



anguscollege

Report & Financial Statements

for the year ended 31 July 2011

Scottish Charity No.SCO21175

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NATURE, OBJECTIVES AND STRATEGIES

The Board of Governors has pleasure in submitting the audited financial statements for the year ended 31 July 2011.

Legal Status

In 1992, Parliament passed the Further and Higher Education (Scotland) Act, as a result of which 43 former Colleges of Further Education in Scotland were incorporated into a new sector. These financial statements are for the 18th accounting period following incorporation on 1 April 1993.

On that date staff in local authority employment, land and other property owned by the Education Authority were transferred to the College and control of the College passed to the Board of Governors and the College Principal who is the Accountable Officer and is responsible to Parliament for the Stewardship of the College's finances and assets. The land and buildings transferred from Tayside Regional Council have been included in the balance sheet at a valuation at 31 March 1995 less depreciation for the period 1 April 1995 to 31 July 2011.

The College is a registered charity (Scottish Charity Number SC021175) for the purposes of the Law Reform (Miscellaneous Provision) (Scotland) Act 2005.

Nature, Objectives and Strategies

Angus College is one of the main community colleges in Scotland with a main campus in Arbroath and satellite learning centres in the burgh towns of Brechin, Forfar, Kirriemuir and Montrose.

It serves the diverse area of Angus and the South Mearns, recruiting c' 10,000 students in 2010/11 from a population of 110,000.

The College employed 413 staff in total in 2010/11 or 254 FTE, making it one of the largest employers in the Angus area and a significant contributor to the area's economic development.

Scope of the Financial Statements

The Financial Statements cover all activities of the College.

College 20:20 Vision - 2010 TO 2020

"Achieving excellence"

The College Vision and Strategic Objectives

A new ten year Vision has been established for 2020 and that is to build on and maintain our status as Scotland's Best Community College and to be recognised for Achieving Excellence.

Associated with this long term Vision are 3 key strategic objectives of Excellence in Learning, Excellence in Facilities and Excellence in Leadership.

Operating and Financial Review (continued)

The Three Periods Of Achieving the 2020 Vision

Nationally and locally Scotland's colleges face the challenge of meeting unprecedented and growing needs for their services with a severely cut quantum of public funding.

At Angus College the long term 2020 Vision of Achieving Excellence is anticipated to be delivered against three different economic backdrops calling for different approaches summarised as:

2010/11 to 2012/13	-	A Period of Resilience
2013/14 to 2015/16	-	A Period of Growing Ambition
2016/17 to 2019/20	-	A Period of Realising Aspiration

The Period of Resilience will be characterised primarily by:

- ensuring there is a clear purpose
- ensuring decisions are made in a calm, rational and informed basis
- building on a culture of collective responsibility
- building productive partnerships internally and externally
- valuing what we contribute to society
- learning from and changing with developing circumstances
- making best use of resources; and
- focusing positively on the future

Financial Resilience 2010/11

During this financial year the known facts about the scale of the cuts in grant-in-aid to the College have been made clear, the headline figures being:

- a 10.3% reduction in the teaching grant for 2011/12; and
- a 38% reduction in capital grant for 2011/12

Action had to be taken during the financial year 2010/11 to ensure the sustainability of the College, including a mix of voluntary options, budget savings and efficiencies and seeking out new sources of income.

An original starting budget deficit for 2011/12 of £1,483,000 was converted to a planned actual budget deficit of £57,000 as a result of actions taken, including a major saving from voluntary options in 2011/12 of £620,000 against one-off costs in 2010/11 of £403,000.

In spite of these and other one-off costs, the College's financial position for 2010/11 remained healthy, especially in terms of cash and liquidity.

FINANCIAL POSITION

Financial Results

The College's income has increased to £13,017,000 for the year to 31 July 2011 (2009/10 £12,623,000), with expenditure increasing in 2010/11 to £12,927,000 from £12,569,000 in 2009/10. The College's income and expenditure account for the period shows a surplus of £94,000 (2010:

Operating and Financial Review (continued)

surplus £68,000). This represents 0.72% of total income for 2010/11 (0.54% for 2009/10). £126,000 (2010: £127,000) has been transferred from the revaluation reserve to the income and expenditure account reserve giving a surplus available for carry forward of £4,090,000 (2009: £3,870,000). The College budgeted for a surplus of £22,500 for 2010/11.

At 31 July 2011 the College had accumulated reserves of £8.4m and cash balances of £4.4m. It is the intention of the College to continue to accumulate reserves and retain sufficient cash balances in order to create funds to allow for future investment.

Tangible fixed asset additions during the year amounted to £565,000. This was split between land and buildings improvements of £241,000 and equipment purchased of £324,000.

The College has significant reliance on the Scottish Funding Council for its principal funding source, largely from recurrent grants. In 2010/11 the Scottish Funding Council provided 74% of the College's total income, therefore non SFC income represents 26% of total income in 2010/11 (25% in 2009/10).

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

Treasury management is the management of the College's cash flows, its banking, any money market and capital market transactions, the effective control of risks associated with those activities, and the pursuit of optimum performance consistent with those risks.

The College has a Treasury Management Policy in place. Any borrowing arrangements are restricted by the limits in the Treasury Policy and Financial Regulations and by provisions set out in the Financial Memorandum with the Scottish Funding Council.

Cash Flows

In 2010/11 the College recognised a cash inflow of £935,000 from operating activities, with further cash inflows from investment interest received (£81,000), sale of fixed assets (£4,000) and capital grants received (£554,000). With cash outflows for the purchase of fixed assets amounting to £565,000, the net inflow of funds in 2010/11 was £1,023,000.

Cash flows are monitored throughout the financial year. Projected inflows are matched to the College's budgeted expenditure and to planned capital expenditure included in the College's Estates Plan. It is the College's policy to maintain liquid funds to the equivalent of three months gross salary costs (£2,150,000). For the current year the College had 136 days cash (108.3 in 2009/10) based on total expenditure.

Liquidity

The College has a Current Asset: Current Liability ratio of 3.4:1, one of the highest in the sector, which indicates a very strong liquidity position. The College has no borrowing at all.

Creditor Payment Policy

The College complies with the CBI Prompt Payment Code and has a policy of paying its suppliers at the end of the month following the month of invoice, or on the suppliers' terms, if earlier. The effect of

Operating and Financial Review (continued)

the College's policy is that its trade creditors at the year end represent 38.9 days purchases (2010: 25.5 days).

CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE

Review of Academic Year 2010/2011 and Future Development

Student Activity

In session 2010/11 Angus College enrolled 10,000 students and turned out a record high of 49,500 Weighted SUMs, some 20% above our contract target with the Scottish Funding Council.

This is evidence of a growing disparity between the growing catchment area and population Angus College is servicing and the historic allocation of WSUMs at the time of incorporation in 1993.

Curriculum Developments

In this session we have continued our modernisation of the curriculum in line with the development of the College and individual team Learning Strategies

The most significant development was the growth in Extended Learning Support reflecting the diverse demanding needs of our wide client group.

Future Developments

Despite the cut in capital grant and the tight financial operating constraints, the College has continued to invest in and improve facilities for the 2011/12 academic year, such as:

- the completion of the new state-of-the-art production kitchen at a cost of over £200,000, with £100,000 of this being raised by the Angus College Charitable Trust;
- the opening of the Angus Centre for Enterprise;
- the modernisation of stairwells, corridors and teaching rooms, including the new suite of meeting rooms for business clients; and
- the continuation of planned investments to assist the College in meeting its 2016 CO₂ emissions reduction target.

Our ambition remains one of first class learning in first class facilities, which can only be achieved by continuous investment in our staff (our main asset) and our buildings, equipment and estate.

The College is aware of the seriousness of the planned budget cuts for the sector through to 2014/15 and, as such, will continue to have to be very resilient in managing College finances and prioritising future developments.

Resources

Tangible resources include the main College campus consisting of four major buildings, five outreach learning centres and the nursery. The College owns two learning centres in Montrose and Kirriemuir and leases the centres in Arbroath, Forfar and Brechin.

Operating and Financial Review (continued)

Financial

The College has £16 million of net assets and no long term debt.

People

The College employs 254 people (expressed as full time equivalents), of whom 136 are teaching staff. The College considers good communication with its staff to be very important and to this end produces regular information updates which are circulated to all staff. A range of briefing, consultation and bargaining arrangements have been developed and these are subject to continual review and improvement.

Reputation

The College has a good reputation locally, nationally and internationally. Maintaining a quality brand is essential for the College's success in attracting students and developing and maintaining stakeholder relationships. The HMIE Review of May 2009 had unqualified confidence statements, 14 key strengths, 4 excellent and sector leading practices and no identified actions, however, Angus College has continued to seek further improvements and enhancements to our services for students and the wider community.

Principal Risks and Uncertainties

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

The Executive Team 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 units and reinforced by risk awareness training. The Executive Team and the Audit Committee also receive regular reports from internal audit and health, safety and environmental monitoring functions which include recommendations for improvement.

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

The Board of Governors' agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Team and Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. In January 2012 the Board of Governors will consider the Audit Committee's annual assessment for the year ended 31 July 2011.

The Board of Governors is of a view that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place throughout the year ended 31 July 2011 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Governors and accords with the Turnbull guidance on internal control, as applicable to the further education sector.

Operating and Financial Review (continued)

The principal risk factors that are currently affecting the College are identified as:

- The effects of the economic downturn on income streams
- The effects of the economic downturn on increasing demand for full time courses
- The likely real term reductions in public spending in 2011/12 onwards
- The potential for overspend on student support funds
- The need to maintain positive staff relations in a difficult funding period

Stakeholder Relationships

The College has, over an extended period sought to develop relationships with both public and private sector organizations, including:

- Students and Student Representative Council
- Scottish Funding Council
- Staff
- Local, national and international employers
- Local authorities (especially Angus Council)
- Government offices and agencies
- The local community
- Community planning partnership
- Chamber of Commerce
- Scotland's colleges, other FE and HE institutions
- Trade unions
- Professional bodies

Equal Opportunities and employment of disabled persons

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees.

Disclosure of information to auditors

The Governors 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 Governor 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 Board of Governors onDecember 2011 and signed on its behalf by:

Chairman

Principal

Professional Advisers

External Auditors: RSM Tenon Audit Limited
Internal Auditors: Henderson Loggie

Bankers: Bank of Scotland
Solicitors: Thorntons WS

Statement of Corporate Governance and Internal Control

Introduction

The College is committed to exhibiting best 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 2006. Its purpose is to help the reader of financial statements understand how the principles have been applied.

Statement of full Combined Code compliance

In the opinion of the Board of Governors, the 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 throughout the year ended 31 July 2011.

Board of Governors

The College's Board of Governors meets five times a year and has several committees through which it conducts its business. Each committee has formally constituted terms of reference. These committees comprise a Finance and Facilities Committee, a Human Resources and Quality Committee, an Audit Committee, a Chairman's Committee, a Remuneration and Nominations Committee.

The Finance and Facilities Committee, among other things, recommends to the Board of Governors the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Remuneration and Nominations Committee determines the remuneration of the most senior staff, including the Principal. Details of the remuneration of senior postholders for the year ended 31 July 2011 are set out in note 7 to the financial statements.

The Audit Committee meets up to three times per year with the College's external and internal auditors in attendance at least one meeting. The Audit Committee advises the College of the internal auditors and the external auditors' remuneration.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input, and report their findings to the Executive Team and the Audit Committee. The Executive Team is responsible for the implementation of agreed audit recommendations and internal auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit 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 senior executives attend meetings of the Audit Committee, they are not members of the Committee and once a year the Committee meets the external auditors on their own for independent discussions.

Members

The members of the Board of Governors who served the College during the period were as follows:

		Original Appointment	Term of office
Mr Graham Hay (Chair from 01/04/09) Retired, Proprietor, Human Resource Consultant	1,2,3	April 2002	4 years
Mr Paul Grant (Vice Chair from 01/04/09) Owner/Managing Director, Mackays Ltd	2	April 2006	4 years
Mr John Burt OBE Principal, Angus College	1,2		
Mr David Anderson Chartered Accountant	1	Nov 2007	2 years
Mrs Mary Brownlow Trainer, Care Industry	3	April 2006	4 years
Mr William Lawrie Farmer	1,3	April 1999	4 years Retired 31/03/11
Mr Douglas Mackintosh Solicitor	2	April 2003	4 years
Mr Gary Malone Manager, Angus Volunteer Centre	3	Nov 2007	2 years Retired 08/06/11
Ms Lorraine Young Strategic Planner, Angus Council	1	Sept 2008	4 years
Mr Mike Ferguson Solicitor	1	April 2009	4 years
Mr John Forster Managing Director, Forster Roofing	3	April 2009	4 years
Mr David Sawers Chief Executive, Angus Council	2	April 2009	2 years
Mr John Smith Farmer	3	April 2009	2 years
Mrs Marlene Anderson Support Staff Representative		June 2010	2 years
Ms Ann Petrie Academic Staff Representative	3	April 2011	2 years

Mrs Jackie Howie acts as Clerk to the Board of Governors

- 1 Finance and Facilities Committee
- 2 Human Resources and Quality Committee
- 3 Audit Committee

Appointments to the Board of Governors

Any new appointments to the Board of Governors are a matter for the consideration of the Board of Management as a whole. The Board of Governors has a Nominations Committee, consisting of three non-executive members of the Board of Management, which is responsible for the selection and nomination of any new member for the Board of Governors' consideration.

The Board of Governors ensures that a process is in place to provide appropriate induction training to new Board of Governors members and new Board members are expected to undertake induction training. The Procedures for Appointing New Board members are available from the Clerk to the Board of Governors. Members of the Board of Governors are appointed for an initial term of office not exceeding four years and may be reappointed.

Remuneration Committee

The Remuneration Committee comprises three non-executive members of the Board of Management. The Committee is responsible for making recommendations to the Board on the remuneration and benefits of the Principal and senior staff.

Details of the remuneration of senior post-holders for the year ended 31 July 2011 are set out in notes 6 and 7 to the financial statements.

Audit Committee

The Audit Committee comprises five non-executive members of the Board of Governors (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Board of Governors.

The Audit Committee meets three times a year and provides a forum for reporting by the College's external and internal auditors, who have access to the Committee for independent discussion, without the presence of College management.

The Audit Committee advises the College on the appointment of the internal auditors and the auditors' remuneration. The Audit Committee establishes the College's risk tolerance and monitors risk.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input, and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to the Audit Committee to ensure such recommendations have been implemented.

The Audit 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 and Audit Scotland as they affect the College's business and monitors adherence to the regulatory requirements.

Statement of Corporate Governance and Internal Control (continued)

Finance and Facilities Committee

The Finance and Facilities Committee comprises four non-executive members of the Board of Governors in addition to the Principal and Chair. The Committee operates in accordance with written terms of reference approved by the Board of Governors.

The Finance and Facilities Committee meets four times a year and, among other matters, recommends to the Board of Governors the College's annual revenue and capital budgets and monitors performance in relation to approved budgets. It monitors the College's financial and business perspectives. It undertakes an annual self evaluation, including review of its terms of reference.

Risk Management and Internal Control

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

The Board of Governors has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the Scottish Funding Council. He is also responsible for reporting to the Board of Governors any material weaknesses or breakdowns in internal control.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2011 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Board of Governors has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate these risks. The Board of Governors is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2011 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Board of Governors.

By order of the Board of Governors

Chairman

Date

Principal

Date

Angus College, Keptie Road, Arbroath, Angus, DD11 3EA
Copy documents can be obtained from the above address.

Statement of Corporate Governance and Internal Control

In respect of its strategic and development responsibilities, the Board of Governors receives recommendations and advice from the Executive Team.

Board's Statement on Internal Control

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

The Executive Team 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 units and reinforced by risk awareness training. The Executive Team and the Audit Committee also receive regular reports from internal audit and health, safety and environmental monitoring functions which include recommendations for improvement.

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

The Audit Committee's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Team. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. In January 2012 the Board of Governors will consider the Audit Committee's annual report for the year ended 31 July 2011.

The Board of Governors is of a view that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place throughout the year ended 31 July 2011 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Governors and accords with the Turnbull guidance on internal control, as applicable to the further education sector.

Going Concern

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

Chairman

Date

Principal

Date

Statement of the Board of Governors' Responsibilities

In accordance with the Further and Higher Education (Scotland) Act 1992, the Board of Governors 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 Governors 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) Act 1992, the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council (SFC) and the College's Board of Governors, the Board, through the Principal as Accountable Officer, 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 the surplus or deficit and cash flows for that year.

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

- suitable accounting policies are selected and applied consistently;
- judgments 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 Governors is satisfied that it has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Governors has taken reasonable steps to:

- ensure that funds from SFC 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 Governors' 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 monthly 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 Governors.
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance Committee;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Governors whose head provides the Board of Governors with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

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

By order of the Board of Governors

Chairman

Date

Principal

Date

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

We have audited the financial statements of Angus College for the year ended 31 July 2011 under the Further and Higher Education (Scotland) Act 1992. The financial statements comprise the Income and Expenditure Account and Statement of Total Recognised Gains and Losses, the Balance Sheet, the 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 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 Governors and auditor

As explained more fully in the Statement of Responsibilities of the Board of Governors set out on pages 12-13, the Board of Governors 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 receipts. 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 receipts.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and receipts 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 body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements 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 body's affairs as at 31 July 2011 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Opinion on regularity

In our opinion in all material respects:

- the expenditure and receipts 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 2006 and any other terms and conditions attached to them for the year ended 31 July 2011; and
- funds from whatever source administered by the body for specific purposes have been properly applied for the intended purposes.

Opinion on other prescribed matters

In our opinion the information given in the Operating and Financial Review and the Statement of Corporate Governance included in the Annual Report for the financial year 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:

- adequate 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.

RSM Tenon Audit Limited
Statutory Auditor
160 Dundee Street
Edinburgh
EH11 1DQ

Date.....

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation

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

Recognition of Income

Income from grants, fees, contracts and other services rendered is recognised in the income and expenditure account in proportion to the extent of completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. The main annual recurrent allocation from SFC, which is intended to meet recurrent costs, is credited direct to the income and expenditure account.

Maintenance of Premises

The College has a five-year rolling long-term maintenance plan, which forms the basis of the ongoing maintenance of the estate. The cost of long term and routine corrective maintenance is charged to the income and expenditure account as incurred.

Pension Schemes

Retirement benefits to employees of the College are provided by the Scottish Teachers' Superannuation Scheme (Scotland) and the Tayside Superannuation Fund. 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 current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method.

Provision is made for the future cost of enhanced pensions in respect of early retirements in the year of retirement.

Due to the multi-employer nature of the schemes and there being a fixed contribution rate for all participating employers, the Board of Governors consider that they are unable to track the specific assets and liabilities on a consistent and reasonable basis. This has resulted in the College accounting for contributions to the scheme as if they were contributions to defined contribution schemes, as permitted by FRS17.

Tangible Fixed Assets

A Land and Buildings

Land and buildings inherited from Tayside Regional Council and additions from the date of incorporation to 31 March 1995 are stated in the balance sheet at valuation as at 31 March 1995. These are specialised properties for which there is no market evidence and have therefore been valued on the depreciated replacement cost basis. Additions from 1 April 1995 are stated at cost. Feuhold land associated with the buildings and undeveloped feuhold land is not depreciated. Feuhold buildings are depreciated over their expected useful economic life to the College of between 10 and 50 years.

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.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

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

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.

The transitional rules set out in FRS15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly the book values at implementation have been retained.

B Equipment

Equipment costing less than £10,000 per item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Other assets are depreciated over their useful economic life as follows:

Equipment	10% to 25% per year
Motor Vehicles	25% 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.

Subsequent Expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets, it is charged to the income & 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 following basis:

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

Stocks

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

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 is partially exempt from VAT.

Liquid Resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

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.

Where the effect of the time value of money is significant, the estimated cash flows are discounted using the discount rate prescribed by the Scottish Funding Council.

Unfunded pensions are accounted for under FRS 12 as required by the Accounts Direction issued by the Scottish Funding Council.

Leased Assets

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

Revaluation Reserve

Surpluses arising on the revaluation of the College's properties are transferred to the revaluation reserve. Additional depreciation charged on the revalued amount of these assets is transferred from the revaluation reserve to income & expenditure account together with any surplus or deficit on disposal.

Agency Arrangements

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the Income & 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 these funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College Income and Expenditure Account.

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 July 2011

	<i>Notes</i>	Year ended 31 July 2011	Year ended 31 July 2010
		£000	£000
INCOME			
Funding Council Grants	<i>1</i>	9,680	9,459
Tuition fees and education contracts	<i>2</i>	2,338	2,265
Research grants and contracts	<i>3</i>	321	174
Other income	<i>4</i>	597	658
Endowment and Investment income	<i>5</i>	<u>81</u>	<u>67</u>
Total income		<u>13,017</u>	<u>12,623</u>
EXPENDITURE			
Staff costs	<i>6</i>	8,600	8,691
Exceptional Staff Costs		431	113
Other operating expenses	<i>8</i>	3,106	2,994
Depreciation	<i>10</i>	<u>790</u>	<u>771</u>
Total expenditure		<u>12,927</u>	<u>12,569</u>
Surplus on continuing operations after depreciation of fixed assets at valuation but before taxation		90	54
Gain/(Loss) on disposal of fixed assets		<u>4</u>	<u>14</u>
Surplus on continuing operations after depreciation of fixed assets at valuation but before taxation		94	68
Taxation	<i>9</i>	<u>-</u>	<u>-</u>
Surplus on continuing operations after depreciation of fixed assets and taxation	<i>16</i>	94	68

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

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS for the year ended 31 July 2011

	<i>Notes</i>	Year ended 31 July 2011	Year ended 31 July 2010
		£000	£000
Surplus on continuing operations after depreciating assets		94	68
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	<i>16</i>	<u>126</u>	<u>127</u>
Historical cost surplus for the year		<u>220</u>	<u>195</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 July 2011

	<i>Notes</i>	Year ended 31 July 2011	Year ended 31 July 2010
		£000	£000
Surplus after depreciation of assets at valuation		<u>94</u>	<u>68</u>
Total gains/(losses) recognised for the period		<u>94</u>	<u>68</u>
Reconciliation			
Opening reserves		8,278	8,210
Total recognised gains for the year		<u>94</u>	<u>68</u>
Closing reserves		<u>8,372</u>	<u>8,278</u>

BALANCE SHEET as at 31 July 2011

	<i>Notes</i>	Year ended 31 July 2011	Year ended 31 July 2010
		£000	£000
Fixed Assets			
Tangible assets	<i>10</i>	<u>13,529</u>	<u>13,754</u>
Current Assets			
Stock		4	4
Debtors	<i>11</i>	1,189	1,356
Investments		4,385	3,436
Cash at bank and in hand		<u>199</u>	<u>96</u>
		<u>5,777</u>	<u>4,892</u>
Creditors: amounts falling due within one year	<i>12</i>	<u>1,905</u>	<u>1,487</u>
Net current assets		<u>3,872</u>	<u>3,405</u>
Total assets less current liabilities		17,401	17,159
Creditors: amounts falling due after more than one year		-	-
Provisions for liabilities and charges	<i>13</i>	<u>1,251</u>	<u>1,020</u>
NET ASSETS		<u>16,150</u>	<u>16,139</u>
Deferred capital grants	<i>14</i>	7,778	7,861
Reserves			
Revaluation reserve	<i>15</i>	4,282	4,408
General Reserves	<i>16</i>	<u>4,090</u>	<u>3,870</u>
Total reserves		<u>8,372</u>	<u>8,278</u>
TOTAL		<u>16,150</u>	<u>16,139</u>

The financial statements on pages 22 to 42 were approved and authorised for issue by the Board of Governors and signed on its behalf by:

Chairman

Date

Principal

Date

CASH FLOW STATEMENT

for the year ended 31 July 2011

	<i>Notes</i>	Year ended 31 July 2011	Year ended 31 July 2010
		£000	£000
Cash flow from operating activities	<i>18</i>	947	1,002
Returns on investments and servicing of finance	<i>19</i>	81	67
Capital expenditure and financial investment	<i>20</i>	(7)	(31)
Management of liquid resources	<i>21</i>	(949)	(1,013)
Financing	<i>22</i>	<u>-</u>	<u>(15)</u>
(Decrease)/Increase in cash in the year		<u><u>72</u></u>	<u><u>10</u></u>
Reconciliation of net cash flow to movement in net funds			
(Decrease)/Increase in cash in the year		72	10
Cash inflow from financing		-	15
Cash inflow from liquid resources		<u>949</u>	<u>1,013</u>
Movement in net funds in year		1,021	1,038
Net funds as at 1 August 2010		<u>3,499</u>	<u>2,461</u>
Net funds at 31 July 2011	<i>23</i>	<u><u>4,520</u></u>	<u><u>3,499</u></u>

NOTES TO THE ACCOUNTS

1 Grants from Scottish Funding Council

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Recurrent grant	7,280	7,234
Fee Waiver grant	1,300	1,172
Specific SFC grants:		
SFC funded projects	63	167
Funding for increased STSS contributions	-	-
Other SFC grants	334	183
Childcare	145	157
Release of deferred capital grants		
Buildings (note 16)	304	286
Equipment (note 16)	<u>254</u>	<u>260</u>
TOTAL	<u>9,680</u>	<u>9,459</u>

NOTES TO THE ACCOUNTS

2 Tuition Fees and Education Contracts

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
UK Higher Education Students	677	676
Non EU Students	0	3
UK Further Education Students	<u>391</u>	<u>431</u>
Total fees paid by or on behalf of individual students	1,068	1,110
Education contracts	<u>1,270</u>	<u>1,155</u>
TOTAL	<u>2,338</u>	<u>2,265</u>

3 Research Grants and Contracts

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Other grants and contracts	243	92
Release from deferred capital grant (non-SFC) (Note 16)	<u>78</u>	<u>82</u>
TOTAL	<u>321</u>	<u>174</u>

4 Other Income

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
European Commission	43	105
Catering	312	330
Other income	<u>242</u>	<u>223</u>
TOTAL	<u>597</u>	<u>658</u>

NOTES TO THE ACCOUNTS

5 Investment Income

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Interest receivable	<u>81</u>	<u>67</u>

6 Staff Costs

	Year ended 31 July 2011	Year ended 31 July 2010
	Number	Number
The average monthly number of persons (including senior post-holders) employed by the College during the period, expressed as full-time equivalents was:		
Senior Management	7	7
Teaching staff	136	141
Teaching support	15	15
Administration and central	61	57
Premises	17	19
Other income generating	9	13
Catering	<u>9</u>	<u>9</u>
TOTAL	<u>254</u>	<u>261</u>
Analysed as		
Staff on permanent contracts	226	234
Staff on temporary contracts	<u>28</u>	<u>27</u>
TOTAL	<u>254</u>	<u>261</u>

NOTES TO THE ACCOUNTS

6 Staff Costs (continued)

Staff costs for the above persons

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Wages and salaries	7,137	7,224
Social security costs	511	513
Other pension costs	<u>952</u>	<u>954</u>
TOTAL	<u>8,600</u>	<u>8,691</u>
Senior Management	550	538
Teaching staff	4,828	4,884
Teaching support	596	572
Administration and central	1,838	1,892
Premises	335	360
Other income generating	308	299
Catering	<u>145</u>	<u>146</u>
TOTAL	<u>8,600</u>	<u>8,691</u>
Analysed as		
Staff on permanent contracts	7,786	7,862
Staff on temporary contracts	<u>814</u>	<u>829</u>
TOTAL	<u>8,600</u>	<u>8,691</u>

NOTES TO THE ACCOUNTS

6 Staff Costs (continued)

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

	Year ended 31 July 2011	Year ended 31 July 2010
	Number	Number
	Senior post-holders	Senior post-holders
£60,001-£65,000	5	5
£65,001-£75,000	-	-
£75,001-£85,000	1	1
£85,001-£95,000	-	-
£95,001-£105,000	-	1
£105,001-£115,000	<u>1</u>	<u>-</u>
TOTAL	<u>7</u>	<u>7</u>

A pay award was made to academic staff from August 2010 of 1%, to management and support staff of 1% and senior post holders of 1% also from August 2010. The increase disclosed below also reflects the effect of regarding carried out during the academic year 2009/10.

7 Senior Post-Holders' Emoluments

	Year ended 31 July 2011	Year ended 31 July 2010
	Number	Number
The number of senior post-holders including the Principal was:	<u>7</u>	<u>7</u>
	£000	£000
Salaries	439	431
Pension contributions	<u>68</u>	<u>66</u>
Total emoluments	<u>507</u>	<u>497</u>

NOTES TO THE ACCOUNTS

7 Senior Post-Holders' Emoluments (continued)

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

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Salary	95	94
Pension contributions	<u>14</u>	<u>14</u>
	<u>109</u>	<u>108</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 and the Tayside Superannuation Scheme.

Contributions to the Tayside Superannuation Fund are paid at the same rate as for other employees.

The members of the Board of Governors other than the Principal and the staff members did not receive 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

8 Other Operating Expenses

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Teaching departments	890	1,032
Administration and central services	530	520
Premises costs	513	585
Planned maintenance	131	151
Other income-generating activities	199	192
Catering	158	168
Other expenses	<u>685</u>	<u>346</u>
TOTAL	<u>3,106</u>	<u>2,994</u>

Other Operating Expenses include:

Auditors' Remuneration		
- internal audit	10	10
- external audit	27	15
- other services from internal audit	-	-
- other services from external audit	<u>-</u>	<u>-</u>

9 Taxation

The Board does not believe the College was liable for any corporation tax arising out of its activities during the year.

NOTES TO THE ACCOUNTS

10 Tangible Fixed Assets

	Freehold Land and Buildings £000	Vehicles and Equipment £000	Total £000
Cost or valuation			
At 1 August 2010	16,928	4,124	21,052
Additions	241	324	565
Disposals	<u>(63)</u>	<u>(867)</u>	<u>(930)</u>
At 31 July 2011	<u>17,106</u>	<u>3,581</u>	<u>20,687</u>
Depreciation			
At 1 August 2009	3,837	3,461	7,298
Charge for year	456	334	790
Eliminated in respect of disposals	<u>(63)</u>	<u>(867)</u>	<u>(930)</u>
At 31 July 2010	<u>4,230</u>	<u>2,928</u>	<u>7,158</u>
Net book value at 31 July 2011	<u>12,876</u>	<u>653</u>	<u>13,529</u>
Net book value at 1 August 2010	<u>13,091</u>	<u>663</u>	<u>13,754</u>
Inherited	4,408	-	4,408
Financed by capital grant (Note 16)	7,125	653	7,778
Other	<u>1,343</u>	<u>-</u>	<u>1,343</u>
Net book value at 31 July 2011	<u>12,876</u>	<u>653</u>	<u>13,529</u>

NOTES TO THE ACCOUNTS

10 Tangible Fixed Assets (continued)

Land and Buildings were valued at 31 March 1995 for the purpose of the 1995 financial statements by Donaldsons, Chartered Surveyors. The basis of valuation used was depreciated replacement cost as defined by the Statements of Asset Valuation Practice and Guidance notes issued by the Royal Institution of Chartered Surveyors.

If inherited land and buildings had not been valued they would have been included at the following amounts.

31 July 2011	31 July 2010
£000	£000
<u>—</u>	<u>—</u>

11 Debtors

	31 July 2011	31 July 2010
	£000	£000
Debtors	209	200
Prepayments and accrued income	156	301
Prepaid property lease	<u>824</u>	<u>855</u>
TOTAL	<u>1,189</u>	<u>1,356</u>

(b) Prepaid Property Leases

The College has entered into a 30 year lease agreement with Angus Council for the use of the sports facility in the extension to the Saltire Leisure Centre in Arbroath. The terms of the lease allow the College exclusive use of the facility during college hours and during the college academic year. The College contributed approximately half of the construction costs (£958,000) over the 2 years to 31 July 2007. The College is also committed to a proportion of the running costs and a nominal £1 per annum rent.

The College contribution to the constructions costs treated as prepaid operating lease expenditure and the remaining balance at 31/07/11 is scheduled to be amortised to the Income and Expenditure account as follows:

	31 July 2011	31 July 2010
	£000	£000
Due within 1 year	32	32
Due between 2 and 5 years	128	128
Due after 5 years	<u>664</u>	<u>695</u>
	<u>824</u>	<u>855</u>

NOTES TO THE ACCOUNTS

12 Creditors: Amounts Falling Due Within One Year

	31 July 2011	31 July 2010
	£000	£000
Overdraft	64	32
Loans	-	-
Trade creditors	331	209
Taxation and social security	258	265
Other creditors	737	714
Accruals	<u>515</u>	<u>267</u>
	<u>1,905</u>	<u>1,487</u>

13 Provisions for Liabilities and Charges

	Pension Enhancement £000
At 1 August 2010	1,020
Expenditure in the period	(64)
Additional pension enhancement provision	<u>295</u>
At 31 July 2011	<u>1,251</u>

In accordance with FRS 17, the College provides for a) the capital cost of enhanced pension commitments in the year of retirement and b) the excess of the pension cost over the contributions period.

NOTES TO THE ACCOUNTS

14 Deferred Capital Grants

	SFC £000	Other Grants £000	Total £000
At 1 August 2010			
Land and Buildings	5,271	1,948	7,219
Equipment	<u>591</u>	<u>50</u>	<u>641</u>
	<u>5,862</u>	<u>1,998</u>	<u>7,860</u>
Cash received			
Land and Buildings	241	13	254
Equipment	<u>291</u>	<u>9</u>	<u>300</u>
	<u>532</u>	<u>22</u>	<u>554</u>
Released to income and expenditure account			
Land and Buildings	(304)	(44)	(348)
Equipment	<u>(254)</u>	<u>(34)</u>	<u>(288)</u>
	<u>(558)</u>	<u>(78)</u>	<u>(636)</u>
At 31 July 2011			
Land and Buildings	5,208	1,917	7,125
Equipment	<u>628</u>	<u>25</u>	<u>653</u>
	<u>5,836</u>	<u>1,942</u>	<u>7,778</u>

15 Revaluation Reserve

	31 July 2011 £000	31 July 2010 £000
At 1 August 2010	4,408	4,535
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on revalued assets (Note 18)	<u>(126)</u>	<u>(127)</u>
At 31 July 2011	<u>4,282</u>	<u>4,408</u>

NOTES TO THE ACCOUNTS

16 Movement on General Reserve

	Income and Expenditure Account	Designated Reserve	Total £
Balance brought forward	2,870	1,000	3,870
Surplus on continuing operations before transfer from revaluation reserve	94	-	94
Transfer from revaluation reserve	<u>126</u>	<u>-</u>	<u>126</u>
Balance carried forward	<u>3,090</u>	<u>1,000</u>	<u>4,090</u>

The designated reserve represents funds earmarked for essential backlog maintenance as identified by the Watts Group report commissioned by the Scottish Funding Council.

17 Pensions 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), which are defined benefit schemes. The STSS is administered by the Scottish Public Pensions Agency and the LGSS by the Tayside Superannuation Fund.

The total pension cost was £952,000 (2010: £954,000).

Scottish Teachers' Superannuation Scheme (STSS, Teaching Staff)

The Scottish Teachers' Superannuation Scheme (STSS), in common with most other public service superannuation schemes, has no real fund and 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 current contribution rates are variable based on income.

NOTES TO THE ACCOUNTS

Local Government Pension Scheme (Administrative Staff)

The Tayside Superannuation Fund LGPS is a funded defined benefit scheme, with the assets held in separate administered funds. The scheme is subject to triennial valuation by independent actuaries, the last published valuation being carried out as at 31 March 2008.

In view of the fact that contributions to the scheme are currently established on a scheme-wide basis and that the College's share of the scheme assets is only derived on a notional basis and has no impact on the College's contribution rates as an employer, the Board of Governors is of the view that the scheme should be accounted for as if it was a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account is equal to the contributions payable to the scheme for the year.

The most recent published actuarial valuation was carried out as at 31st March 2008. The value of the fund was £1550m, and there was a deficiency of £37.6m. The funding level was 97.6% and an average required contribution rate was 18.5% of the pensionable pay. The contribution rate for the three years 2010 to 2012 was agreed at 18.5%. The funding objective is to achieve and maintain a funding level of 100%. The contribution rates paid by Angus College over the accounting periods are as follows:

April 2009 to March 2010 18.5% of pensionable pay

April 2010 to March 2011 18.5% of pensionable pay

April 2011 to March 2012 18.5% of pensionable pay

These figures include the past service element of the contribution rate.

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment.

NOTES TO THE ACCOUNTS

18 Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	Year ended 31 July 2011	Year ended 31 July 2010 Restated
	£000	£000
Surplus on continuing operations after depreciation of assets at valuation	94	68
Depreciation (note 10)	790	771
Net (Gain)/Loss on disposal of fixed assets	(4)	(14)
Deferred capital grants released to income (note 1&3)	(636)	(628)
Interest paid	-	-
(Increase)/Decrease in stocks	-	-
Decrease/(Increase) in debtors	167	516
(Decrease)/Increase in creditors	169	258
Increase in provisions	448	98
Interest receivable (note 5)	<u>(81)</u>	<u>(67)</u>
Net cash inflow from operating activities	<u>947</u>	<u>1,002</u>

19 Returns on Investments and Servicing of Finance

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Other interest received (note 5)	81	67
Interest payable	—	—
Net cash inflow from returns on investments and servicing of finance	<u>81</u>	<u>67</u>

NOTES TO THE ACCOUNTS

20 Capital Expenditure

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Purchase of tangible fixed assets	(565)	(727)
Sale of fixed assets	4	18
Deferred capital grants received	<u>554</u>	<u>678</u>
Net cash (outflow)/inflow from capital expenditure and financial investment	<u>(7)</u>	<u>(31)</u>

21 Management of Liquid Resources

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Cash deposits	<u>949</u>	<u>1,013</u>

22 Financing

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Repayment of loan	<u>-</u>	<u>(15)</u>
	<u>-</u>	<u>(15)</u>

NOTES TO THE ACCOUNTS

23 Analysis of Net Funds

	At 31 July 2010 £000	Cash Flows £000	At 31 July 2011 £000
Cash	96	104	200
Debt due within 1 year	(32)	(32)	(64)
Debt due after 1 year	-	-	-
Current asset investments	<u>3,435</u>	<u>949</u>	<u>4,384</u>
	<u>3,499</u>	<u>1,021</u>	<u>4,520</u>

NOTES TO THE ACCOUNTS

24 Bursaries and other Student Support Funds

	FE Bursary Year Ended 31 July 2011 £000	FE Hardship Year Ended 31 July 2011 £000	EMAs Year Ended 31 July 2011 £000	Other Year Ended 31 July 2011 £000	Total Year Ended 31 July 2011 £000	Total Year Ended 31 July 2010 £000
Balance brought forward	117	18	(38)	20	117	(46)
Allocation received in year (prior to clawback)	1,728	101	245	111	2,185	2,201
Expenditure	(1,579)	(87)	(221)	(65)	(1,952)	(2,012)
Repaid to/by Funding Council/funding body (clawback)	<u>(117)</u>	<u>(10)</u>	<u>-</u>	<u>(11)</u>	<u>(138)</u>	<u>(26)</u>
Balance carried forward	<u>149</u>	<u>22</u>	<u>(14)</u>	<u>55</u>	<u>212</u>	<u>117</u>
Represented by:						
Repayable to Funding Council/ funding body as clawback	(90)	(22)	14	(51)	(212)	(117)
Virements	-	-	-	-	-	-
Retained by the college for students	59	-	-	4	-	-

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 2010-11 issued by the SFC, Childcare Funds have been included in the Income and Expenditure Accounts this year and comparative figures for last year provided also.

NOTES TO THE ACCOUNTS

25 FE Childcare Funds

	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Balance brought forward	64	35
Allocation received in year	192	189
Expenditure	(145)	(160)
Repaid to Funding Council/funding body (clawback)	(61)	-
Virements	<u>-</u>	<u>-</u>
Balance carried forward	<u>50</u>	<u>64</u>
Represented by:	-	-
Repayable to Funding Council as clawback	(31)	(64)
Retained by college for students	19	

Related Party Transactions

Due to the nature of the College's operations and the composition of its Board of Governors (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 Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have a material interest are conducted at arm's length and in accordance with normal project and procurement procedures.

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

SFC is regarded as a related party. During the year Angus College had various material transactions with SFC and with other entities for which SFC is regarded as the sponsor Department namely Student Awards Agency for Scotland.

In addition Angus College has had a small number of material transactions with other Government Departments and other Central Government bodies. Most of these transactions have been with the Scottish Government.

