

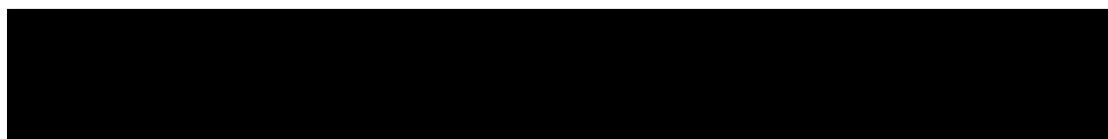
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Report and Financial Statements

For the year ended 31 July 2008

Registered Charity No: SCO21188



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Operating and Financial Review

Nature, Objectives and Strategies

The Board of Management of Dundee College present their report and the audited financial statements for the year ended 31 July 2008.

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.

Mission

The College mission is

“To contribute to an ambitious Scotland by playing a lead role in education, economic development and community life”

Implementation of Strategic Plan

In June 2008, the Board of Management of Dundee College approved the College Strategic Plan for the period 2008 to 2011. This strategic plan includes property and financial plans. The plans are reviewed and updated each year. The College’s continuing strategic aims are:

1. To maintain long term financial stability through strong corporate governance and effective risk management
2. To enhance further the College’s local, national and international reputation and standing
3. To make a major contribution to sustainable economic growth in Scotland by increasing skills and business capacity in the local area
4. To encourage participation and widen access to a learning experience of the highest quality
5. To transform the College’s estate to meet the aspirations of present and future learners
6. To maximise full staff potential, inspiring success through dynamic leadership, personal and professional development, team empowerment, and open and effective leadership
7. To continue to develop mutually beneficial collaboration and partnerships

Operating and Financial Review (continued)

Financial Objectives

The College's financial objectives are:

- To achieve an underlying annual operating surplus
- To pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances
- To generate sufficient levels of income to support the asset base of the College
- To further improve the College's shorter term liquidity
- To fund continued capital investment

In the recent "Financial Forecast Return (FFR)" submitted by the College to Scottish Funding Council (SFC), the College continues to be rated as "secure", the highest rating, for the period 2007-08 to 2010-11, achieving a recurring underlying operating surplus.

Performance Indicators

In accordance with 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:

- Student numbers
- Student success rates
- Continued professional development for staff
- Employer engagement

Financial Position

Financial Results

The College generated, in the year to 31 July 2008, an operating deficit of £1,258,000 (2006/07 – operating surplus of £1,282,000). The result in 2007/08 is stated after accounting for the exceptional restructuring costs of a Voluntary Severance Scheme (VSS) of £1,610,000. The VSS will accrue savings leading up to the relocation to the Gardyne Campus in 2011, and recurring savings thereafter.

The College has accumulated reserves of £17,724,000, cash balances of £8,124,000 – and no short or long-term debt facilities.

Tangible fixed asset additions during the year were £1,016,000. The other significant movements on the Balance Sheet are in cash and creditors, these two items are directly related as the College was in receipt of capital funding from SFC and this has yet to be spent.

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 financial year 2007/08, the College tendered for banking services, and secured improved terms with the Royal Bank of Scotland with effect from 1 August 2008. Longer-term policy will be driven by the College's estate needs.

Cash-Flows

The College's operating cash-flow remains strong. In addition, the net inflow in year was improved by advanced and increased capital funding from SFC.

Liquidity

Presently Dundee College has no borrowings, and strong cash balances – this position led to increasing interest receipts of £485,000 in 2007/08.

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 year to 31 July 2008, the College incurred no interest charges in respect of late payment for this period.

Current and Future Developments and Performance

Student Numbers

In 2007/08 the College met the Student Unit of Measurement (SUMS) target, as set by SFC, of 106,427 SUMs. The College had approximately 20,000 students in total in the year. The College's SUMs target for 2008/09 is unchanged.

Student Achievements

Success rates for 2007-08 are being analysed but comparators for 2005/06 and 2006/07 are:

	2005/06	2006/07
FE Awards	81%	83%
He Awards	85%	84%

Operating and Financial Review (continued)

Curriculum Developments

The College portfolio will continue to be developed to meet local and national demands. Specific developments for 2008/09 include:

- a) Schools/college partnerships programmes have been increased and now include Skills for Work qualifications.
- b) An interactive visual teaching tool for sustainable energy heating systems is being delivered in partnership with Dimplex and Worcester Bosch.
- c) A BA Honours degree in Contemporary Dance – a one year completion award post HND - will be delivered by Dundee College, and accredited by Northumbria University.

Post-Balance Sheet Events

There are no events of note.

Future Developments

The College's main long term aim remains to consolidate the estate to the Kingsway and Gardyne campuses and to dispose of the remaining three buildings at Constitution Road Graham Street and Melrose Terrace.

In January 2008 the Scottish Funding Council confirmed 'in principle' funding for the plans to refurbish the Gardyne Campus and to move to the College's two campus estate.

We are on track to complete the process required and sign a contract with a major construction company later in 2008. Construction work is set to be complete for the start of the academic term 2011 and the overall project budget is in excess of £42m.

The Gardyne Campus will be a flagship building and the systems of work and services to support students are being specified to the highest possible level.

A major staff restructuring exercise will continue throughout the planning period. This will result in the College consisting of two academic Faculties, one in each Campus, supported by streamlined e-enabled systems.

The cultural and structural changes required to make this work are under way with all areas of College activity involved in the preparation for the two campus estate.

Resources

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

Tangible Assets:

The College has 5 main Campuses and a Learn Direct Centre in the Overgate Centre in Dundee.

Financial:

The College has a turnover of £28.9m, net assets of £26.6m and no borrowings.

People:

The College has over 700 employees – an equivalent of 559 FTEs.

Reputation:

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

Principal Risks and Uncertainties

In the Strategic Plan 2008-11 Dundee College has identified, in detail, key risks under the following 7 categories:

- Financial Stability, Reputation, Business Development, Student Experience, Estate & Facilities, Staffing and Collaboration

For all 7 categories, the consequences, impact, likelihood, mitigating controls, residual risk and lead manager or team have been identified.

Stakeholder Relationships

The College has many stakeholders – our key stakeholders include: SFC, Dundee City Council, Scottish Enterprise, 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 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.

Operating and Financial Review (continued)

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 people who are directly and indirectly involved in the College.

Dundee 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 fully complies with the Disability Discrimination Act 1995, and the changes which were enacted in September 2002.

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 24th November 2008 and signed on its behalf by:

Professor Ian C Colligan
Chairman

Christina Potter
Principal

Board of Management Members (2007/2008)

William W Barr

Retired (previously Deputy Principal, University of Dundee)
Vice Convenor of the Board of Management, Convenor of the Property Committee, Acting Convenor of the Audit Committee (until 31 December 2007)

Alan M Boyter

Director of Human Resources, NHS Lothian

Alasdair D Chalmers

Managing Director, DP & L Group Ltd
Convenor of the Finance Committee

Wendy Chalmers

Science Technician, Dundee College
Non-Teaching Staff Member

Professor Ian C Colligan

Retired (previously Dean of Faculty of Science, University of Abertay Dundee)
Convenor of the Board of Management, Convenor of the Student Affairs Committee, Convenor of the Convenors' Committee

Mary Crighton

Partner, Calders Solicitors

Councillor Tom Ferguson

Vice Convenor of Education Committee, Dundee City Council
(from 17 September 2007)

Ralph Harrison

Workforce Development Manager, Scottish Enterprise Tayside
Representative from Local Enterprise Company

Joseph Lafferty

Director, Lifetree Consultancy
Convenor of the Human Resource and Development Committee

George Laidlaw

Rector, Menzieshill High School
(from 26 November 2007)

Fraser McIntyre

Student President of Dundee College Students Association
Student Representative (from 26 November 2007 to 31 July 2008)

Christina Potter

Principal and Chief Executive, Dundee College

Board of Management Members (2007/2008) (continued)

Douglas Reilly

Lecturer, Dundee College

Teaching Staff Member (from 1 September 2008)

George Robertson

Retired (Previously Finance Director, Albacom Ltd)

Kish Srinivasan

Retired (Previously HM Inspector, HM Inspectorate of Education)

Convenor of Audit Committee (from 1 January 2008)

Brian Snee

Team Leader, Dundee College

Teaching Staff Member (until 31 July 2008)

Jacqui Wood

Chair, Fundraising Committee, Ninewells Cancer Campaign

The Secretary to the Board of Management is Mr K M Ovenstone.
The Secretary is not a member of the Board.

**DUNDEE COLLEGE BOARD OF MANAGEMENT
STANDING COMMITTEE MEMBERSHIP (2007/08)**

COMMITTEES	AUDIT	CONVENORS	FINANCE	HR & D*	PROPERTY	STUDENT AFFAIRS	NOTES
BOARD MEMBERS	WW BARR (AC) <i>(from 01/04/07 to 31/12/07)</i> K SRINIVASAN (C) <i>(from 17/09/07, Convenor from 01/01/08)</i> A BOYTER M CRIGHTON	IC COLLIGAN (C) WW BARR AD CHALMERS J LAFFERTY K SRINIVASAN <i>(from 01/01/08)</i>	AD CHALMERS (C) W CHALMERS J LAFFERTY C POTTER G ROBERTSON J WOOD	J LAFFERTY (C) A BOYTER W CHALMERS IC COLLIGAN R HARRISON <i>(from 17/09/07)</i> C POTTER B SNEE <i>(to 31/07/08)</i>	WW BARR (C) T FERGUSON <i>(from 17/09/07)</i> C POTTER G ROBERTSON B SNEE <i>(to 31/07/08)</i>	IC COLLIGAN (C) M CRIGHTON F McINTYRE <i>(Student President – from 30/01/08 to 31/07/08)</i> C POTTER B SNEE <i>(to 31/07/08)</i> K SRINIVASAN <i>(from 30/01/08)</i> J WOOD	(C) Committee Convenor (AC) Acting Committee Convenor
COLLEGE STAFF/ COMMITTEE MEMBERS		C POTTER	L DICK G RITCHIE G WESTWATER B FERGUSON D HAWNEY	L DICK G RITCHIE G WESTWATER M PATERSON <i>(from 01/04/07 to 18/02/08)</i> J BREINGAN <i>(from 12/05/08 to 31/07/08)</i>	L DICK G RITCHIE G WESTWATER W GRACE D MARSHALL	L DICK G RITCHIE G WESTWATER K NEADES DIRECTOR(S) OF FACULTY	
OTHER REGULAR ATTENDEES	AD CHALMERS <i>(Finance Convenor)</i> IC COLLIGAN <i>(Board Convenor)</i> C POTTER <i>(Principal)</i> G WESTWATER <i>(Assistant Principal)</i> + College Auditors KM OVENSTONE <i>(Secretary to the Board)</i>			W GRACE <i>(Sites, Health & Safety Manager)</i>	B FERGUSON <i>(Finance and Resources Manager)</i>	A DEVINE <i>(Administration Manager)</i> C McLEAN <i>(Student Liaison Officer)</i> E MORRISON <i>(Student Representative – from 30/01/08 to 31/07/08)</i>	

Professional Advisers

External Auditors

Tenon Audit Limited
5 Kings Place
Perth
PH2 8AA

Internal Auditors

Henderson Loggie
Royal Exchange Buildings
Panmure Street
Dundee
DD1 1DZ

Bankers

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

Solicitors

Thorntons WS
50 Castle Street
Dundee
DD1 3RU

Gardyne Project

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

Turner & Townsend Project Management Ltd
33 Bothwell Street
Glasgow
G2 6NL

Statement of Corporate Governance and Internal Control

Introduction

Dundee College is committed to exhibiting good practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in July 2003. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

Statement of Full Combined Code Compliance

In the opinion of the Board of Management, Dundee College complies with all the provisions of the Combined Code, in so far as they apply to the further education sector, and it has complied during the year ended 31 July 2008.

Board of Management

Dundee 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 Convenor and Vice Convenor 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 2007/08 is included on pages 9 and 10.

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 :

- Convenors' Committee
- Audit Committee
- Finance Committee
- Human Resource and Development Committee
- Property Committee
- Student Affairs Committee

A list of Committee Members for 2007/08 is included on page 11.

The Convenors' 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

Corporate Governance Statement (continued)

Higher Education (Scotland) Act, 1992). The Convenors' Committee has fully delegated authority from the Board to consider and determine salaries and conditions of service for members of the College Executive.

The Finance 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 Student Affairs) 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. Normally at each meeting, prior to the commencement of formal business, the Audit Committee Convenor meets in private with committee members (and the external auditors, as appropriate) for their own independent discussions.

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

Corporate Governance Statement (continued)

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 College and a revised Risk Register has been compiled and is included in the Strategic Plan.

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 year ended 31 July 2008 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 January 2006.

Going Concern

The Board of Management considers that the College has adequate resources to continue in operational existence for the foreseeable future.

Signed on Behalf of the Board of Management

Ian C Colligan
Board Convenor

Date : 24 November 2008

Christina Potter
Principal

Date : 24 November 2008

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 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

Date : 24 November 2008

**Ian C Colligan
Board Convenor**

Independent Auditors' Report

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

We have audited the financial statements of Dundee College for the year ended 31 July 2008 under the Further and Higher Education (Scotland) Act 1992. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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 123 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, Principal and Auditor

The Board of Management and the Principal are responsible for preparing the Annual Report and the financial statements in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction issued thereunder by the Scottish Funding Council which requires compliance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. They are also responsible for ensuring the regularity of expenditure and income. These responsibilities are set out in the Statement of the Board of Management's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

We report our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction. We also report if, in our opinion, the Report of the Board of Management is not consistent with the financial statements, if the body has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit. We also report whether in all material respects

- the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum dated 1 January 2006 and any other terms and conditions attached to them for the year ended 31 July 2008

Independent Auditors' Report (continued)

- funds from whatever source administered by the college for specific purposes have been properly applied for the intended purposes

We review whether the Corporate Governance Statement reflects the college's compliance with the requirements of the Scottish Funding Council. We report if, in our opinion, it does not comply with these requirements or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the college's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Board of Management and the Statement of the Board of Management's Responsibilities for the Accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the college's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

QUALIFIED OPINION ARISING FROM THE APPLICATION OF FRS17: RETIREMENT BENEFITS

Financial Statements

As explained more fully in note 21 to the financial statements, the Local Government Pension Scheme is a multi-employer defined benefit pension scheme. The College

Independent Auditors' Report (continued)

has applied the exemptions afforded in FRS 17 ("Retirement Benefits") in respect of multi-employer defined benefit pension schemes whose assets and liabilities cannot be split between the sponsoring employers on a fair and reasonable basis and treated the scheme as a defined contribution scheme in these financial statements. The schemes actuaries have expressed the opinion that the College's share of assets and liabilities can be identified on a fair and reasonable basis and in our opinion therefore the College is not entitled to apply the multi-employer exemption within FRS 17 and has therefore not correctly applied its provisions. Consequently the College has not recognised any potential surplus or deficit in the pension scheme nor reflected such surplus or deficit on the balance sheet nor made the disclosures within the notes to the financial statements required by FRS 17.

Except for the financial effect of not accounting for the pension scheme as a defined benefit scheme and not making the disclosures required for such schemes by FRS 17 in our opinion the financial statements:

- give a true and fair view, in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction, of the state of affairs of the college as at 31 July 2008 and of its surplus, total recognised gains and losses and cash flows for the year then ended
- have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction made thereunder

Regularity

In our opinion in all material respects

- the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum dated 1 January 2006 and any other terms and conditions attached to them for the year ended 31 July 2008
- funds from whatever source administered by the college for specific purposes have been properly applied for the intended purposes

Signature : _____

Date : _____

Tenon Audit Limited
5 Kings Place
Perth
PH2 8AA

Statement of Principal Accounting Policies

Basis of Preparation

The financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction issued thereunder by the Scottish Funding Council which requires compliance with the Statement of Recommended Accounting Practice: Accounting for Further and Higher Education (2007).

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Basis of Consolidation

The College had no subsidiary undertakings during the period under report.

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.

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 clawback of claims paid, are offset against the total European funding debtor in the Balance Sheet.

Statement of Principal Accounting Policies (continued)

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

Retirement benefits for most employees of the College are provided by The Scottish Teachers' Superannuation Scheme (STSS) and the Local Government Superannuation Scheme (LGSS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the schemes are charged to the income and expenditure account 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 present and future pensionable payroll. Variations from regular costs are spread over the expected average remaining working lifetime of members of the schemes after making allowances for further withdrawals. The contributions are determined by qualified actuaries on the basis of triennial valuations, using the projected unit method for the LGSS, and on the basis of quinquennial valuations, using a prospective benefits method for the STSS.

Exceptional Pension Costs

Provision is made for the future cost of enhanced pensions in respect of early retirements in the year of retirement, in compliance with Financial Reporting Standard No 12: Provisions, contingent liabilities and contingent assets.

Tangible Fixed Assets

(a) **Land and Buildings**

Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost. Inherited land and buildings not in use for educational purposes are stated in the balance sheet at open market value. Land and buildings acquired since incorporation are included in the balance sheet at cost. Land is not depreciated. Buildings are depreciated over their expected useful economic life to the College (50 years). Property improvements are depreciated on a straight line basis over ten years.

On adoption of FRS15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994, but not to adopt a policy of revaluations of these properties in the future.

Statement of Principal Accounting Policies (continued)

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. They are not depreciated until they are brought into use.

(b) Subsequently 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

(c) Equipment

Equipment costing less than £10,000 (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. Major items of equipment inherited from the local authority were included in the balance sheet at valuation and depreciated on a straight-line basis over three years.

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

Heavy plant	10% per year
Light plant and equipment	20% per year
Motor vehicles	25% per year
Computer equipment	33⅓% per year

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.

Statement of Principal Accounting Policies (continued)

Leased Assets

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

Stocks

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.

Taxation

As a registered charity, the College benefits by being broadly exempt from corporation tax on income it receives from tuition fees, interest and rents.

The College receives no similar exemption in respect of Value Added Tax. The College is able to recover a small proportion of the input VAT attributable to the goods and services it purchases through a partial exemption scheme.

Provisions

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.

Income and Expenditure Account For the Year Ended 31 July 2008

	<i>Notes</i>	Year Ended 31 July 2008 £000	Year Ended 31 July 2007 £000
INCOME			
Funding Council grants	1	21,360	19,444
Tuition fees and education contracts	2	3,741	3,607
Other grants and contracts	3	1,726	2,531
Other income	4	1,618	1,369
Investment income	5	485	327
		<hr/>	<hr/>
Total income		28,930	27,278
		<hr/>	<hr/>
EXPENDITURE			
Staff costs	6	19,024	17,054
Exceptional restructuring costs	6	1,610	35
Other operating expenses	8	7,502	6,877
Depreciation	9	2,052	2,030
		<hr/>	<hr/>
Total expenditure		30,188	25,996
		<hr/>	<hr/>
(Deficit)/Surplus on continuing operations after depreciation of fixed assets at valuation and before tax		(1,258)	1,282
Exceptional item: impairment of fixed assets arising from planned rationalisation	9	-	(6,278)
		<hr/>	<hr/>
(Deficit) on continuing operations after depreciation of fixed assets at valuation, and after exceptional items, but before tax		(1,258)	(4,996)
Taxation		-	-
		<hr/>	<hr/>
(Deficit) on continuing operations after depreciation of fixed assets at valuation and tax	15	(1,258)	(4,996)
		<hr/> <hr/>	<hr/> <hr/>

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

Statement of Historical Cost Surpluses and Deficits For the Year Ended 31 July 2008

	<i>Notes</i>	Year Ended 31 July 2008 £000	Year Ended 31 July 2007 £000
(Deficit) on continuing operations before taxation		(1,258)	(4,996)
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	14	1,044	1,044
Transfer from the revaluation reserve in respect of impairment	14	-	6,278
		<hr/>	<hr/>
Historical cost (deficit)/surplus for the period before and after taxation		(214) <hr/> <hr/>	2,326 <hr/> <hr/>

Statement of Total Recognised Gains and Losses For the Year Ended 31 July 2008

	Year Ended 31 July 2008 £000	Year Ended 31 July 2007 £000
(Deficit) on continuing operations after depreciation of fixed assets at valuation and tax	(1,258)	(4,996)
	<hr/>	<hr/>
Total recognised (losses) relating to the period	(1,258) <hr/> <hr/>	(4,996) <hr/> <hr/>
Reconciliation		
Opening reserves	18,982	23,978
Total recognised (losses) for the period	(1,258)	(4,996)
	<hr/>	<hr/>
Closing Reserves	17,724 <hr/> <hr/>	18,982 <hr/> <hr/>

Balance Sheet as at 31 July 2008

	Notes	Year Ended 31 July 2008 £000	Year Ended 31 July 2007 £000
Fixed Assets			
Tangible assets	9	27,343	28,379
Current Assets			
Stock		35	3
Debtors	10	1,221	1,333
Cash at bank and in hand		8,124	5,388
		9,380	6,724
Creditors : amounts falling due within one year	11	5,501	2,271
Net current assets		3,879	4,453
Total assets less current liabilities		31,222	32,832
Provisions for liabilities and charges	12	4,610	4,672
NET ASSETS		26,612	28,160
Deferred capital grants	13	8,888	9,178
Reserves			
Revaluation reserve	14	10,327	11,371
General reserve	15	7,397	7,611
Total reserves		17,724	18,982
TOTAL		26,612	28,160

The financial statements on pages 21 to 43 were approved and authorised for issue by the Board of Management on 24 November 2008 and were signed on its behalf by:

Ian C Colligan – Board Convenor

Garry Westwater – Assistant Principal

Christina Potter - Principal

Cash Flow Statement

For the Year Ended 31 July 2008

	<i>Notes</i>	Year Ended 31 July 2008 £000	Year Ended 31 July 2007 £000
Cash flow from operating activities	16	2,970	(560)
Returns on investments and servicing of finance	17	462	342
Capital expenditure and financial investment	18	(696)	(4,120)
Increase / (Decrease) in cash in the period		2,736	(4,338)
Reconciliation of net cash flow to movement in net funds/debt			
Increase / (Decrease) in cash in the period		2,736	(4,338)
Movement in net funds in period	19	2,736	(4,338)
Opening net funds		5,388	9,726
Net funds at 31 July	19	8,124	5,388

Notes to the Accounts

1 Funding Council Grants

	Year Ended 31 July 2008 £000	Year Ended 31 July 2007 £000
SFC FE recurrent grant (including fee waiver)	19,426	18,165
Funding for increased STSS contributions	205	307
FE childcare funds	453	343
Release of deferred capital grants	457	413
Other SFC grants	819	216
	<hr/>	<hr/>
Total	21,360	19,444
	<hr/> <hr/>	<hr/> <hr/>

2 Tuition Fees and Education Contracts

	Year Ended 31 July 2008 £000	Year Ended 31 July 2007 £000
FE fees – UK & EU	1,347	1,233
FE fees – non EU	204	200
HE fees	1,473	1,292
Education contracts	703	875
Other contracts	14	7
	<hr/>	<hr/>
Total	3,741	3,607
	<hr/> <hr/>	<hr/> <hr/>

3 Other Grants and Contracts

	Year Ended 31 July 2008 £000	Year Ended 31 July 2007 £000
European funds	1,105	2,057
Releases from deferred capital grants (non-SFC)	158	155
Other grant income	463	319
	<hr/>	<hr/>
Total	1,726	2,531
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts (continued)

4 Other Income

	Year Ended 31 July 2008 £000	Year Ended 31 July 2007 £000
Residences, catering and conferences	771	610
Other income-generating activities	839	745
Other income	8	14
	<hr/>	<hr/>
Total	1,618	1,369
	<hr/> <hr/>	<hr/> <hr/>

5 Investment Income

	Year Ended 31 July 2008 £000	Year Ended 31 July 2007 £000
Interest receivable	485	327
	<hr/>	<hr/>
Total	485	327
	<hr/> <hr/>	<hr/> <hr/>

6 Staff Costs

	Year Ended 31 July 2008 Number	Year Ended 31 July 2007 Number
The average weekly number of persons (including senior post-holders) employed by the College during the period, expressed as full-time equivalents, was:		
Academic/teaching departments	256	258
Academic/teaching services	72	63
Administration and central services	140	131
Premises	69	65
Catering and residencies	22	22
	<hr/>	<hr/>
Total	559	539
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts (continued)

6 Staff Costs (continued)

Staff costs for the above persons :	Year Ended 31 July 2008 £000	Year Ended 31 July 2007 £000
Wages and salaries	15,894	14,316
Social security costs	1,181	1,052
Other pension costs	1,949	1,686
Exceptional restructuring costs	1,610	35
	<hr/>	<hr/>
Total	20,634	17,089
	<hr/> <hr/>	<hr/> <hr/>
Academic/teaching departments	11,104	10,059
Academic/teaching services	1,855	1,650
Administration and central services	4,454	3,919
Premises	1,203	1,085
Catering and residences	408	341
	<hr/>	<hr/>
Sub-total	19,024	17,054
Exceptional restructuring costs	1,610	35
	<hr/>	<hr/>
Total	20,634	17,089
	<hr/> <hr/>	<hr/> <hr/>

A three year pay agreement extending until 31 July 2010 has been agreed with unions representing both academic and support staff. Under the terms of those agreements academic staff received an increase of 3.8% with effect from 1st August 2007 and support staff received increases of 3% on 1st August 2007 and 1% on 1st February 2008. The Principal and Assistant Principals received the same pay award as academic staff.

The number of staff, including senior post-holders and the Principal, who received emoluments in the following ranges was, on an annualised basis:

	Year Ended 31 July 2008		Year Ended 31 July 2007	
	Number Senior Post-holders	Number Other Staff	Number Senior Post-holders	Number Other Staff
£50,001 to £60,000	3	-	1	-
£60,001 to £70,000	3	-	2	-
£90,001 to £100,000	-	-	1	-
£100,001 to £110,000	1	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	7	-	4	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts (continued)

7 Senior Post-Holders' Emoluments

	Year Ended 31 July 2008	Year Ended 31 July 2007
	Number	Number
The number of senior post-holders including the Principal was :	7 —	4 —
Senior post-holders' emoluments are made up as follows :		
	£000	£000
Salaries	486	283
Pension contributions	66	36
	<hr/>	<hr/>
Total emoluments	552	319
	<hr/> <hr/>	<hr/> <hr/>

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

	Year Ended 31 July 2008	Year Ended 31 July 2007
	£000	£000
Salary	102	99
	<hr/>	<hr/>
Pension contributions	14	13
	<hr/> <hr/>	<hr/> <hr/>

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 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.

Notes to the Accounts (continued)

8 Other Operating Expenses

	Year Ended 31 July 2008 £000	Year Ended 31 July 2007 £000
Academic/teaching departments	1,394	1,268
Academic/teaching services	125	205
Other support services	191	147
Administration and central services	2,315	2,347
Premises costs	1,891	1,507
Catering and residence operations	386	338
Other expenses	389	361
Childcare funds	453	343
Agency staff costs	125	125
Interest charged on provision for pension costs	233	236
	<hr/>	<hr/>
Total	7,502	6,877
	<hr/> <hr/>	<hr/> <hr/>

Other operating expenses include :

Auditors' remuneration - external audit	15	15
- other services	9	12
- internal audit	12	13
Hire of other assets – operating leases	120	145

Notes to the Accounts (continued)

9 Tangible Fixed Assets

	Land and Buildings			
	Freehold	Assets In Course of Construction	Equipment	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 August 2007	44,838	948	3,112	48,898
Additions	404	531	81	1,016
Disposals	-	-	(9)	(9)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2008	45,242	1,479	3,184	49,905
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 August 2007	17,553	-	2,966	20,519
Charge for period	1,973	-	79	2,052
Disposals	-	-	(9)	(9)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2008	19,526	-	3,036	22,562
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 July 2008	25,716	1,479	148	27,343
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 July 2007	27,285	948	146	28,379
	<hr/>	<hr/>	<hr/>	<hr/>
Inherited	10,325	-	-	10,325
Financed by capital grant	10,956	-	19	10,975
Other	4,435	1,479	129	6,043
	<hr/>	<hr/>	<hr/>	<hr/>
	25,716	1,479	148	27,343
	<hr/>	<hr/>	<hr/>	<hr/>

Freehold Land and buildings with a net book value of £16,977,000 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 inherited at nil cost were valued in 1994 at depreciated replacement cost by a firm of independent chartered surveyors. The valuation relating to assets retained at 31 July 2008 was £24,990,000 before impairment.

Notes to the Accounts (continued)

9 Tangible Fixed Assets (continued)

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

	2008 £000	2007 £000
Cost	20,252	19,848
Aggregate depreciation based upon cost	(4,860)	(3,932)
	<hr/>	<hr/>
Net book value	15,392	15,916
	<hr/> <hr/>	<hr/> <hr/>

Assets in course of construction represent professional fees associated with the design and re-development of the College's Gardyne campus.

10 Debtors	2008 £000	2007 £000
Trade debtors	321	250
European funding	436	887
Prepayments & accrued income	464	196
	<hr/>	<hr/>
Total	1,221	1,333
	<hr/> <hr/>	<hr/> <hr/>

Debtors includes £277,000 (2007: £27,000) due from the Funding Council.

11 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Deferred income and payments received in advance	2,153	265
Trade creditors	887	935
Other creditors	1,250	147
Other taxation and social security	442	344
Accruals	667	558
Bursaries and access funds for future disbursement	102	22
	<hr/>	<hr/>
	5,501	2,271
	<hr/> <hr/>	<hr/> <hr/>

Creditors includes £1,994,000 (2007: £128,000) relating to Funding Council grants.

Notes to the Accounts (continued)

12 Provisions for Liabilities and Charges

	Early retirement Pension costs £000
Balance b/fwd	4,672
Expenditure in the period	(295)
Interest charged	233
	<hr/>
Balance c/fwd	4,610
	<hr/> <hr/>

A valuation of the existing pension provision was carried out by Barnett Waddingham, an independent firm of actuaries at 31 July 2006. Interest is being charged at 5% pa

13 Deferred Capital Grants

	SFC £000	Other Grants £000	Total £000
At 31 July 2007			
Land and buildings	6,736	2,409	9,145
Equipment	19	14	33
	<hr/>	<hr/>	<hr/>
	6,755	2,423	9,178
Cash receivable			
Land and buildings	294	31	325
Equipment	-	-	-
Released to income and expenditure account			
Land and buildings	(462)	(144)	(606)
Equipment	5	(14)	(9)
At 31 July 2008			
Land and buildings	6,568	2,296	8,864
Equipment	24	-	24
	<hr/>	<hr/>	<hr/>
	6,592	2,296	8,888
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

14 Revaluation Reserve

	2008 £000	2007 £000
Opening balance	11,371	18,693
Transfer from revaluation reserve to general reserve in respect of depreciation on revalued assets	(1,044)	(1,044)
Transfer to general reserve in respect of impairment	-	(6,278)
	<hr/>	<hr/>
Balance c/fwd	10,327	11,371
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts (continued)

15 Movement on General Reserves

	2008	2007
	£000	£000
Income and Expenditure Account Reserve		
Opening balance	7,611	5,285
(Deficit) on continuing operations after depreciation of assets and taxation	(1,258)	(4,996)
Transfer from revaluation reserve	1,044	7,322
	<hr/>	<hr/>
Balance c/fwd	7,397	7,611
	<hr/> <hr/>	<hr/> <hr/>

16 Reconciliation of Operating (Deficit)/Surplus to Net Cash Inflow/(Outflow) from Operating Activities

	Year Ended	Year Ended
	31 July 2008	31 July 2007
	£000	£000
(Deficit) on continuing operations after depreciation of fixed assets at valuation and tax	(1,258)	(4,996)
Exceptional item: impairment of fixed assets	-	6,278
Depreciation (note 9)	2,052	2,030
Deferred capital grants released to income (note 1 & 4)	(615)	(568)
(Increase)/decrease in stocks	(32)	1
(Increase)/decrease in debtors	135	(584)
Increase/(decrease) in creditors	3,235	(2,344)
Increase/(decrease) in provisions	(62)	(50)
Interest receivable (note 5)	(485)	(327)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	2,970	(560)
	<hr/> <hr/>	<hr/> <hr/>

17 Returns on Investments and Servicing of Finance

	Year Ended	Year Ended
	31 July 2008	31 July 2007
	£000	£000
Interest received	462	342
	<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance	462	342
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts (continued)

18 Capital Expenditure and Financial Investment

	Year Ended 31 July 2008 £000	Year Ended 31 July 2007 £000
Purchase of tangible fixed assets	(1,021)	(8,310)
Sale of tangible fixed assets	-	-
Deferred capital grants received	325	4,190
	<hr/>	<hr/>
Net cash outflow from capital expenditure and financial investment	(696)	(4,120)
	<hr/> <hr/>	<hr/> <hr/>

19 Analysis of Changes in Net Funds

	At 31 July 2007 £000	Cashflow £000	Other Changes £000	At 31 July 2008 £000
Cash at bank and in hand	5,388	2,736	-	8,124
	<hr/>	<hr/>	<hr/>	<hr/>
Total	5,388	2,736	-	8,124
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

20 Major Non-Cash Transactions

During the year the institution made a provision of £233,000 (2007 : £236,000) for future pension costs.

21 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 cost for the period was £1,949,000 (2007: £1,686,000).

Total pension cost for the year

	Year Ended 31 July 2008 £000	Year Ended 31 July 2007 £000
STSS : contributions paid	1,194	1,076
LGSS : contributions paid	755	610
	<hr/>	<hr/>
	1,949	1,686
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts (continued)

21 Pension and Similar Obligations (continued)**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 rate throughout the period was 13.5%. The government actuary's valuation in 2005 recommended a contribution rate of 14.25% from 1st April 2008 however this has been deferred until 1st April 2009.

Local Government Superannuation Scheme

The LGSS is a funded defined benefit scheme, with the assets held in separate trustee administered funds.

The assumptions and other data that have the most significant effect on the determination of contribution levels are as follows:

Latest actuarial valuation	31 March 2005
Actuarial method	Project Unit
Investment returns per annum	
Equities	7.1%
Gilts	4.5%
Bonds & Property	5.3%
Discount Rate	6.5%
Pension increases per annum	2.8%
Salary increases per annum	4.3%
Actuarial value of assets at 31 March 2005	£1,112m
Actuarial value as a percentage of accrued liabilities	91.0%
Market value of assets at 31 March 2008	£1,590m
Market value of assets at 4 September 2008	£1,561m

As a result of the fund valuation at 31 March 2005 the employer contribution increased from 15.9% to 16.5% on 1 April 2006, to 17.7% on 1 April 2007, and to 18.9% on 1 April 2008.

The next actuarial valuation as at 31 March 2008 will be published during 2009. The funding position had improved and indications were for stable contribution rates.

Under the definitions set out in Financial Reporting Standard 17: Retirement Benefits, the LGSS is a multi-employer pension scheme. The scheme actuaries are unable to identify the College's share of its underlying assets other than on a pr-rata basis based upon liabilities. Consequently, the College has accounted for its contributions as if it were a defined contribution scheme and taken advantage of the reduced disclosure requirements in accordance with the exemptions afforded by FRS17.

Notes to the Accounts (continued)

22 Capital Commitments

	2008 £000	2007 £000
Commitments contracted for at 31 July	1,541	372
Commitments entered into but not yet contracted for at 31 July	<u>33,656</u>	<u>422</u>

Committed expenditure includes £33,357,000 for the development of Gardyne campus but is dependent upon adequate funding.

23 Financial Commitments

At 31 July 2008 the College had annual commitments under non-cancellable operating leases as follows :

	2008 £000	2007 £000
Land and buildings		
Expiring within one year	34	32
Expiring between two and five years inclusive	17	16
Expiring in over five years	-	-
	<u>51</u>	<u>48</u>
Others		
Expiring within one year	-	-
Expiring between two and five years inclusive	62	62
Expiring in over five years	-	-
	<u>62</u>	<u>62</u>

24 Post Balance Sheet Events

There are no Post Balance Sheet Events.

25 Contingent Liability

There were no contingent liabilities at 31 July 2008.

26 Related Party Transactions

The Board of Management of Dundee 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 Executive Enterprise, Transport and Lifelong Learning Department (SEETLLD).

Notes to the Accounts (continued)

26 Related Party Transactions (continued)

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

In addition Dundee 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>	<u>Position</u>
Ralph Harrison	Scottish Enterprise Tayside	Workforce Development Manager
Alan Boyter	(formerly) NHS Tayside	Director of Strategic Human Resource and Workforce Development
Tom Ferguson	Dundee City Council	Vice Convenor of Education Committee

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 subject to the College's Conflict of Interest procedures.

With the listed exceptions below, there were no transactions during the year ended 31 July 2008 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.

Exception : DP&L Travel Ltd

Volume of Activity: £86,000

Nature : Business travel agents

Exception : DP&L Group Ltd t/a Allison-Gray

Volume of Activity : £41,000

Nature : Safety wear products and industrial supplies

Board Member Alasdair D Chalmers holds a beneficial interest in the issued share capital of Cortachy Holdings Ltd, the ultimate holding company of DP&L Group Ltd. and DP&L Travel Ltd.

Notes to the Accounts (continued)

27 Bursaries and other student support funds

	Year ended 31 July 2008					Year ended
	FE Bursary £000	FE Hardship £000	EMA's £000	Other £000	Total £000	31 July 2007 Total £000
Balance b/fwd	4	6	(26)	11	(5)	70
Allocation received in year	2,869	395	443	249	3,956	3,507
Expenditure	(2,819)	(367)	(403)	(275)	(3,864)	(3,586)
Repaid to Funding Council as clawback	-	-	-	-	-	-
College contribution to funds	-	-	-	15	15	25
Virements	-	-	-	-	-	(21)
Balance c/fwd	<u>54</u>	<u>34</u>	<u>14</u>	<u>-</u>	<u>102</u>	<u>(5)</u>
Represented by :						
Repayable to Funding Council as clawback	-	-	-	-	-	-
Retained by College for students	54	34	14	-	102	(5)

Grants and bursary funds received from both Funding Council 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.

Notes to the Accounts (continued)

28 FE Childcare Funds

	Year ended 31 July 2008 Total £000	Year ended 31 July 2007 Total £000
Balance b/fwd	-	29
Allocation received in year	453	343
Expenditure	(463)	(393)
Repaid to Funding Council as clawback	-	-
College contribution to funds	10	-
Virements	-	21
	<hr/>	<hr/>
Balance c/fwd	-	-
	<hr/>	<hr/>

Represented by:

Repayable to Funding Council as clawback	-	-
Retained by College for students	-	-

College contribution to funds represented the utilisation of specific funds provided by Working For Families.

In accordance with Accounts direction for 2007-08 issued by the Funding Council, Childcare Funds have been included in the Income and Expenditure Account.