



# Report and Financial Statements

For the period ended 31 July 2015

Registered Charity No: SCO21188



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The financial statements on pages 21 to 54 were approved and authorised for issue by the Board of Management on 15 December 2015.

# Operating and Financial Review

## **NATURE, OBJECTIVES and STRATEGIES**

The Board of Management of Dundee and Angus College present the report and the audited financial statements of Dundee and Angus College for the period ended 31 July 2015.

### **Legal Status**

The College was established under the Further and Higher Education Act 1992. The College is a registered charity (Scottish charity Number: SCO21188) for the purposes of the Law Reform (Miscellaneous Provision) (Scotland) Act 2005.

### **Scope of the Financial Statements**

The Financial Statements cover all activities of the College, and of its subsidiary company.

### **Vision**

Dundee and Angus College has established a clear vision to lead learning, inspire success and be recognised as sector leading by 2016.

## **REGIONAL OUTCOME AGREEMENT**

### **Priority Impacts**

Dundee and Angus College delivers significantly above the Scottish average and is committed to increasing the credits delivered to 16-19 and 20-24 year olds by 3% from the baseline of AY 2014/15 to AY 2017/18.

Between the period of this agreement (AY 2015/16 – AY 2017/18) the College will deliver the following priority impacts:

1. To be a key contributor to the economic growth opportunities created by the Tay Waterfront and other developments by providing a skilled workforce to support anticipated jobs growth in areas such as hospitality, cultural tourism and the energy sector in partnership with employers, local authorities, and economic development agencies.
2. To deliver on the outcomes of the Commission for Developing Scotland's Young Workforce through working in close partnership with employers, schools and the university sector to deliver streamlined learning and skills opportunities that shorten learner journeys and enhance employment and progression opportunities.
3. To increase the proportion of credits delivered to learners from the 10% most deprived (SIMD) postcode areas by 3%.
4. To maintain sector leading levels of learner retention and attainment, with maintenance of a successful outcome ratio of over 80%.
5. To ensure the sustainability of the regional college through sound financial and resource management that allows reinvestment and directs the maximum level of resource towards learners.

## Operating and Financial Review (continued)

### FINANCIAL OBJECTIVES

The financial outlook for the College Sector – as with the wider Public Sector - is certain to be a challenging one. Regardless of the changing political horizon in Scotland, additional funding for the College Sector is very unlikely to materialise in the short to medium term. This undoubtedly means the College must continually find efficiencies and grow the contribution from non-SFC income to absorb cost pressures for pay/pension costs and non-pay costs. The recent “Financial Forecast Return (FFR)” submitted to SFC detailed that the College has a budgeted deficit of £750k for AY 2015/16 – and remedial action is being taken to rectify this, an unfunded/unaffordable pay award to staff will likely result in an underlying deficit going forward. Financial Projections for the 5-year period to 2020 are projected to show an operating deficit – and subsequently, a Financial Strategy – with supporting action plans to rectify this is being devised. At present, the College’s Risk Register details “Failure to achieve financial sustainability” as the highest scoring and single “red” risk.

### ESTATES STRATEGY

The College’s 10-Year Estates Strategy is in development - and it is intended that this will align to the ROA to address the future needs of students, and associated curriculum provision. The Estates Strategy will articulate the vision of the College to maximise the return from the estate/ICT. Progress is being made – including a workshop with Scottish Futures Trust and consultation with curriculum areas. By Spring 2016, the Estates Strategy will be finalise and will prioritise developments across our Estate.

Planned and reactive maintenance programmes will be progressed within the funding available, and capital plans based on priorities which improve our students’ learning experience.”

### PERFORMANCE INDICATORS

In accordance with Scottish Funding Council (SFC) requirements, the College is required to publish and report progress against targets for national priorities. The performance indicators used by the College measure actual results against the following areas:

- Financial
- Human Resources
- Academic
- Student retention and Student outcome

A detailed list of Core Performance Indicators is listed later in this Review.

### FINANCIAL POSITION

In the 16 month period to 31 July 2015, the consolidated deficit was £454,000 following impairment reversal of £1,011,000 (2013/14 – deficit of £9,464,000 which included the donation of £8,000,000 to Dundee and Angus Foundation but also benefited from impairment reversal of £413,000).

The College has accumulated reserves (including pension reserve) of £13,252,000 (2013/14 – £11,338,000); cash balances of £2,961,000 (2013/14 – £4,274,000) and a long-term loan of £7,429,000 (2013/14 - £8,000,000).

Tangible fixed asset additions during the year were £3,293,000, with disposals of £10,000 and a Depreciation charge of £5,781,000. The aforementioned reversal of prior year impairment was coupled with a downward revaluation adjustment of £120,000. Net book value fell by £1,600,000 as a consequence.

Comparative values for 2013/14 have been restated following the revaluation of property. Further details are given in Note 1 and adjustments detailed in Note 33.

## Operating and Financial Review (continued)

### **Taxation Status**

The College is registered with the Office of the Scottish Charities Regulator as a Scottish Charity and is exempt from corporation tax and capital gains tax. The College receives no similar exemption in respect of Value Added Tax.

### **Treasury Policies and Objectives**

During 2014/15, the College closed its fixed term deposit accounts but continued to utilise a special interest bearing account accounts to secure marginally better interest rates.

### **Liquidity**

Net cash position reduced during the period as liabilities for voluntary severance were extinguished and the College adopted a policy of minimum cash holding as required by the Scottish Public Finance Manual. Consequently, interest received reduced to £29,000 (2013/14 - £110,000) and will continue to fall.

### **Creditor Payment Policy**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires the College, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. During the financial period to 31 July 2015, the College incurred no interest charges in respect of late payment for this period.

## **CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE**

### **Student Numbers**

In 2014/15 the College exceeded the Student Unit of Measurement (SUMS) target, as set by SFC. For 2015/16 SUMS have been replaced by a Credit system and the Credit target for Dundee and Angus College is 105,527.

### **Student Achievements**

Success rates for retention and outcomes are disclosed in the Core Performance Indicators listed on page 10.

## **RESOURCES**

The College has various resources that it deploys in pursuit of its strategic objectives:

**Tangible Assets** During the year, the College operated from three main Campuses, and four outreach centres.

**Financial** The College has a turnover of £53,835,000, net assets of £49,878,000 and a long-term loan of £7,429,000.

**People** The present Headcount is circa 1,000 for 2014/15.

**Reputation** The College has an excellent reputation locally, nationally and internationally. Maintaining a quality brand is essential to our on-going success ensuring we continue to attract students and grow external partnerships.

## Operating and Financial Review (continued)

### **PRINCIPAL RISKS AND UNCERTAINTIES**

Within its Regional Outcome Agreement, the College identifies risks with its Risk Register. Key Risks are categorised in five areas thus:

- Strategic and Structural, Compliance, Operational, Financial and Reputational

For all key risks, the consequences, impact, likelihood, mitigating controls, residual risk and lead manager or team are identified.

### **STAKEHOLDER RELATIONSHIPS**

The College has many stakeholders – our key stakeholders include: SFC, Dundee City Council, Angus Council, NHS Tayside, Scottish Enterprise, Skills Development Scotland, The University of Abertay Dundee, The University of Dundee, local schools, employers, other colleges, the local community and our many international partners.

### **Equal Opportunities and employment of disabled persons**

Dundee & Angus College is committed to a comprehensive policy of equal opportunities for its staff, students and other stakeholders and undertakes to adhere to all relevant legislation. The College will ensure that all staff, students and other stakeholders are treated equally, regardless of age, disability, family responsibility, marital status, race, colour, ethnicity, nationality, religion or belief, gender, sexual orientation, trade union activity, or unrelated criminal convictions.

We recognise that some of our students are “vulnerable” owing to their youth, their mental capacity and/or personal circumstances. We will ensure that there are robust procedures in place to identify and support any individuals who may be or are subject to any form of abuse.

The College strives to eliminate all forms of discrimination and to celebrate the diversity of the people who are directly and indirectly involved in the College.

Dundee & Angus College welcomes enquiries from applicants with a disability or learning difficulty. Our policy is to assess applications from disabled persons on the same grounds that are applied to all candidates. The College is committed to improving access to all College buildings and to improving services for disabled students.

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005.

### **Disclosure of information to auditors**

The Board members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College’s auditors are unaware; and each Board member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College’s auditors are aware of that information.

**Approved by order of the members of the Board on 15 December 2015 and signed on its behalf by:**

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**Angela McCusker**  
Chair

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**Grant Ritchie**  
Principal

## Remuneration Report

### Remuneration Policy

Annually the remuneration of the Principal and Executive Team is the subject of a discussion at the Chairs' Committee – which serves as a Remuneration Committee. In 2014/15 the terms offered to the Principal and Executive Team were the same as those offered to academic staff in terms of percentage uplift/holidays etc.

### Remuneration including salary and pension entitlements

#### Salary Entitlements

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

Name	16 months ended 31 July 2015			8 months ended 31 March 2014		
	Salary Band £'000	Pension Benefit £'000	Band Total £'000	Salary Band £'000	Pension Benefit £'000	Band Total £'000
Ms A McCusker	15 - 20	-	15 - 20	N/A	N/A	N/A
Mrs C A Potter	175 - 180	10 - 15	185 - 190	85 - 90	0 - 5	90 - 95
Mr G J Ritchie	120 - 125	30 - 35	150 - 155	60 - 65	0 - 5	65 - 70
Mr G Westwater	105 - 110	20 - 25	125 - 130	50 - 55	0 - 5	55 - 60
Mr R Mudie	105 - 110	25 - 30	130 - 135	50 - 55	0 - 5	55 - 60
Mrs H D Archibald	105 - 110	25 - 30	130 - 135	50 - 55	0 - 5	55 - 60
Mr S Taylor	105 - 110	30 - 35	135 - 140	50 - 55	0 - 5	55 - 60

Annual Equivalent	16 months ended 31 July 2015			8 months ended 31 March 2014		
	Salary Band £'000	Pension Benefit £'000	Band Total £'000	Salary Band £'000	Pension Benefit £'000	Band Total £'000
Ms A McCusker	10 - 15	-	10 - 15	N/A	N/A	N/A
Mrs C A Potter	130 - 135	10 - 15	140 - 145	130 - 135	0 - 5	135 - 140
Mr G J Ritchie	90 - 95	20 - 25	110 - 115	90 - 95	0 - 5	95 - 100
Mr G Westwater	80 - 85	15 - 20	95 - 100	80 - 85	0 - 5	85 - 85
Mr R Mudie	80 - 85	20 - 25	100 - 105	80 - 85	0 - 5	85 - 90
Mrs H D Archibald	80 - 85	15 - 20	95 - 100	80 - 85	0 - 5	85 - 90
Mr S Taylor	80 - 85	20 - 25	100 - 105	80 - 85	0 - 5	85 - 90

#### Median Remuneration

Colleges are required by the FReM to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce. Based on the 12 month equivalent figures above, the banded remuneration of the highest paid official in the organisation in the financial year 2014-15 was £130,000 - £135,000 (2013-14 £130,000 - £135,000). This was 4.2 times (2013-14: 4.3 times) the median remuneration of the workforce which was £30,705 (2013-14 £29,956).

## Remuneration Report (continued)

### Accrued Pension Benefits

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

STSS is a final salary pension schemes. This means that pension benefits are based on the final year's pay and the number of years that the person has been a member of the scheme.

The scheme's normal retirement age is 60 under the 1997 scheme, and 65 under the 2007 scheme until March 2015.

Contribution rates are set annually for all employees and can be found in note 23.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on final pensionable salary and years of pensionable service.

### Senior Officials Pension

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

Name	Accrued pension at pension age at 31 July 2015	Accrued lump sum at pension age at 31 July 2015	Real increase in pension 1 April 2014 to 31 July 2015	Real increase in lump sum 1 April 2014 to 31 July 2015	CETV at 31 July 2015	CETV at 31 March 2014	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Ms A McCusker	-	-	-	-	-	-	-
Mrs C A Potter	50 - 55	160 - 165	0 - 5	0 - 5	1,238	1,223	-6
Mr G J Ritchie	35 - 40	105 - 110	0 - 5	5 - 10	783	698	70
Mr G Westwater	20 - 25	60 - 65	0 - 5	0 - 5	354	318	23
Mr R Mudie	35 - 40	110 - 115	0 - 5	5 - 10	884	817	54
Mrs H D Archibald	5 - 10	-	0 - 5	-	96	71	12
Mr S Taylor	35 - 40	-	0 - 5	-	444	406	25



## Remuneration Report (continued)

### **Cash Equivalent Transfer Value (CETV)**

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

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

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

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

### **Real Increase in CETV**

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

### **Compensation for loss of office**

72 employees left under voluntary exit terms during the period. They received a total payment of £3,200,000.

**Approved by order of the members of the Board on 15 December 2015 and signed on its behalf by:**

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**Angela McCusker**  
Chair Principal

## Core Performance Indicators

	<b>Merged 2012/13</b>		<b>Merged 2013/14</b>	<b>2014/15</b>
<b>Financial CPIs:</b>				
Operating surplus/(deficit) as % of total income	(1.4%)		(33.6%)	(0.9%)
Non SFC Income as % of total income	23.8%		24.5%	21.8%
Current assets : current liabilities	2.30:1		1.19:1	1.37:1
Gearing	44%		71%	56%
Days cash	119		38	30
	<b>Angus</b>	<b>Dundee</b>	<b>Dundee &amp; Angus</b>	
	<b>2012/13</b>		<b>2013/14</b>	<b>2014/15</b>
<b>Human Resources CPIs:</b>				
Staff turnover	5.3%	10.92%	6.5%	9.3%
Working days lost through sickness absence (FTE)	2.7%	3.17%	2%	2.6%
<b>Academic CPIs:</b>				
Performance against WSUMs activity target	123%	103%	101%	101%
WSUMs per staff FTE	398	534	N/A for period	419
<b>Student retention</b>				
FE Full-Time	86%	95%	93%	95%
FE Part-Time	97%	99%	98%	98%
HE Full-Time	87%	97%	96%	95%
HE Part-Time	95%	99%	98%	99%
<b>Student outcomes</b>				
FE	93%	91%	91%	86%
HE	78%	92%	90%	84%

Financial CPI's have been restated for 2013/14 as a result of the Prior Year Adjustment for property valuations.

**DUNDEE & ANGUS COLLEGE - Board of Management Membership**

<b>Member's Name</b>	<b>Appointed</b>	<b>Term</b>	<b>Status of Appointment</b>	<b>Profession/Specialism</b>	<b>Chairs</b>
<b>Angela McCusker</b> Regional Chair	July 2014	03/07/18	Scottish Government Appointment	Business, Management, Finance	Board of Management Chairs Committee
<b>Paul Grant</b>	March 2015	31/05/17	Ordinary Member	Business, Manufacturing, HR	Human Resource and Audit Committees
<b>Mike Galloway</b>	March 2015	31/05/17	Ordinary Member	Management, Planning	
<b>Margo Williamson</b>	June 2014	31/05/17	Ordinary Member	Management, Education	Learning, Teaching & Quality Committee
<b>Gary Bissett</b>	June 2014	31/05/17	Ordinary Member	HR, Management, Manufacturing	
<b>Gary Langlands</b>	June 2014	31/05/17	Ordinary Member	Business, Marketing, ICT	
<b>Steven Mill</b>	June 2014	31/05/17	Ordinary Member	Finance, Management	
<b>Wendy Loudon</b>	June 2014	31/05/17	Ordinary Member	Management, HR, Transformation	
<b>Pamela Milne</b>	March 2015	31/03/19	Ordinary Member	HR, Management	
<b>George Robertson</b>	March 2015	31/03/19	Ordinary Member	Finance, Management	Finance & Property Committee
<b>Steven Watt</b>	March 2015	31/03/19	Ordinary Member	ICT, Management	
<b>Grant Ritchie</b>	August 2015	–	Principal		
<b>Sonja Cargill</b>	November 2013	31/10/15	Non-Teaching Staff Member		
<b>Alan O'Neill</b>	April 2015	31/03/17	Teaching Staff Member		
<b>Jaye Baird</b>	August 2015	31/07/16	Student Member		
<b>Shazz Muhammad</b>	August 2015	31/07/16	Student Member		
<b>Jane Richardson</b>	May 2015	31/12/15	Co-Opted Member	Marketing & Brand Management, Management	
<b>Marc Winsland</b>		31 July 2015	Student President		
<b>Christina Potter</b>		31 July 2015	Principal		
<b>Simon Hewitt</b>		31 March 2015	Teaching Staff Member		
<b>Mike Swanston</b>		16 July 2014	Ordinary Member		
<b>David Sawers</b>		2 July 2014	Ordinary Member		
<b>Graham Ramsay</b>		30 June 2014	Student President		
<b>Pauline Murray</b>		28 May 2014	Ordinary Member		

**DUNDEE & ANGUS COLLEGE - BOM & Committee Attendance Record – 1 April 2014 – 31 July 2015**

<b>Member's Name</b>	<b>Board of Management</b>	<b>Audit Committee</b>	<b>Finance &amp; Property Committee</b>	<b>HR &amp; Development Committee</b>	<b>Learning, Teaching &amp; Quality Committee</b>
Angela McCusker	4/4		4/4		4/4
Paul Grant	3/5	4/5		2/5	
Mike Galloway	3/5		4/5	4/5	
Margo Williamson	4/5	2/4			4/4
Gary Bissett	4/4		3/4	3/4	
Gary Langlands	4/4	3/4		2/4	
Steven Mill	4/4		4/4		3/4
Wendy Loudon	3/4		3/4	3/4	
Pamela Milne	4/4	5/5		5/5	
George Robertson	5/5		5/5		3/4
Steven Watt	0/5	4/5			2/5
Sonja Cargill	5/5		4/5	4/5	3/5
Alan O'Neil	1/1		1/1	1/1	1/1
Jane Richardson (co-opted)	1/1	1/1			
David Sawers	1/1		1/1		1/1
Christina Potter	5/5		5/5	2/5	5/5
Graham Ramsay	1/1				1/1
Marc Winsland	4/4				4/4
Mike Swanston	1/1	1/1			1/1
Simon Hewitt	4/4		3/4	4/4	4/4

# Professional Advisers

## **External Auditors**

KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

## **Internal Auditors**

Henderson Loggie  
20 Greenmarket  
Dundee  
DD1 4QB

## **Banking**

The Royal Bank of Scotland  
277 Strathmartine Road  
Dundee  
DD3 8NS

Santander UK PLC  
301 St Vincent St  
Glasgow  
G2 5HN

## **Solicitors**

Thorntons WS  
Whitehall House,  
33 Yeaman Shore  
Dundee  
DD1 4BJ

Shepherd and Wedderburn LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2ET

# Statement of Corporate Governance and Internal Control

## **Introduction**

Dundee & Angus College is committed to exhibiting good practice in all aspects of corporate governance. This summary is written to assist the reader of the financial statements understand how the principles have been applied.

## **Statement of Compliance**

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

## **Board of Management**

Dundee & Angus College's Board of Management is constituted in accordance with the requirements of the Further and Higher Education (Scotland) Act, 1992. A number of further responsibilities are included in the Further and Higher Education (Scotland) Act 2005 and the Board of Management is required to address these.

The Board comprises lay members, employees and a student representative. The roles of the Board Chair and Vice Chair are separated from the role of the College Principal, who, as Chief Executive, holds the only executive role on the Board. A list of Board Members for 2014/15 is included on pages 11.

The Board of Management meets formally at least four times each year. It has established the undernoted Standing Committees, all of which are formally constituted with Terms of Reference, as delegated by the Board of Management. All the committees are chaired by a lay member of the Board. The committees are:

- Chairs' Committee
- Audit Committee
- Finance & Property Committee
- Human Resources and Development Committee
- Learning, Teaching & Quality Committee

A list of Committee Members for 2014/15 is included on page 12.

The Chairs' Committee makes recommendations to the Board with regard to membership issues – the filling of vacancies, periods of office and re-election (in accordance with agreed procedures and in line with requirements of Further and Higher Education (Scotland) Act, 1992). The Chairs' Committee has fully delegated authority from the Board to consider and determine salaries and conditions of service for members of the College Executive.

## **Corporate Governance Statement and Internal Control (continued)**

The Finance & Property Committee meets a minimum of four times each year. It recommends to the Board of Management, the College's annual revenue and capital budgets (in consultation with other Standing Committees – Human Resource and Development, Property and Quality Enhancement) and monitors performance in relation to the approved budgets.

The Audit Committee meets three times each year, with the College's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Scottish Funding Council as they affect the College's business and monitors adherence to the regulatory requirements. Whilst members of senior management attend Audit Committee meetings, they are not members of the Committee.

### **Corporate Strategy**

The Board of Management has responsibility for the on-going strategic direction of the College, for the approval of major developments and for the receipt of regular reports from members of the College Executive on the day-to-day operations of its business.

In respect of its strategic and development responsibilities, each year the Board of Management holds a Residential Seminar and Workshop jointly with the College Executive. The timing of the event is arranged to facilitate Board Members' input to the College's Strategic and Operational Plans.

### **Board's Statement on Internal Control**

The Board of Management 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 not absolute assurance against material misstatement or loss.

The Audit Committee's role in this area is confined to a high level review of the arrangements for internal financial control. The Board of Management receives reports on risk from the Executive and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting on exception.

The Executive receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational planning process. The Executive and the Audit Committee also receive regular reports from the College's Internal Auditors and the appropriate health, safety and environmental monitoring functions which include recommendations for improvement.

Risk Management has been developed further within Dundee & Angus College and a revised Risk Register has been compiled and is included in the Strategic Plan.

**Corporate Governance Statement and Internal Control (continued)**

Regular Risk reports are prepared for the Board of Management and reported via the Audit Committee.

For all the major corporate risks that were identified, an action plan to address the risks is in place, with monitoring and the reporting arrangements in place (as outlined above).

The Board of Management is of the view that there is an ongoing process for identifying, evaluating and managing the institution’s significant risks that have been in place for the period ended 31 July 2015 up to the date of approval of the annual reports and accounts. This process is regularly reviewed by the Board of Management and accords with the internal control guidance as applicable to the further education sector.

The College also complies with current directives including the revised Scottish Funding Council Financial Memorandum – effective from 1 December 2014.

**Going Concern**

The Board of Management considers that the College has adequate resources, and arrangements as part of the merger with Angus College from 1 November 2013, to ensure the continuation of its functions within the public sector for the foreseeable future.

**Signed on Behalf of the Board of Management**

\_\_\_\_\_  
**Angela McCusker**  
**Chair**

**Date : 15 December 2015**

\_\_\_\_\_  
**Grant Ritchie**  
**Principal**

**Date : 15 December 2015**



## Statement of the Board of Management's Responsibilities

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

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Acts (1992 and 2005), the Statement of Recommended Practice on Accounting for Further and Higher Education, the 2014-15 Government Financial Reporting Model (FReM) issued by the Scottish Government and other relevant accounting standards.

In addition, within the terms and conditions of the Financial Memorandum agreed between the College and the Scottish Funding Council the Board of Management, through its designated office holder, the Principal, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Management has ensured that:

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation. The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements

The Board of Management has taken reasonable steps to:

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

## Statement of the Board of Management's Responsibilities (continued)

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

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

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

### Signed on Behalf of the Board of Management

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**Angela McCusker**  
Chair

**Date: 15 December 2015**

# Independent Auditor's Report

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

We have audited the financial statements of Dundee and Angus College and its group for the period ended 31 July 2015 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated Income and Expenditure Account, the Statement of Consolidated Historical Cost Surpluses and Deficits, the Statement of Consolidated Total Recognised Gains and Losses, the Balance Sheet, and the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of the Board of Management and auditor**

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

### **Generic scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college and its group as at 31 July 2015 and of their deficit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

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

### **Opinion on regularity**

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

### **Opinion on other prescribed matters**

In our opinion:

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

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

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

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

We have nothing to report in respect of these matters.

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

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

**Consolidated Income and Expenditure Account**  
**For the period ended 31 July 2015**

		<b>2015</b>	<i>Restated</i>
	<b>Note</b>	<b>£000</b>	<b>2014</b>
		<b>16 Months</b>	<b>8 Months</b>
<b>Income</b>			
Funding council grants	2	41,432	21,286
Tuition fees and education contracts	3	7,580	4,713
Other grants and contracts	4	1,460	639
Other income	5	2,436	1,453
Endowment and investment income	6	42	110
		<hr/>	<hr/>
<b>Total income</b>		<b>52,950</b>	<b>28,201</b>
<b>Expenditure</b>			
Staff costs	7	33,817	17,299
Restructuring costs	7	836	2,845
Other operating expenses	9	13,661	6,723
Depreciation	10	5,781	2,878
Reversal of previous impairment charges	10	(1,011)	(413)
Interest and other finance costs		347	183
Donation		-	8,000
		<hr/>	<hr/>
<b>Total expenditure</b>		<b>53,431</b>	<b>37,515</b>
<b>(Deficit)/Surplus after depreciation and disposal of tangible assets at valuation and before taxation</b>		<b>(481)</b>	<b>(9,314)</b>
Gain/(Loss) on disposal of assets		27	(150)
		<hr/>	<hr/>
<b>(Deficit)/Surplus on continuing operations after depreciation and disposal of assets at valuation and taxation</b>	<b>17</b>	<b>(454)</b>	<b>(9,464)</b>
		<hr/>	<hr/>

The income and expenditure account is in respect of continuing activities.

The accompanying notes form part of these financial statements.

## Statement of Consolidated Historical Cost Surpluses and Deficits

For the period ended 31 July 2015

	Note	2015 £000 16 Months	<i>Restated</i> 2014 £000 8 Months
(Deficit)/Surplus on continuing operations before taxation		(454)	(9,464)
Difference between historical cost depreciation and the actual charge for the year on the re-valued amount	16	1,183	618
<b>Historical cost surplus/(deficit) for the year before and after taxation</b>		<b>729</b>	<b>(8,846)</b>

## Statement of Consolidated Total Recognised Gains and Losses

For the period ended 31 July 2015

	Note	2015 £000 16 Months	<i>Restated</i> 2014 £000 8 Months
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		(454)	(9,464)
Endowments		(13)	(7)
Actuarial gain/(loss) in respect of pension scheme	17	2,488	(3,077)
Unrealised (deficit)/surplus on revaluation of tangible fixed assets	16	(120)	(832)
Total recognized gains/(losses) for the financial period		1,901	(13,380)
Prior year adjustment	33	5,795	
<b>Total recognized gains/(losses)</b>		<b>7,696</b>	
<b>Reconciliation:</b>			
Opening Reserves and Endowments		11,421	24,801
Total gains and losses recognised in the year (less PYA)		1,901	(13,380)
<b>Closing reserves and Endowments</b>		<b>13,322</b>	<b>11,421</b>

**Balance Sheets**  
As at 31 July 2015

	Note	Consolidated		College	
		2015 £000	<i>Restated</i> 2014 £000	2015 £000	<i>Restated</i> 2014 £000
<b>Fixed assets</b>					
Tangible assets	10	71,771	73,370	71,771	73,370
<b>Current assets</b>					
Assets held for disposal		-	160	-	160
Stocks		15	20	12	18
Debtors	11	3,470	5,163	3,589	5,256
Cash at bank and in hand		2,961	4,274	2,892	4,246
		<hr/>	<hr/>	<hr/>	<hr/>
		6,446	9,617	6,493	9,680
Creditors: amounts falling due within one year	12	4,703	8,085	4,649	8,047
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net current assets</b>		<b>1,743</b>	<b>1,532</b>	<b>1,844</b>	<b>1,633</b>
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>73,514</b>	<b>74,902</b>	<b>73,615</b>	<b>75,003</b>
Less: Creditors falling due after more than one year	13	6,858	7,429	6,858	7,429
<b>NET ASSETS excluding Pension Liability</b>		<b>66,656</b>	<b>67,473</b>	<b>66,757</b>	<b>67,574</b>
Net Pension liability	23	11,209	13,502	11,209	13,502
		<hr/>	<hr/>	<hr/>	<hr/>
<b>NET ASSETS including Pensions liability</b>		<b>55,447</b>	<b>53,971</b>	<b>55,548</b>	<b>54,072</b>
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Balance Sheets (continued)**

As at 31 July 2015

		<b>Consolidated</b>		<b>College</b>	
	<b>Note</b>	<b>2015 £000</b>	<b>Restated 2014 £000</b>	<b>2015 £000</b>	<b>Restated 2014 £000</b>
<b>Deferred capital grants</b>	<b>14</b>	<b>42,125</b>	<b>42,550</b>	<b>42,125</b>	<b>42,550</b>
<b>Expendable Endowments</b>	<b>15</b>	<b>70</b>	<b>83</b>	<b>70</b>	<b>83</b>
<b>Reserves</b>					
Income & Expenditure account excluding pension reserve	17	10,873	9,789	10,974	9,890
Pension Reserve	17	(11,209)	(13,502)	(11,209)	(13,502)
<b>Income &amp; Expenditure account including pension reserve</b>		<b>(336)</b>	<b>(3,713)</b>	<b>(235)</b>	<b>(3,612)</b>
<b>Revaluation reserve</b>	<b>16</b>	<b>13,588</b>	<b>15,051</b>	<b>13,588</b>	<b>15,051</b>
		<b>13,252</b>	<b>11,338</b>	<b>13,353</b>	<b>11,439</b>
<b>TOTAL FUNDS</b>		<b>55,447</b>	<b>53,971</b>	<b>55,548</b>	<b>54,072</b>

The financial statements on pages 21 to 54 were approved and authorised for issue by the Board of Management on 15 December 2015 and signed on its behalf by:

\_\_\_\_\_  
Angela McCusker – Chair

\_\_\_\_\_  
Garry Westwater – Assistant Principal

\_\_\_\_\_  
Grant Ritchie - Principal



**Consolidated Cash Flow Statement**  
For the period ended 31 July 2015

	<b>Note</b>	<b>2015 £000 16 Months</b>	<b>2014 £000 8 Months</b>
Cash inflow/(outflow) from operating activities	18	(451)	(8,790)
Returns on investments and servicing of finance	19	(318)	(123)
Capital expenditure and financial investment	20	27	1,021
Management of liquid resources	21	-	2,885
Financing	13	(571)	-
		<hr/>	<hr/>
<b>Increase/(Decrease) in cash in period</b>		<b>(1,313)</b>	<b>(5,007)</b>
		<hr/>	<hr/>

**Reconciliation of net cash flow to movement in net funds/debt**

	<b>Note</b>	<b>2015 £000 16 Months</b>	<b>2014 £000 8 Months</b>
Increase/(Decrease) in cash in the year		(1,313)	(5,007)
Increase/(Decrease) in short-term deposits		0	(2,885)
Movement in net funds in the year	22	(1,313)	(7,892)
Opening net funds		4,274	12,166
		<hr/>	<hr/>
<b>Net funds at 31 July / 31 March</b>	22	<b>2,961</b>	<b>4,274</b>
		<hr/>	<hr/>

# Notes to the Accounts

## 1 Statement of Principal Accounting Policies

**Basis of Preparation** The financial statements are prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992, the Statement of Recommended Practice (SORP) 2007: Accounting in Further and Higher Education, and the 2014-15 Government Financial Reporting Model (FReM) issued by the Scottish Government and in accordance with applicable Accounting Standards, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

**Basis of Accounting** The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets. Following the combination of Angus College and Dundee College in 2013-14, the transfer has been treated as a merger with the appropriate accounting treatments being applied.

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

**Going Concern** The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has an £7,429,000 loan outstanding with bankers on terms negotiated in 2010. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility for the foreseeable future.

The College has a reasonable expectation that it will continue to have adequate resources to ensure the continuation of its functions within the public sector for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

**Basis of Consolidation** The consolidated financial statements bring together the financial statements of the College and its subsidiary 'Gardyne Theatre Limited' in accordance with the provisions of FRS 2 Accounting for Subsidiary Undertakings.

The wholly owned subsidiary, 'Gardyne Theatre Limited' has invested in an Associate, 'Jackie The Musical Limited' which has started trading during the financial year. The results of the Associated are immaterial to the Group and therefore not brought into the consolidation.

**Recognition of Income** Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

## Notes to the Accounts (continued)

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

Income from specific endowments and donations is included to the extent of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs.

Recurrent grants from the Funding Council are recognised in the period in which they are receivable. Non-recurrent grants from Funding Council or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Advances received in respect of European Structural Fund projects, along with any relevant provisions against non-payment of claims or claw back of claims paid, are offset against the total European funding debtor in the Balance Sheet.

Maintenance of Premises Property maintenance is carried out as a result of surveys, ongoing inspections and in accordance with the College Estates Strategy. The cost of the maintenance is charged to the income and expenditure account in the year in which it is incurred.

Pension Schemes The College participates in two multi-employer defined benefit pension schemes.

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency. Angus College is unable to identify its share of the underlying assets and liabilities of the STSS and therefore, as required by FRS17 'Retirement Benefits', accounts for its participation in the STSS as if it were a defined contribution scheme. Contributions are charged to the income and expenditure account as they arise. This is expected to result in the pension cost being a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit basis.

Non-teaching staff may join the Tayside Superannuation Scheme which is administered by Dundee City Council and which requires contributions to be made to its number 1 fund. The Fund is a defined benefit pension scheme, providing benefits based on final pensionable pay and length of service, which is contracted out of the State Earnings-Related Pension Fund. Assets and Liabilities of the Fund are held separately from those of Angus College. Fund assets are measured using market values. Fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Contributions to the Fund are calculated so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary on the basis of triennial valuations using the Age Attained Method. The actuaries also review the progress of the scheme in each of the intervening years. Variations from regular costs are spread over the expected average remaining working lifetime of members of the Fund, after making allowances for future withdrawals. The expected cost of providing staff pensions to employees contributing to the Fund is recognised in the Income and Expenditure Account on a systematic basis over the expected average remaining lives of members of the Fund in accordance with FRS17 and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

Notes to the Accounts (continued)

Tangible Fixed Assets

(a) Land and Buildings

Land and buildings inherited from the local education authority, inherited but not in use for education purposes and other acquired land and buildings since incorporation are stated in the balance sheet at valuation. Land is not depreciated.

Buildings are depreciated over their expected useful economic life within the following major components as required by FRS15:

Buildings and main sub-structure	50 years
Internal structure/Mechanical & Electrical	25 years
Internal Fixtures & Property Improvements	10 years
Information & Communications Infrastructure	5 years

Property improvements are depreciated on a straight line basis over ten years.

Depreciation is revised to amortise building components over remaining economic life when this has been identified as part of the revaluation process described below.

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

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 capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July 2015. They are not depreciated until they are brought into use.

(b) Property Revaluation

In accordance with the 2014-15 Government Financial Reporting Model (FReM) issued by the Scottish Government, the tangible fixed assets are required to be valued on the current value basis. Previously the tangible fixed assets were accounted for under the historical cost basis (with some assets inherited at nil cost previously recognised at depreciated replacement cost).

As part of the valuation, the independent chartered surveyors identified revised economic useful life of the tangible fixed assets. Changes to the economic useful life are treated as a change in accounting estimate, however, as a prior year adjustment is being performed, the amendment to the depreciation charge has also been reflected in the comparative year.

As this represents a change in accounting policy a prior year adjustment will be required. For further detail on the prior year adjustment see Note 33.

## Notes to the Accounts (continued)

### (c) Subsequent Expenditure on Existing Fixed Assets

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

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or the reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

### (d) Equipment

Equipment costing less than £25,000 (inclusive of VAT) per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Other capitalised equipment is depreciated over its useful economic life as follows:

Heavy plant	10 years
Light plant and equipment	5 years
Motor vehicles	4 years
Computer equipment	3 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

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

Leased Assets Costs in respect of operating leases are charged on a straight-line basis over the lease term.

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

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

## Notes to the Accounts (continued)

**Taxation** The College is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable organisation 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 Chapter 3 Part 11 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 from VAT.

**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.

	<b>2015</b>	<i>Restated</i>
	<b>£000</b>	<b>2014</b>
		<b>£000</b>
<b>2 Scottish Funding Council grants</b>		
SFC recurrent grant	33,091	16,819
FE childcare funds	1,433	545
Release of deferred capital grants	3,279	2,314
Merger Transitional funding	616	973
Other SFC grants	3,013	635
	<b>41,432</b>	<b>21,286</b>
	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
<b>3 Tuition Fees and Education Contracts</b>		
FE fees - UK & EU	1,194	912
FE fees – non EU	231	100
HE fees	3,764	2,329
Education contracts	2,344	1,367
Other contracts	47	5
	<b>7,580</b>	<b>4,713</b>
		<i>Restated</i>
	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
<b>4 Other Grants and Contracts</b>		
European funds	295	150
Releases of deferred capital grants (non SFC)	278	91
Other grant income	887	398
	<b>1,460</b>	<b>639</b>

## Notes to the Accounts (continued)

<b>5 Other income</b>	<b>2015 £000</b>	<b>2014 £000</b>
Residences, catering and conferences	1,445	934
Other income-generating activities	936	483
Other income	55	36
	<u><b>2,436</b></u>	<u><b>1,453</b></u>
<b>6 Endowment &amp; Investment Income</b>	<b>2015 £000</b>	<b>2014 £000</b>
Endowment income	13	50
Interest receivable	29	60
	<u><b>42</b></u>	<u><b>110</b></u>
<b>7 Staff Costs</b>	<b>2015 £000</b>	<b>2014 £000</b>
Wages and salaries	27,182	13,992
Social security costs	1,922	1,006
Other pension costs	4,713	2,301
Restructuring Costs	836	2,845
	<u><b>34,653</b></u>	<u><b>20,144</b></u>
Academic/teaching departments	20,826	10,420
Academic/teaching services	649	613
Administrative and central services	9,674	4,886
Premises	1,875	966
Catering and residences	793	414
Sub-total	<u><b>33,817</b></u>	<u><b>17,299</b></u>
Restructuring Costs	836	2,845
	<u><b>34,653</b></u>	<u><b>20,144</b></u>

Restructuring costs related to severance costs payable to staff under a voluntary severance scheme and include pension strain costs. The College was obliged to offer a Voluntary Severance Scheme to staff in response to the merger with Angus College and the resulting rationalisation of management and processes within the new organisational structure. The scheme was approved by The Scottish Funding Council who contributed substantially to the costs of the scheme.

## Notes to the Accounts (continued)

The average number of full-time equivalent employees (including higher paid employees) during the period was:

	<b>2015</b>	<b>2014</b>
	<b>Number</b>	<b>Number</b>
Academic/teaching departments	358	365
Academic/teaching services	20	33
Administrative and central services	206	175
Premises	59	61
Catering and residences	31	32
<b>Total</b>	<b>674</b>	<b>666</b>

Average FTE has been calculated on an annualised basis with the exception of variable teaching pay which calculated on an hourly basis for the 16 month period (2014 - 8 month period).

A pay award during the period was effective from 1 August 2014. Teaching staff received a consolidated 2.5% and Support Staff received a consolidated 2% plus £250.

The number of staff, including senior post-holders and the Principal, who received emoluments in the following ranges, on a 16-month basis (2014 - 8 month basis), was:

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
£50,001 - £60,000	3	7
£60,001 - £70,000	4	4
£70,001 - £80,000	-	4
£80,001 - £90,000	4	9
£90,001 - £100,000	1	12
£100,001 - £110,000	-	9
£110,001 - £120,000	-	1
£120,001- £130,000	1	1
£140,001- £150,000	-	-
£200,001- £210,000	-	-
	<b>13</b>	<b>47</b>

The 2014 bandings include the gross cost of compensation for loss of office under the terms of the voluntary severance scheme available to all staff.



## Notes to the Accounts (continued)

<b>8 Senior Post-Holders' Emoluments</b>	<b>2015 Number</b>	<b>2014 Number</b>
The number of senior post-holders including the Principal was:	13	21
Senior post-holders' emoluments are made up as follows:		
	<b>£000</b>	<b>£000</b>
Salaries	1,346	779
Pension contributions	208	120
Total emoluments	<u>1,554</u>	<u>899</u>

The above emoluments include amounts payable to the Principal (who was the highest paid senior post-holders) of:

	<b>Period Ended 31 July 2015 £000</b>	<b>Period Ended 31 March 2014 £000</b>
Salary	176	111
Pension contributions	26	17
	<u>202</u>	<u>128</u>

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Scottish Teachers' Superannuation Scheme or Local Government Superannuation Scheme, and are paid at the same rate as for other employees.

Other than as stated above, no member of staff received any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Compensation for the loss of office paid to senior post holders:

	<b>2015 £000</b>	<b>2014 £000</b>
Compensation for the loss of office paid to senior post holders	-	731

The compensation for loss of office is calculated with the terms & conditions of the college wide voluntary severance scheme which is open to all employees.

## Notes to the Accounts (continued)

<b>9 Other Operating Expenses</b>	<b>2015 £000</b>	<b>2014 £000</b>
Academic/teaching departments	1,804	1,102
Academic/teaching services	170	185
Administration and central services	5,244	2,244
Premises costs	3,701	1,833
Catering and residence operations	746	489
Other Income Generating Activities	235	253
Childcare funds	1,433	545
Agency staff costs	328	72
<b>Total</b>	<b>13,661</b>	<b>6,723</b>

	<b>2015 £000</b>	<b>2014 £000</b>
Other operating expenses include:		
External Auditors' remuneration		
- In respect of these financial statements	30	36
Internal Auditors' remuneration		
- internal audit	19	-
- other services	30	16

Notes to the Accounts (continued)

10 Tangible Assets

Consolidated & College

Land and Buildings

	Feuhold £000	Assets in the course of construction £000	Equipment £000	Total £000
<b>Valuation/Cost</b>				
At 31 March 2014	91,404	5	5,375	96,784
Additions	-	3,183	110	3,293
Transfers	1,153	(1,211)	58	-
Disposals	-	-	(10)	(10)
<b>At 31 July 2015</b>	<b>92,557</b>	<b>1,977</b>	<b>5,533</b>	<b>100,067</b>
<b>Depreciation</b>				
At 31 March 2014 <i>(restated)</i>	20,244	-	3,170	23,414
Charge for year	4,880	-	901	5,781
Disposals	-	-	(8)	(8)
Revaluation Movement	120	-	-	120
Reversal of previous impairment charges	(1,011)	-	-	(1,011)
<b>At 31 July 2015</b>	<b>24,233</b>	<b>-</b>	<b>4,063</b>	<b>28,296</b>
<b>Net Book Value</b>				
At 31 March 2014 <i>(restated)</i>	71,160	5	2,205	73,370
<b>At 31 July 2015</b>	<b>68,324</b>	<b>1,977</b>	<b>1,470</b>	<b>71,771</b>

Feuhold Land and buildings with a net book value of £ 37,136,000 have been financed by exchequer funds. These assets can only be sold in accordance with the terms of the Procedure Notes for the Disposal of Exchequer-Funded Assets and the Retention of Proceeds by FE Colleges.

Land and buildings were revalued at 31 July 2015 at depreciated replacement cost by a firm of independent chartered surveyors. Valuations at 31 July 2013 and 31 March 2014 were derived by applying appropriate indices.

The valuation relating to assets retained at 31 July 2015 was £ 11,056,000. The Net Book Value included in Tangible Assets above is also £11,056,000.

## Notes to the Accounts (continued)

If Land and Buildings had not been revalued they would have been as follows:

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Cost	77,515	76,325
Aggregate depreciation based upon cost	<u>(23,459)</u>	<u>(18,778)</u>
<b>Net book value</b>	<b><u>54,056</u></b>	<b><u>57,547</u></b>

Assets in course of construction represented construction costs associated with improvements to both property and plant installations.

### Assets Held for Disposal

The one remaining site held for disposal at the beginning of the period was sold, realising a gain of £22,000 following clawback by Scottish Funding Council. Funds were reinvested in capital additions during the period.

11 Debtors	<b>Consolidated</b>		<b>College</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade Debtors	643	730	633	712
European Funding	122	645	122	645
Prepayments / Accrued Income	2,705	3,788	2,834	3,759
Other Debtors	<u>-</u>	<u>-</u>	<u>-</u>	<u>140</u>
	<b><u>3,470</u></b>	<b><u>5,163</u></b>	<b><u>3,589</u></b>	<b><u>5,256</u></b>

Debtors include £696,000 (2014: £2,012,000) due from the Funding Council.  
College Debtors includes £140,000 (2014: £140,000) due from subsidiary.

## Notes to the Accounts (continued)

12 Creditors: amounts falling due within 1 year	Consolidated		College	
	2015 £000	2014 £000	2015 £000	2014 £000
Deferred Income and payments received in advance	1,496	2,532	1,494	2,523
Trade creditors	1,202	1,074	1,190	1,053
Other creditors	123	203	121	203
Other tax and Social Security	586	461	591	461
Accruals	440	3,235	397	3,227
Bursaries and Access Funds for future disbursement	285	9	285	9
Bank Term Loan	571	571	571	571
	<b>4,703</b>	<b>8,085</b>	<b>4,649</b>	<b>8,047</b>

Creditors includes £732,000 (2014: £1,128,000) relating to Funding Council grants. This includes strategic funds of £544,000 (2014: £1,006,000) held for the benefit of the sector, with the College acting as paying agent.

College Creditors includes £nil (2014:£nil) due to subsidiary.

13 Creditors: amounts falling after 1 year	Consolidated		College	
	2015 £000	2014 £000	2015 £000	2014 £000
<b>Bank Term Loan</b>	<b>6,858</b>	<b>7,429</b>	<b>6,858</b>	<b>7,429</b>
<b>Analysis of borrowings</b>				
Bank loans are repayable as follows:				
Between one and two years	571	571	571	571
Between two and five years	1,714	1,714	1,714	1,714
In five years or more	4,573	5,144	4,573	5,144

Initially borrowed as a revolving credit facility, on 29th June 2012 this sum transferred to a term loan repayable over 15 years commencing July 2014 at £571,428 per annum. Amount repayable within one year is shown within Creditors: amounts falling due within one year.

Notes to the Accounts (continued)

14 Deferred Capital Grants

Consolidated & College

	SFC £000	Other £000	Total £000
<b>At 31 March 2014</b>			
<i>(Restated)</i>			
Land and buildings	37,009	3,862	40,871
Equipment	1,669	10	1,679
	<u>38,678</u>	<u>3,872</u>	<u>42,550</u>
Cash Receivable			
Land and buildings	340	2,043	2,383
Equipment	386	362	748
Released to I & E Account			
Land and buildings	(2,579)	(263)	(2,842)
Equipment	(700)	(14)	(714)
<b>At 31 July 2015</b>			
Land and buildings	34,770	5,642	40,412
Equipment	1,355	358	1,713
	<u>36,125</u>	<u>6,000</u>	<u>42,125</u>

## Notes to the Accounts (continued)

### 15 Endowments

	Restricted expendable £000	2015 Total £000	2014 Total £000
<b>At 1 April</b>			
Capital	83	83	90
	<u>83</u>	<u>83</u>	<u>90</u>
New Endowments	-	-	43
Released to Income	(13)	(13)	(50)
	<u>70</u>	<u>70</u>	<u>83</u>
<b>At 31 July</b>			
	<u>70</u>	<u>70</u>	<u>83</u>
Represented by:			
Capital	70	70	83
	<u>70</u>	<u>70</u>	<u>83</u>

### 16 Revaluation Reserve

	Consolidated		College	
	2015 £000	<i>Restated</i> 2014 £000	2015 £000	<i>Restated</i> 2014 £000
Opening balance	15,051	17,001	15,051	17,001
Revaluation movement in period	(120)	(832)	(120)	(832)
Transfer to General Reserve in respect of depreciation on revalued assets	(1,183)	(618)	(1,183)	(618)
Transfer to General Reserve in respect of disposals	(160)	(500)	(160)	(500)
<b>Balance carried forward</b>	<u>13,588</u>	<u>15,051</u>	<u>13,588</u>	<u>15,051</u>

## Notes to the Accounts (continued)

17 Movement on General Reserves Income and Expenditure Reserve	Consolidated	Consolidated	College	College
	2015 £000	2014 £000	2015 £000	2014 £000
Opening balance as previously stated	9,789	17,464	9,890	17,490
Prior Year Adjustment (Note 33)	-	604	-	604
	<hr/>	<hr/>	<hr/>	<hr/>
Opening balance (restated)	9,789	18,068	9,890	18,094
(Deficit)/Surplus on continuing operations after depreciation of assets and taxation	(481)	(9,314)	(481)	(9,239)
Gain/(Loss) on Disposal of assets	27	(150)	27	(150)
Transfer from Revaluation Reserve	1,343	1,118	1,343	1,118
Movement in reserves for Pension fund service cost	195	67	195	67
<b>Balance carried forward</b>	<b>10,873</b>	<b>9,789</b>	<b>10,974</b>	<b>9,890</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Pension Reserve</b>	<b>Consolidated</b>	<b>Consolidated</b>	<b>College</b>	<b>College</b>
	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance brought forward	(13,502)	(10,358)	(13,502)	(10,358)
Actuarial gain/(loss) in STRGL	2,488	3,077	2,488	3,077
Movement in reserves	(195)	(67)	(195)	(67)
<b>Balance carried forward</b>	<b>(11,209)</b>	<b>(13,502)</b>	<b>(11,209)</b>	<b>(13,502)</b>



## Notes to the Accounts (continued)

<b>18 Reconciliation of Operating (Deficit)/Surplus to Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>2015 £000</b>	<b>Restated 2014 £000</b>
Surplus/(Deficit) after depreciation of assets, disposal of assets and taxation	(454)	(9,464)
Depreciation (note 10)	5,781	2,878
Impairment reversal (note 10)	(1,011)	(413)
(Gain)/Loss on disposal of assets	(27)	150
Deferred capital grants released to income	(3,557)	(2,405)
Endowments released to income	(13)	(7)
(Increase)/Decrease in stocks	5	(5)
Decrease/ (Increase) in debtors	1,760	23
(Decrease)/ Increase in creditors	(3,448)	263
Pension fund service cost	195	67
Interest receivable (note 6)	(29)	(60)
Interest Payable	347	183
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(451)</b>	<b>(8,790)</b>
<b>19 Returns on Investments and Servicing of Finance</b>	<b>2015 £000</b>	<b>2014 £000</b>
Interest received	29	60
Interest paid	(347)	(183)
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b>(318)</b>	<b>(123)</b>

## Notes to the Accounts (continued)

<b>20 Capital expenditure and financial investments</b>	<b>2015 £000</b>	<b>2014 £000</b>
Purchase of Tangible Fixed Assets	(3,294)	(1,446)
Proceeds from sale of Tangible Fixed Assets	25	-
Proceeds from sale of Assets held for disposal	165	375
Deferred Capital Grants received	3,131	2,092
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>	<b>27</b>	<b>1,021</b>
	<hr/>	<hr/>

<b>21 Management of Liquid Resources</b>	<b>2015 £000</b>	<b>2014 £000</b>
(Increase)/decrease in deposits	-	2,885
	<hr/>	<hr/>
	<b>-</b>	<b>2,885</b>
	<hr/>	<hr/>

<b>22 Analysis of Changes in Net Funds</b>	<b>Consolidated at 31 March 2014 £000</b>	<b>Cashflow £000</b>	<b>Other Changes £000</b>	<b>At 31 July 2015 £000</b>
Cash at bank and in hand	4,274	(1,313)	-	2,961
Short-term investments	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>4,274</b>	<b>(1,313)</b>	<b>-</b>	<b>2,961</b>
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes to the Accounts (continued)

### 23 Pension and Similar Obligations

The College's employees belong to two principal pension schemes; the Scottish Teachers' Superannuation Scheme (STSS) and the Local Government Superannuation Scheme (LGSS).

The total pension paid for the period was £4,007,000 (2014: £1,913,000).

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
STSS: contributions paid	2,397	1,134
LGSS: contributions paid	1,610	779
<b>Total pension paid for the year</b>	<b>4,007</b>	<b>1,913</b>

**Scottish Teachers' Superannuation Scheme** - The STSS scheme 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. A notional asset value is ascribed to the scheme for the purposes of determining contribution rates.

Under the definitions set out in Financial Reporting Standard 17: Retirement Benefits, the STSS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly the College has accounted for its contributions as if it were a defined contribution scheme.

The employer contribution has remained at 14.9% since 1 April 2010 but subsequent to the end of this period has increased to 17.2% from 1 September 2015.

**Local Government Superannuation Scheme** - The LGSS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The scheme is subject to triennial valuations by independent actuaries, with the most recent valuation being carried out as at 31 March 2014.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	<b>2015</b>	<b>2014</b>
Discounted rate at 31 July (31 March)	3.8%	4.5%
Expected return on plan assets	5.8%	5.8%
Future salary increases (1.5% until 31 July 2020)	4.4%	5.0%
Future pension increases	2.6%	2.8%
<u>Life expectancy from age 65 years:</u>		
Non-pensioners:		
Male	21.2	21.0
Female	23.2	23.3
Pensioners (retiring in 20 years):		
Male	23.4	23.2
Female	25.5	25.6

## Notes to the Accounts (continued)

<b>Employee Benefit Options</b>	<b>2015</b>	<b>2014</b>
The amounts recognised in the BS are as follow:	<b>£000</b>	<b>£000</b>
Net Pension Asset at		
Present value of funded obligation	(43,771)	(41,986)
Fair value of scheme assets	38,002	34,004
	<hr/>	<hr/>
Net Liability	<u>(5,769)</u>	<u>(7,982)</u>
Present value of unfunded obligation	(5,440)	(5,520)
Unrecognised past service cost	-	-
Deficit	<u>(5,440)</u>	<u>(5,520)</u>
<b>Net Liability in balance sheet</b>	<b>(11,209)</b>	<b>(13,502)</b>
Amounts recognised in the Income and Expenditure Account	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Current service cost	2,167	966
Interest on obligation	2,896	1,275
Expected return on scheme assets	(2,705)	(1,205)
Past service cost	-	-
Losses (gains) on curtailments and settlements	140	279
<b>Total</b>	<u><b>2,498</b></u>	<u><b>1,315</b></u>
<b>Actual return on scheme assets</b>	<b>4,924</b>	<b>2,337</b>

## Notes to the Accounts (continued)

### Changes in the present value of the defined benefit obligation

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
Opening defined benefit obligation	47,506	41,723
Service cost	2,167	966
Interest cost	2,896	1,275
Actuarial losses (gains)	(1,963)	4,209
Losses (gains) on curtailments	140	279
Estimated benefits paid net of transfers in	(1,525)	(935)
Past service cost	-	-
Contributions paid by scheme participants	542	258
Unfunded pension payments	(552)	(269)
<b>Closing defined benefit obligation</b>	<b>49,211</b>	<b>47,506</b>

### Changes in the fair value of scheme assets

Reconciliation of opening and closing balances of the fair value of scheme assets

	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
Opening fair value of scheme Assets	34,004	31,365
Expected return on scheme assets	2,705	1,205
Actuarial gains (losses)	525	1,132
Contributions by employer included unfunded	2,303	1,248
Contributions by scheme participants	542	258
Estimated benefits paid net of transfers in	(2,077)	(1,204)
<b>Fair value of scheme assets at end of period</b>	<b>38,002</b>	<b>34,004</b>

## Notes to the Accounts (continued)

The major categories of scheme assets as a percentage of total scheme assets are as follows:	2015 £000	%	2014 £000	%
Equities	26,662	71	24,143	71
Gilts	2,058	5	1,700	5
Other Bonds	4,542	12	4,421	13
Property	4,254	11	3,060	9
Cash	486	1	680	2
<b>Total</b>	<b>38,002</b>	<b>100</b>	<b>34,004</b>	<b>100</b>

Analysis of amount recognised in the statement of total recognised gains and losses (STRGL)	2015 £000	2014 £000
Actual return less expected return on scheme assets	2,219	1,132
Experience gains and losses	(42)	(49)
Changes in assumptions underlying the present value of the scheme liabilities	311	(4,160)
<b>Actuarial gains/(losses) recognised in STRGL</b>	<b>2,488</b>	<b>(3,077)</b>

Movement in (deficit) during the period	2015 £000	2014 £000
(Deficit) at beginning of the year	(13,502)	(10,358)
Current service cost	(2,167)	(966)
Employer Contributions	1,751	979
Unfunded pension payments	552	269
Past service costs	-	-
Other financial income	(191)	(70)
Settlements and curtailments	(140)	(279)
Actuarial gains/(losses)	2,488	(3,077)
<b>(Deficit) at end of the year</b>	<b>(11,209)</b>	<b>(13,502)</b>

## Notes to the Accounts (continued)

<b>Amounts for the current and previous period</b>	<b>2015 £000</b>	<b>2014 £000</b>
Defined benefit obligation	(49,211)	(47,506)
Scheme assets	38,002	34,004
Surplus/(Deficit)	<u>(11,209)</u>	<u>(13,502)</u>
Experience adjustments on scheme liabilities	1,652	(49)
Experience adjustments on scheme assets	525	1,132
Cumulative actuarial gains and losses	(6,315)	(8,803)
<b>24 Capital Commitments</b>	<b>2015 £000</b>	<b>2014 £000</b>
Commitments contracted for at period end	1,122	-
Commitments entered into but not yet contracted for at period end	89	3,285
<b>25 Financial Commitments</b>	<b>2015 £000</b>	<b>2014 £000</b>
At period end the College had annual commitments under non-cancellable operating leases as follows:		
<b>Land and buildings</b>		
Expiring within one year	4	41
Expiring between two and five years inclusive	33	-
Expiring in over five years	<u>26</u>	<u>26</u>
	<b><u>63</u></b>	<b><u>67</u></b>
<b>Others</b>		
Expiring within one year	-	-
Expiring between two and five years inclusive	137	126
Expiring in over five years	<u>-</u>	<u>-</u>
	<b><u>137</u></b>	<b><u>126</u></b>

## Notes to the Accounts (continued)

### 26 Post Balance Sheet Events

No Post Balance Sheet Events have had a material effect on the Annual Accounts.

### 27 Contingent Liability

Full provision has been made for all known liabilities. There were no contingent liabilities at 31 July 2015.

### 28 Related Party Transactions

The Board of Management of Dundee and Angus College is a body incorporated under the Further and Higher Education (Scotland) Act 1992 sponsored by the Scottish Funding Council (SFC), who in turn are sponsored by the Scottish Government Employability, Skills and Lifelong Learning Directorate (SGESLLD).

SGESLLD is regarded as a related party. During the period the College had various material transactions with other entities for which SGESLLD is regarded as the sponsor Department, viz; Students Awards Agency for Scotland and Scottish Enterprise Tayside and SFC.

In addition Dundee and Angus College has had a number of material transactions with other Government Departments and other central government bodies.

The College had transactions during the year or worked in partnership with the following publicly funded or representative bodies in which members of the Board of Management hold or held official positions.

<u>Member</u>	<u>Organisation</u>
Mike Galloway	Dundee City Council
Steven Watt	University of St Andrews
Pamela Milne	University of Dundee
Margo Williamson	Angus Council
Steven Mill	Angus Council
Wendy Loudon	NHS Tayside

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

With the listed exceptions below, there were no transactions during the year ended 31 July 2015 with non-public bodies in which any member of the Board of Management or key Manager of the College has an interest and which in aggregate exceeded £5,000.

<b>Exception:</b>	Mackays Ltd
<b>Volume of Activity:</b>	£6,000
<b>Balance at 31 July:</b>	£Nil
<b>Nature:</b>	Donations for Enterprise Centre



## Notes to the Accounts (continued)

The following transactions were between the college wholly owned subsidiary, Gardyne Theatre Ltd, and Gardyne Theatre Ltd's subsidiary, Jackie the Musical Ltd.

**Exception:** Jackie the Musical Ltd  
**Volume of Activity:** £9,300  
**Balance at 31 July:** £Nil  
**Nature:** Start up production costs

29 Bursaries and other student support funds	Period ended 31 July 2015			Period Ended 31 March 2014	
	FE Bursary £000	EMA's £000	Other £000	Total £000	Total £000
Balance b/fwd	48	2	61	111	272
Allocation received	7,375	662	752	8,789	5,404
in year Expenditure	(7,220)	(607)	(573)	(8,400)	(5,210)
Repaid to Funding body as Clawback	(180)		(48)	(228)	(355)
<b>Balance c/fwd</b>	<b>23</b>	<b>57</b>	<b>192</b>	<b>272</b>	<b>111</b>
Represented by :					
Repayable to Funding body as clawback	23	57	192	272	111
Retained by College for students					

Grants and bursary funds received from both SFC and the Students Award Agency for Scotland are available solely for students; the College acts only as paying agent. The funds and related disbursements are therefore excluded from the Income and Expenditure Account, with the exception noted below.

In accordance with Accounts Direction for 2014/15 issued by the SFC, Further Education Childcare Funds have been included in the Income and Expenditure Account. The Childcare funds reported in Note 30 below now incorporate both Higher and Further Education funds.

## Notes to the Accounts (continued)

<b>30 FE &amp; HE Childcare Funds</b>	<b>Period Ended 31 July 2015 £000</b>	<b>Period Ended 31 March 2014 £000</b>
Balance b/fwd	-	340
Allocation received in year	1,433	729
Expenditure	(1,420)	(746)
Repaid to Funding body as clawback	-	(323)
<b>Balance c/fwd</b>	<b>13</b>	<b>-</b>
Represented by:		
Repayable to Funding body as clawback	<b>13</b>	-
Retained by College for students	-	-

## 31 Subsidiary Undertakings

Details of the subsidiary company, which is registered in Scotland and 100% owned by the College, is as follows:

<b>Company</b>	<b>Principal Activity</b>
Gardyne Theatre Limited	Promotion of performing arts

The company has no share capital, but is limited by guarantee. The ultimate controlling party is Dundee and Angus College, the only member, and control is exercised by virtue of the provisions of the Memorandum and Articles of Association.

The trading results of the subsidiary have been included in the consolidated results.

## Notes to the Accounts (continued)

### 32 Associate Undertakings

Details of the associate company, which is registered in Scotland and 48% owned by the wholly owned subsidiary (Note 31) of the College, is as follows:

<b>Company</b>	<b>Principal Activity</b>		
Jackie The Musical Limited	Promotion of performing arts		
<b>Period End</b>	<b>Capital &amp; Reserves</b>	<b>Profit/Loss</b>	
31 March 2014	£3	£Nil	

The associate undertaking is exempt from audit requirements and prepares its accounts under the financial reporting standard for smaller entities (FRSSE).

The associate company has not yet prepared accounts to 31<sup>st</sup> July 2015. The associate company was dormant in the period to 31<sup>st</sup> July 2014.

The trading results of the associate have been excluded in the consolidated results on the basis that inclusion is not material for the purposes of giving a true and fair view.

Details of balances and transactions between Jackie The Musical Limited and the rest of the group has been disclosed in Note 28.

### 33 Prior Year Adjustment

The prior year adjustment reflects the introduction of valuation basis for tangible fixed assets in accordance with the 2014-15 Government Financial Reporting Model (FReM) issued by the Scottish Government. Changes in economic useful life have also been incorporated as part of the prior year adjustment.

The effect on the income and expenditure account is an increase of £660,000 as at 31 July 2013 and of £607,000 as at 31 March 2014.

## Notes to the Accounts (continued)

### Impact of Prior Year Adjustment (Consolidated)

<b>Income &amp; Expenditure Account</b>	<b>Cumulative Prior Year adjustments to 31 July 2013 £000</b>	<b>Prior Year adjustments for 31 March 2014 £000</b>	<b>Cumulative Prior Year adjustments to 31 March 2014 £000</b>
Impairment of assets	2,385		2,385
Adjustment to deferred grant release due to impaired assets	(1,725)		(1,725)
Reversal of previous impairment charges	-	(413)	(413)
Decreased depreciation due to change in economic useful life	-	(406)	(406)
Additional depreciation on revaluation	-	321	321
Adjustment to deferred grant release due to revised economic useful life	-	445	445
<b>Impact on (deficit) / surplus</b>	<b>660</b>	<b>(53)</b>	<b>607</b>
<b>Balance Sheet</b>			
<b>Fuefold (Depreciation)</b>			
At 31 July / 31 March as previously stated	(22,268)	-	(24,759)
Revaluation Movement	7,234	(832)	6,402
Impairment charge	(2,385)	-	(2,385)
Reversal of previous impairment charges	-	413	413
Decreased depreciation due to change in useful life	-	406	406
Additional depreciation on revaluation	-	(321)	(321)
<b>At 31 July / 31 March as restated</b>	<b>(17,419)</b>		<b>(20,244)</b>
<b>Deferred Capital Grant</b>			
At 31 July / 31 March as previously stated	(44,587)	-	(43,830)
Adjustment to deferred grant release due to impaired asset	1,725	-	1,725
Adjustment to deferred grant release due to revised economic useful life	-	(445)	(445)
<b>At 31 July / 31 March as restated</b>	<b>(42,862)</b>		<b>(42,550)</b>

## Notes to the Accounts (continued)

	Cumulative Prior Year adjustments to 31 July 2013 £000	Prior Year adjustments for 31 March 2014 £000	Cumulative Prior Year adjustments to 31 March 2014 £000
<b>Revaluation Reserves</b>			
At 31 July / 31 March as previously stated	(9,768)	-	(9,069)
Revaluation Movement	(7,234)	832	(6,402)
Transfer to I&E Account Reserves	-	420	420
<b>At 31 July / 31 March as restated</b>	<b>(17,002)</b>		<b>(15,051)</b>
<b>Income &amp; Expenditure Account Reserves</b>			
At 31 July / 31 March as previously stated	(17,464)	-	(9,976)
Impact on (deficit) / surplus	660	(53)	607
Transfer from Revaluation Reserves	-	(420)	(420)
<b>At 31 July / 31 March as restated</b>	<b>(16,804)</b>		<b>(9,789)</b>

## Impact of Prior Year Adjustment (College)

	Cumulative Prior Year adjustments to 31 July 2013 £000	Prior Year adjustments for 31 March 2014 £000	Cumulative Prior Year adjustments to 31 March 2014 £000
<b>Income &amp; Expenditure Account</b>			
Impairment of assets	2,385		2,385
Adjustment to deferred grant release due to impaired assets	(1,725)		(1,725)
Reversal of previous impairment charges	-	(413)	(413)
Decreased depreciation due to change in economic useful life	-	(406)	(406)
Additional depreciation on revaluation	-	321	321
Adjustment to deferred grant release due to revised economic useful life	-	445	445
<b>Impact on (deficit) / surplus</b>	<b>660</b>	<b>(53)</b>	<b>607</b>

## Notes to the Accounts (continued)

<b>Balance Sheet</b>	<b>Cumulative Prior Year adjustments to 31 July 2013 £000</b>	<b>Prior Year adjustments for 31 March 2014 £000</b>	<b>Cumulative Prior Year adjustments to 31 March 2014 £000</b>
<b>Fuefold (Depreciation)</b>			
At 31 July / 31 March as previously stated	(22,268)	-	(24,759)
Revaluation Movement	7,234	(832)	6,402
Impairment charge	(2,385)	-	(2,385)
Reversal of previous impairment charges	-	413	413
Decreased depreciation due to change in useful life	-	406	406
Additional depreciation on revaluation	-	(321)	(321)
<b>At 31 July / 31 March as restated</b>	<b>(17,419)</b>		<b>(20,244)</b>
<b>Deferred Capital Grant</b>			
At 31 July / 31 March as previously stated	(44,587)	-	(43,830)
Adjustment to deferred grant release due to impaired assets	1,725	-	1,725
Adjustment to deferred grant release due to revised economic useful life	-	(445)	(445)
<b>At 31 July / 31 March as restated</b>	<b>(42,862)</b>		<b>(42,550)</b>
<b>Revaluation Reserves</b>			
At 31 July / 31 March as previously stated	(9,768)	-	(9,069)
Revaluation Movement	(7,234)	832	(6,402)
Transfer to I&E Account Reserves	-	420	420
<b>At 31 July / 31 March as restated</b>	<b>(17,002)</b>		<b>(15,051)</b>
<b>Income &amp; Expenditure Account Reserves</b>			
At 31 July / 31 March as previously stated	(17,490)	-	(10,077)
Impact on (deficit) / surplus	660	(53)	607
Transfer from Revaluation Reserves	-	(420)	(420)
<b>At 31 July / 31 March as restated</b>	<b>(16,830)</b>		<b>(9,890)</b>

## Appendix - 1

### **2014-15 Accounts direction for Scotland's colleges and universities**

- 1 It is the Scottish Funding Council's direction that colleges and universities comply with the 2007 *Statement of Recommended Practice: Accounting for Further and Higher Education* (SORP) in preparing their annual report and accounts.
- 2 Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2014-15 (FReM) where applicable.
- 3 Incorporated colleges are also reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2015.
- 4 The financial statements should be signed by the chief executive officer and by the chair, or one other member of the governing body.
- 5 Incorporated colleges should reproduce this Direction as an appendix to the financial statements.

Scottish Funding Council  
10 August 2015