020	2,465



**Notes** (continued)  
for the year ended 31 July 2021

<b>11</b>	<b>Stocks</b>	<b>2021</b>	<b>2020</b>
		£	£
		<b>2,920</b>	<b>2,787</b>
	Stocks (fuel, stationery and foodstuffs)		
<b>12</b>	<b>Debtors: amounts falling due within one year</b>	<b>2021</b>	<b>2020</b>
		£	£
	Amounts falling due within one year:		
	Trade receivables	<b>33,002</b>	65,035
	Prepayments and accrued income	<b>60,619</b>	64,449
	Sundry debtors	<b>467</b>	213
	VAT	<b>7,086</b>	-
		<b>101,174</b>	<b>129,697</b>
<b>13</b>	<b>Creditors: amounts falling due within one year</b>	<b>2021</b>	<b>2020</b>
		£	£
		<b>76,203</b>	26,672
	Trade payables	<b>47,769</b>	211,844
	Accruals	<b>20,774</b>	17,984
	Other taxation and social security	<b>82,476</b>	21,272
	Sundry creditors	<b>31,172</b>	71,261
	Deferred income	<b>1,518,528</b>	52,004
	Deferred income- Government capital grants	<b>10,000</b>	10,000
	Newbattle Abbey College Trust	-	1,606
	VAT payable	<b>4,413</b>	4,413
	HP creditor		
		<b>1,791,334</b>	<b>417,056</b>

**Notes** (continued)  
for the year ended 31 July 2021

**14 Creditors: amounts falling due after more than one year**

	2021 £	2020 £
Newbattle Abbey College Trust – Loan	2,832	12,832
Deferred income- Government capital grants	786,019	1,261,637
HP creditor	3,677	8,090
	<u>792,528</u>	<u>1,282,559</u>

Analysis of maturity of loan:

	2021 £	2020 £
Amounts falling due:		
Within one year	10,000	10,000
In one to two years	2,832	12,832
	<u>12,832</u>	<u>22,832</u>

**15 Reserves**

	1 August 2020 £	Income £	Expenditure £	Actuarial losses £	Transfers £	31 July 2021 £
Income and Expenditure account	(118,169)	2,123,264	(2,174,429)	757,000	-	587,666
Total reserves	<u>(118,169)</u>	<u>2,123,264</u>	<u>(2,174,429)</u>	<u>757,000</u>	<u>-</u>	<u>587,666</u>

**Notes** *(continued)*  
**for the year ended 31 July 2021**

**16 Pension commitments**

The College's employees belong to one of two principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS) and the Local Government Pension Scheme (Scotland). STSS is managed by Scottish Public Pensions Agency (SPPA). The Local Government Pension Scheme (Scotland) (LGPS) to which the College is an admitted body is Lothian Pensions Fund (LPF). Both STSS and LGPS are pension schemes of the defined benefit type. The assets of the LPF scheme are held in a separate, trustee-administered fund. The STSS scheme is a notional fund and there are specific regulations regarding the basis on which the actuarial valuation should be carried out. These regulations include the requirement that any deficit should be funded by a supplementary contribution over a 40-year period.

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The latest actuarial valuations of the schemes were at 31 March 2017 (STSS and LPF).

Pension contributions for current employees are charged to the income and expenditure account in the year in which they are incurred. The total pension cost for the year was:

	2021 £000	2020 £000
Contributions to STSS	79	70
Contributions to LPF	78	85
	<hr/>	<hr/>
	157	155
	<hr/>	<hr/>

Based on the data provided and other factors such as improvements to benefits, actuaries have advised the following contribution rates:

	STSS	LPF
<b>2020/2021</b>		
1 August 2020 – 31 March 2021	23.0%	18.9%
1 April 2021 – 31 July 2021	23.0%	13.9%
<b>2019/2020</b>		
1 August 2019 – 31 March 2020	23.0%	18.9%
1 April 2020 – 31 July 2020	23.0%	18.9%
	<hr/>	<hr/>

**Notes** (continued)  
for the year ended 31 July 2020

**16 Pension commitments** (continued)

**Scottish Teachers' Superannuation Scheme (Teaching Staff)**

The STSS is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972.

Under the definitions set out in FRS 102 (28.11), the STSS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities on the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of anticipated contribution areas.

**Local Government Pension Scheme (Administrative Staff)**

The Lothian Pension Fund is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2021 was £105,000 (2020 - £115,000) of which employer's contributions totalled £78,000 (2020 £85,000) and employees' contributions totalled £27,000 (2020 - £27,000). The agreed contribution rates for future years are 13.9% to 31 March 2022 and between 5.5% to 11.2% for employees.

**Principal Actuarial assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2014 updated to 31 July 2021 by a qualified independent actuary:

	2021 % p.a.	2020 % p.a.
Inflation/Pension increase rate	2.85	2.20
Salary increase rate	3.35	3.90
Discount rate	1.60	1.30

Life expectancy is based on the Fund's Vita Curves assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	20.5 years	23.3 years
Future pensioners	21.9 years	25.2 years

**The net pension asset was:**

	2021 £000	2020 £000
Estimated employer assets	4,656	3,974
Present value of scheme liabilities	(4,194)	(4,099)
Net pension (deficit)/asset	462	(125)

**Notes (continued)**  
**for the year ended 31 July 2021**

**16 Pension commitments (continued)**

**Reconciliation of fair value of scheme assets:**

	2021 £000	2020 £000
Opening fair value of scheme assets	3,974	4,187
Expected return on assets	52	88
Contributions by members	27	27
Contributions by employer	81	88
Actuarial gains/(losses)	622	(307)
Estimated benefits paid	(100)	(109)
	<hr/>	<hr/>
	4,656	3,974
	<hr/>	<hr/>

**Reconciliation of defined benefit obligation:**

	2021 £000	2020 £000
Opening defined benefit obligation	4,099	3,610
Current service cost	249	212
Past service cost	-	(36)
Interest cost	54	77
Contributions by members	27	27
Actuarial losses/(gains)	(135)	318
Estimated benefits paid	(100)	(109)
	<hr/>	<hr/>
	4,194	4,099
	<hr/>	<hr/>

**History of experience gains and losses for the years ended 31 July:**

	2021 £000	2020 £000
Scheme assets	4,656	3,974
Defined benefit obligations	(4,194)	(4,099)
	<hr/>	<hr/>
(Deficit)/Surplus	462	(125)
	<hr/>	<hr/>
Experience adjustments on scheme assets	622	(307)
	<hr/>	<hr/>
Experience adjustments on scheme liabilities	135	(318)
	<hr/>	<hr/>

**Notes (continued)**  
**for the year ended 31 July 2021**

**16 Pension commitments (continued)**

**Analysis of the amount charged to staff costs (Note 7):**

	2021 £000	2020 £000
Current service costs	249	212
Past service cost	-	(36)
Total operating charge	249	176
Less: Contributions paid	(81)	(88)
Current service cost provision	168	88

**Amount charged to operating costs (Note 6):**

	2021 £000	2020 £000
Expected return on employer assets	52	88
Interest on pension scheme liabilities	(54)	(77)
Net cost of financing and assets	(2)	11

**Analysis of the amount recognised in the Statement of Comprehensive Income**

	2021 £000	2020 £000
Changes in value of scheme assets: Actuarial (losses)/gains	622	(307)
Changes in defined benefit obligations: Actuarial (losses)	135	(318)
Actuarial (loss)/gain recognised in Statement of Comprehensive Income	757	(625)

**Movement in surplus during the year:**

	2021 £000	2020 £000
Surplus at beginning of year	(125)	577
Movement in year:		
Current service cost	(249)	(212)
Past service cost	-	36
Employer contributions	81	88
Net return on financing and assets	(2)	11
Actuarial gain	757	(625)
(Deficit)/Surplus at end of year	462	(125)

The estimated employer's contributions for the year to 31 July 2022 are £63,000.

**Notes (continued)**  
**for the year ended 31 July 2021**

**17 Related party transactions**

Owing to the nature of the College's operations and the composition of the board of directors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of directors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

No director has received any remuneration or waived payments from the College during the year (2020 - £Nil).

The total expenses paid to or on behalf of the directors during the year was £445; 1 governor (2020: £999; 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending director meetings and events in their official capacity.

Included in creditors is a loan from The Newbattle Abbey College Trust of £12,832 (2020 - £22,832). During the year, payments of £10,000 were made towards the loan balance (2020 - £20,000). Additionally, £10,960 was received from The Newbattle Abbey College trust towards upgrades of the residencies (2020: £274,224).

During the year £98,669 (2020: £77,521) of tuition fees were received from Queen Margaret University, with £nil due at year end (2020: £500). Professor Richard Butt, a Trustee of the College, is Deputy Principal of the University.

During the year, a membership fee of £303 was paid to Midlothian and East Lothian Chamber of Commerce (2019: £253). George Archibald, a Director of the College, is also a director of the Chamber of Commerce.

**18 Operating leases**

Total future minimum lease payments under non-cancellable operating leases for each of the periods are as follows:

	2021 £	2020 £
Less than one year	243	973
In two to five years	-	243
Total	<u>243</u>	<u>1,216</u>

**19 Rental income from operating leases**

At the reporting end date the college had contracted with tenants for the following minimum lease payments:

	2021 £	2020 £
Less than one year	<u>17,035</u>	<u>21,801</u>

**Notes** (continued)  
for the year ended 31 July 2021

**20 Bursaries and other student support funds**

	Year ended 31 July 2021				Year ended 31 July 2020
	FE Bursary £	EMAs £	Other £	Total £	Total £
Balance brought forward	-	-	3,201	3,201	1,570
Allocation received in year	305,488	2,040	48,405	355,933	284,538
Expenditure	(243,525)	(2,040)	(48,128)	(293,693)	(318,063)
Repaid to Funding body as clawback	-	-	(1,602)	(1,602)	(1,570)
College contribution to funds	-	-	-	-	36,726
Virements	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance carried forward	61,963	-	1,876	63,839	3,201
Represented by:	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Repayable to Funding body as clawback	61,963	-	1,876	63,839	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Retained by College for students	-	-	-	-	3,201
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**21 Post balance sheet events**

There have been no post balance sheet events requiring disclosure.

**22 Contingent liability**

There are no known contingent liabilities and consequently no financial provision has been made in these financial statements.

**23 Capital and financial commitments**

There were no known commitments at the year-end.