angus college

Report & Financial Statements

for the year ended 31 July 2012

Scottish Charity No. SCO21175

Index

NATURE, OBJECTIVES AND STRATEGIES

The Board of Governors has pleasure in submitting the audited financial statements for the year ended 31 July 2012.

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 19th 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 2012.

The College is a registered charity (Scottish Charity Number SC021175) established within the provisions of the Charities and Trustees Investment (Scotland) Act 2005.

Nature, Objectives and Strategies

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

It serves the diverse area of Angus and South Mearns, recruiting c' 9,000 students in 2011/12 from a population of 110,000.

The College employed 363 staff in total in 2011/12 or 232 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

Quite simply it is *"Achieving excellence"* in Learning, Facilities and Leadership.

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.

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 but against a backdrop of a severely reducing quantum of public funding. At the same time there is a reform agenda for Post 16 Education in Scotland with Scotland's Colleges being funded from 2012/13 on a regional basis.

At Angus College the long term 2020 Vision of Achieving Excellence was to be delivered against three different economic contexts, each 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 Ambition

Adopting a resilient approach to our business certainly enabled Angus College to adapt to the difficult economic background, seek out new opportunities and efficiencies and position ourselves for future change as a strong and robust organisation.

During 2011/12 Academic and Financial year the process of Regionalisation has begun and Angus College will be progressing a merger, from a very strong position, with its regional partner, Dundee College. The key principle of taking forward this merger will be to build on our individual strengths and create a new ambitious institution which will enhance the opportunities for future learners in the Dundee City and Angus region.

It is envisaged that any such merger will be concluded by October/November 2013.

FINANCIAL POSITION

Financial Results

The College's income has decreased to £11,808,000 for the year to 31 July 2012 (2010/11: £13,057,000 restated), with expenditure decreasing in 2011/12 to £11,797,000 from £13,070,000 (restated) in 2010/11. The College's income and expenditure account for the period shows a surplus of £13,000 (2010/11: deficit £9,000 restated). This represents 0.11% of total income for 2011/12 (-0.07% for 2010/11). £127,000 (2010/11: £126,000) has been transferred from the revaluation reserve to the income and expenditure account reserve giving a surplus available for carry forward of £5,572,000 (2010/11: £5,341,000 restated). The College budgeted for a deficit of £57,000 for 2011/12.

At 31 July 2012 the College had accumulated reserves of £5.2m (including pension liability) and cash balances of £4.5m and short-term investment. It is the intention of the College to continue to accumulate reserves and retain sufficient cash and short-term investments in order to create funds to allow for future investment.

Tangible fixed asset additions during the year amounted to £716,000. This was split between land and buildings improvements of £409,000 and equipment purchased of £307,000.

The College has significant reliance on the Scottish Funding Council for its principal funding source, largely from recurrent grants. In 2011/12 the Scottish Funding Council provided 72.7% of the College's total income, therefore non SFC income represents 27.3% of total income in 2011/12 (25.5% in 2010/11).

Taxation Status

The College is registered with the Office of the Scottish Charities Regulator as a Scottish Charity (SC021175) 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 2011/12 the College recognised a cash inflow of £358,000 from operating activities, with further cash inflows from investment interest received (£109,000), sale of fixed assets (£2,000) and capital grants received (£222,000). With cash outflows for the purchase of fixed assets amounting to £716,000, the net outflow of funds in 2011/12 was £25,000.

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 (£1,995,000). For the current year the College had 151.6 days cash (136.3 in 2010/11) based on total expenditure.

Liquidity

The College has a Current Asset: Current Liability ratio of 2.8:1, above the sector average, which indicates a very strong liquidity position. The College has no borrowing.

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. During the financial year to 31 July 2012, the College incurred no interest charges in respect of late payment for this period under the Late Payment of Commercial Debts (Interest) Act 1998. The average time taken to pay suppliers was 49 days (2010/11: 38 days).

CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE

Review of Academic Year 2011/2012 and Future Development

Student Activity

In session 2011/12 Angus College enrolled c' 9,000 students and turned out a level of c' 48,000 Weighted SUMs, some 23% above our contract target with the Scottish Funding Council.

There is a continuation therefore of the 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.

This matter continues to be raised with local partners and the Scottish Funding Council as we move to progress the new regionalisation agenda and is highlighted in the Dundee/Angus Regional Outcome Agreements for 2012/13.

Curriculum Developments

In this session we have continued our modernisation of the curriculum in line with the development of both the College and individual team Learning Strategies, which are closely connected with our pursuit of Excellence.

Significant developments remain. The growth in Extended Learning Support, which reflects the diverse and demanding needs of our wide client group, and also the growth in activity arising from Government and commercial contract work.

Future Developments

Despite the continuing cut in capital grant and the very tight financial operating constraints, the College has continued to invest in and improve facilities for the 2012/13 academic year and also to pursue its ambitious CO_2 emission reduction targets. Typical of these investments are:

- a new biomass system with a linked training centre;
- the ongoing modernisation of stairwells, corridors and teaching rooms; and
- recladding of the Clova Building

Our ambition remains to have first class learning in first class facilities, which can only be achieved by continuous investment in our staff, buildings, equipment and estate.

The College is aware of the nature of the ongoing planned budget cuts for the sector, especially in capital, and, as such, will continue 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.

Financial

The College has £12.6 million of net assets (including pension liability) and no long term debt.

People

The College employs 232 people (expressed as full time equivalents), of whom 122 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 2013 the Board of Governors will consider the Audit Committee's annual assessment for the year ended 31 July 2012.

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 2012 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.

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 2012/13 onwards
- The potential for overspend on student support funds
- The need to maintain positive staff relations in a difficult funding period

All risks identified in the risk register are regularly monitored by the Executive team and Board of Governors Audit Committee.

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
- Skills Development Scotland
- 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

Assuring equality

The College operates rigorous arrangements to ensure equality of opportunity for students, staff and other stakeholders in accordance with the requirements of the Equality Act 2010 and the related general and specific duty requirements for public sector organisations within Scotland.

To support, inform, and evidence the mainstreaming of equalities, the College actively monitors student and staff data and outcomes relative to the full range of protected characteristics and adopts appropriate action plans and enhancement activities to address issues identified. Outcomes from these arrangements are published through the College website.

As a service provider, the College provides a broad range of information, advice and direct support in areas such as student support, estates developments, and equal pay practice to ensure that equality of opportunity is a reality for students and staff.

The College operates a rigorous equalities impact assessment arrangements, embedded within its ISO9001:2008 Management Review practices.

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 on … …December 2012 and signed on its behalf by:

W G Hay	J Burt
Chairman	Principal

Core Performance Indicators

	2011/12	2010/11
Financial CPIs:		
Operating surplus/(deficit) as % of total income	1.85%	-0.07%
Non SFC income as % of total income	27.3%	25.5%
Current assets : current liabilities	2.9:1	3.0:1
Gearing	0%	0%
Days cash	152	136
Human Resources CPIs:		
Staff turnover	5.6%	6.9%
Working days lost through sickness absence	3.9%	2.4%
Academic CPIs:		
Performance against WSUMs activity target	125%	119%
WSUMs per teaching staff FTE	398	364
Student retention:		
FE Full time	85%	87%
FE Part time	96%	97%
HE Full time	88%	87%
HE Part time	94%	94%
Student outcomes:		
FE	89%	92%
HE	79%	70%

Professional Advisers

External auditors:	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG	Bankers:	Bank of Scotland Brothock Bridge Arbroath DD11 1NH
Internal auditors:	Henderson Loggie Royal Exchange Panmure Street Dundee DD1 1DZ	Solicitors:	Thorntons WS Whitehall House 33 Yeaman Shore Dundee DD1 4BJ

Members

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

		Appointment	Term of office
Mr Graham Hay (Chair from 01/04/09) Retired, Proprietor, Human Resource Consultant	1,2,3	April 2002, 2006, 2010	4 years
Mr Paul Grant (Vice Chair from 01/04/09) Owner/Managing Director, Mackays Ltd	1,2	April 2006, 2010	4 years
Mr John Burt OBE Principal, Angus College	1,2		
Mr David Anderson Chartered Accountant	1	Nov 2007, 2009, 20011	2 years Resigned 30/06/12
Mrs Mary Brownlow Trainer, Care Industry	3	April 2006, 2010	4 years Resigned 31/05/12
Mr Douglas Mackintosh Solicitor	2	April 2003, 2007,2011	4 years
Ms Lorraine Young Strategic Planner, Angus Council	1	Sept 2008, 2012	4 years
Mr Mike Ferguson Solicitor	1	April 2009	4 years Resigned 13/10/11
Mr John Forster Managing Director, Forster Roofing	3	April 2009	4 years Resigned 30/04/12
Mr David Sawers Chief Executive, Angus Council	1,2	April 2009, 2011	2 years
Mr John Smith Farmer	3	April 2009, 2011	2 years
Mrs Wendy Loudon Business Services Manager, Aberdeenshire Council	3	April 2012	4 Years
Mr Steven Mill Senior Service Manager, Angus Council	1	April 2012	2 Years
Mrs Pauline Murray Programme Manager, BT Openreach	3	April 2012	2 Years
Mr Steven Watt Chief Information Officer, University of St Andrews	1	April 2012	4 Years
Mrs Marlene Anderson Support Staff Representative		June 2010	2 years Retired 31/03/12
Andrew Reid Support Staff Representative		April 2012	2 Years
Ms Ann Petrie Academic Staff Representative	3	April 2011	2 years Resigned 31/07/12
Mr George McAteer Academic Staff Representative		Sept 2012	Until 31/03/13

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

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 the UK Corporate Governance Code (the "Code") issued by the FRC in June 2010. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2012.

Board of Governors

It is the Board of Governors's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board of Governors is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues.

The College's Board of Governors meets five times a year and has several committees through which it conducts it 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 2012 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.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Board of Governors, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Board of Governors as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

The Board of Governors has a strong and independent non-executive element and no individual or group dominates its decision making process. The Board of Governors considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair of the Board of Governors and Principal of the College are separate.

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.

Appointments to the Board of Governors

Any new appointments to the Board of Governors are a matter for the consideration of the Board of Governors as a whole. The Board of Governors has a Nominations Committee, consisting of three non-executive members of the Board of Governors, 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 Governors. 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 2012 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. Its purpose is to advise the Board of Governors on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets three times a year and provides a forum for reporting by the College's financial statement auditors and internal auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies, as they affect the College's business.

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 also advises the Board of Governors on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work.

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 2012 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 2012 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Board of Governors.

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.

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

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 2013 the Board of Governors will consider the Audit Committee's annual report for the year ended 31 July 2012.

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 2012 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.

The risk and control framework

The system of internal control is based on a framework of regular management information, administration procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Governors

- Regular reviews by the Board of Governors of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control
- The adoption of formal project management disciplines, where appropriate

The College has an internal audit service, which operates in accordance with the requirements of the Scottish Funding Council's Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board of Governors on the recommendation of the Audit Committee.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditors
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- Comments made by the College's financial statements auditors, the regularity auditors, in their management letters and other reports.

The Principal has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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 departments and reinforced by risk awareness training. The Executive Team and Audit Committee also receive regular reports from internal audit, 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's Audit Committee 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.

Going Concern

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

By order of the Board of Governors

W G Hay, Chairman Date

J Burt, Principal Date

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

Statement of the Board of Governors' Responsibilities

Within the terms and conditions of the Financial Memorandum agreed between the Scottish Funding Council and the College, the College, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction issued by the Scottish Funding Council, and which give a true and fair view of the state of affairs of the College and the result for that year

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

W G Hay, Chairman Date

J Burt, Principal Date

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

We have audited the financial statements of the Board of Management of Angus College for the year ended 31 July 2012 set out on pages 21 to 50. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Board of Management of Angus College and to the Auditor General for Scotland in accordance with sections 21 and 22 of the Public Finance and Accountability (Scotland) Act 2000. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditor's report and for no other purpose. In accordance with the Code of Audit Practice approved by the Auditor General for Scotland, this report is also made to the Scottish Parliament, as a body. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Management of Angus College and the Auditor General for Scotland, for this report, or the opinions we have formed.

Respective responsibilities of the Board of Governors and auditor

As explained more fully in the Statement of Responsibilities on page 17, 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 income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 of the state of the College's affairs as at 31 July 2012 and of its surplus for the year then ended;

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

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: accounting for further and higher education; and have been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on regularity prescribed by the Public Finance and Accountability (Scotland) Act 2000

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

Opinion on other matters prescribed by the Public Finance and Accountability (Scotland) Act 2000

In our opinion the information given in the Operating and Financial Review 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 have nothing to report in respect of the following matters where the Public Finance and Accountability (Scotland) Act 2000 requires us 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 I require for my audit; or
- the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

S Reid
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
20 Castle Terrace
Edinburgh
EH1 2EG

INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 July 2012

	Notes	Year ended 31 July 2012 £000	Year ended 31 July 2011 (Restated) £000
INCOME			
Funding Council Grants	*1*	8,589	9,720
Tuition fees and education contracts	*2*	2,128	2,338
Research grants and contracts	*3*	246	243
Other income	*4*	736	675
Investment income	*5*	109	81
Total income		11,808	13,057
EXPENDITURE			
Staff costs	*6*	8,375	9,134
Other operating expenses	*8*	2,681	3,146
Depreciation	*10*	741	790
Total expenditure		11,797	13,070
Surplus/(deficit) after depreciation of tangible fixed assets at valuation and before taxation		11	(13)
Taxation	*9*	-	-
Surplus/(deficit) before exceptional Items		11	(13)
Disposal of Fixed Assets		2	4
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and disposal of assets and tax	*15*	13	(9)

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

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

for the year ended 31 July 2012

	Notes	Year ended 31 July 2012 £000	Year ended 31 July 2011 (Restated) £000
Surplus/(deficit) on continuing operations after depreciating assets		13	(9)
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	*15*	127	126
Historical cost surplus for the year		140	117

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 July 2012

	Notes	Year ended 31 July 2012 £000	Year ended 31 July 2011 (Restated) £000
Surplus/(deficit) after depreciation of assets at valuation		13	(9)
Actuarial gain/(loss) in respect of pension schemes		(175)	(613)
Total recognized gains/(losses) relating to the Year		(162)	(622)
Prior year adjustment		(2,975)	
Total gains and losses recognised since last financial statements		(3,137)	
Reconciliation			
Opening reserves		5,397	6,019
Total recognised gains/(losses) for the year		(162)	(622)
Closing Reserves		5,235	5,397

BALANCE SHEET as at 31 July 2012

	Notes	Year ended 31 July 2012	Year ended 31 July 2011 (Restated)
		£000	£000
Fixed Assets			
Tangible assets	10	13,504	13,529
Current Assets			
Stock		3	4
Debtors	11	1,149	1,189
Short term investments		3,542	3,545
Cash at bank and in hand		953	1,039
		5,647	5,777
Creditors: amounts falling due within one year	12	2,040	1,905
Net current assets		3,607	3,872
Total assets less current liabilities		17,111	17,401
Creditors: amounts falling due after more than one year		-	-
NET ASSETS excluding Pension liability		17,111	17,401
Net Pension Liability	15	4,492	4,226
NET ASSETS including Pension liability		12,619	13,175
Deferred capital grants	13	7,384	7,778
Reserves			
Income and expenditure account excluding pension reserve		5,572	5,341
Pension Reserve		(4,492)	(4,226)
Income and expenditure account including pension reserve	15	1,080	1,115
Revaluation reserve	14	4,155	4,282
		5,235	5,397
Total funds		12,619	13,175

The financial statements on pages 21 to 50 were approved and authorised for issue by the Board of Governors and signed on its behalf by:

W G Hay, Chairman Date

J Burt, Principal Date

CASH FLOW STATEMENT
for the year ended 31 July 2012

	Notes	Year ended 31 July 2012	Year ended 31 July 2011
		£000	£000
Net cash inflow/(outflow) from operating activities	17	358	947
Returns on investments and servicing of finance	18	109	81
Capital expenditure	19	(492)	(7)
Management of liquid resources	20	(25)	(949)
Increase/(decrease) in cash in the year		(50)	72

Reconciliation of net cash flow to movement in net funds

	Notes	Year ended 31 July 2012	Year ended 31 July 2011
Increase/(decrease) in cash in the year		(50)	72
Cash inflow/(outflow) from liquid resources		25	949
Change in net funds		(25)	1,021
Net funds as at 1 August 2011		4,520	3,499
Net funds at 31 July 2012	21	4,495	4,520

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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

Basis of Preparation

These financial statements are prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, The Statement of Recommended Practice (SORP) 2007: Accounting in Further and Higher Education Institutions and in accordance with applicable Accounting Standards, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006.

Basis of Accounting

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

The comparative figures for 2010/11 have been restated to recognise adjustments required to account for the College's membership of the Tayside Superannuation Scheme in line with the requirements of Financial Reporting Standard 17 – Retirement Benefits (FRS 17). The Board of Governors decided to change its accounting policy in respect of the Tayside Superannuation Scheme for the 2010/11 financial year. The impact of the prior year adjustment required by FRS 3 when there is a change in accounting policy is shown in note 25.

The Angus College Charitable Trust is a charity registered in Scotland (charity number: SC036137). The Charitable Trust was established solely to raise funds for investment in College capital projects, to provide revenue funding of scholarships and grants to students of the College, financial assistance to students and the promotion of public education. The Charitable Trust meets the definition of 'control', as defined by FRS2 'Accounting for Subsidiary Undertakings'. The activities of the Charitable Trust are excluded from these financial statements on the basis of materiality using the exemption permitted by FRS2.

Going Concern

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

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

Recognition of Income

The recurrent grant from the Scottish Funding Council represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account. Income from grants, European income, 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. Tuition fees are credited to the income and expenditure account in the period in which they are due to be received. The Board of Governors waives fees in line with the National Fee Waiver Policy which gives free access to education and training to those who are unemployed, have low income or are receiving other forms of benefit.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

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

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

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

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

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

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.

Assets are disposed of when they are no longer required.

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

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable organisation for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt from VAT.

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.

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.

NOTES TO THE ACCOUNTS

1 Grants from Scottish Funding Council

	Year ended 31 July 2012 £000	Year ended 31 July 2011 (Restated) £000
Recurrent grant (including fee waiver)	7,747	8,580
Financial security funding	28	-
Childcare funds	142	185
Release of deferred capital grants		
Buildings (note 16)	271	304
Equipment (note 16)	260	254
Other SFC grants	141	397
TOTAL	8,589	9,720

2 Tuition Fees and Education Contracts

	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
FE Fees - UK	423	391
HE Fees	621	677
Total fees paid by or on behalf of individual students	1,044	1,068
Education contracts	1,084	1,270
TOTAL	2,128	2,338

3 Research Grants and Contracts

	Year ended 31 July 2012	Year ended 31 July 2011
	£000	£000
Other grants and contracts	246	243
TOTAL	246	243

4 Other Income

	Year ended 31 July 2012	Year ended 31 July 2011
	£000	£000
Release from deferred capital grant (non-SFC) (Note 16)	85	78
European Commission	68	43
Catering	290	312
Other income	293	242
TOTAL	736	675

5 Investment Income

	Year ended 31 July 2012	Year ended 31 July 2011
	£000	£000
Bank interest receivable	109	81

6 Staff Costs

	Year ended 31 July 2012	Year ended 31 July 2011
	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:		
Academic/Teaching departments	122	136
Academic/Teaching services	13	15
Administration and central services	64	68
Premises	17	17
Other expenditure	8	9
Catering	8	9
TOTAL	232	254
Analysed as		
Staff on permanent contracts	215	226
Staff on temporary contracts	17	28
TOTAL	232	254

6 Staff Costs (continued)

Staff costs for the above persons

	Note	Year ended 31 July 2012 £000	Year ended 31 July 2011 (Restated) £000
Wages and salaries		6643	7,137
Social security costs		483	511
Other pension costs (including FRS17 adjustment)	16	945	1,055
		8,071	8,703
Exceptional restructuring costs		304	431
TOTAL		8,375	9,134
Academic/Teaching departments		4,408	4,828
Academic/Teaching services		581	596
Administration and central services		2,333	2,491
Premises		363	335
Other expenditure		239	308
Catering		147	145
Sub-total		8,071	8,703
Exceptional restructuring costs		304	431
TOTAL		8,375	9,134
Analysed as			
Staff on permanent contracts		7,483	7,889
Staff on temporary contracts		588	814
TOTAL		8,071	8,703

Execptional restructuring costs were approved by the Board of Governors Human Resource and Quality Committee delegated to the Executive team.

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 2012	Year ended 31 July 2011
	Number	Number
	Senior post-holders	Senior post-holders
£50,001-£60,000	-	-
£60,001-£70,000	4	5
£70,001-£80,000	-	-
£80,001-£90,000	1	1
£90,001-£100,000	-	-
£100,001-£110,000	1	1
TOTAL	6	7

There was no pay award for all staff from August 2011.

7 Senior Post-Holders' Emoluments

	Year ended 31 July 2012	Year ended 31 July 2011
	Number	Number
The number of senior post-holders including the Principal was:	6	7
	£000	£000
Senior post holders annual emoluments were made up as follows:		
Salaries	380	433
Pension contributions	59	68
Total emoluments	439	501

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 2012	Year ended 31 July 2011
	£000	£000
Salary	95	95
Pension contributions	14	14
	109	109

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 Scheme 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.

No senior post holders or the Principal received benefits in kind during the year.

8 Other Operating Expenses

	Year ended 31 July 2012 £000	Year ended 31 July 2011 (Restated) £000
Teaching departments	954	890
Administration and central services	452	530
Premises costs	484	513
Planned maintenance	79	131
Other income-generating activities	223	199
Catering	145	158
Other expenses	344	725
TOTAL	2,681	3,146

Other Operating Expenses include:

Auditors' Remuneration		
- internal audit	8	10
- external audit	19	27
- other services from internal audit	-	-
- other services from external audit	-	-

9 Taxation

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

10 Tangible Fixed Assets

	Feuhold Land and Buildings £000	Fixtures, Fittings, Tools and Equipment £000	Assets in the course of construction £000	Total £000
Cost or valuation				
At 1 August 2011	17,106	3,581	-	20,687
Additions	160	304	252	716
Disposals	-	(34)	-	(34)
At 31 July 2012	17,266	3,851	252	21,369
Depreciation				
At 1 August 2011	4,230	2,928	-	7,158
Charge for year	441	300	-	741
Eliminated in respect of disposals	0	(34)	-	(34)
At 31 July 2012	4,671	3,194	-	7,865
Net book value at 31 July 2012	12,595	657	252	13,504
Net book value at 1 August 2011	12,876	652	-	13,528
Inherited	4,155	-	-	4,155
Financed by capital grant (Note 14)	6,605	527	252	7,384
Other	1,835	130	-	1,965
Net book value at 31 July 2012	12,595	657	252	13,504

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.

Land and buildings with a net book value of £4,281,750 have been partially funded by Treasury funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council, to surrender the proceeds.

There were no assets held under finance lease agreements.

If inherited land and buildings had not been valued they would have been included at nil value (2010/11: nil).

11 Debtors: amounts falling due within one year

	31 July 2012 £000	31 July 2011 £000
Trade Debtors	168	209
Prepayments and accrued income	190	156
Prepaid property lease	791	824
TOTAL	1,149	1,189

(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 construction costs treated as prepaid operating lease expenditure and the remaining balance at 31/07/12 is scheduled to be amortised to the Income and Expenditure account as follows:

	31 July 2012 £000	31 July 2011 £000
Due within 1 year	32	32
Due between 2 and 5 years	128	128
Due after 5 years	631	664
	791	824

12 Creditors: Amounts Falling Due Within One Year

	31 July 2012	31 July 2011
	£000	£000
Overdraft	0	64
Trade creditors	366	331
Taxation and social security	241	258
Other creditors	754	737
Accruals and deferred income	679	515
	2,040	1,905

13 Deferred Capital Grants

	SFC	Other Grants	Total
	£000	£000	£000
At 1 August 2011			
Land and Buildings	5,208	1,917	7,125
Equipment	628	25	653
	5,836	1,942	7,778
Cash received			
Land and Buildings	42	0	42
Equipment	49	131	180
	91	131	222
Released to income and expenditure account			
Land and Buildings	(271)	(42)	(313)
Equipment	(260)	(43)	(303)
	(531)	(85)	(616)
At 31 July 2012			
Land and Buildings	4,979	1,875	6,854
Equipment	417	113	530
	5,396	1,988	7,384

14 Revaluation Reserve

	31 July 2012 £000	31 July 2011 £000
At 1 August 2011	4,282	4,408
Transfer from revaluation reserve to general reserve in respect of:		
Depreciation on revalued assets (Note 18)	(127)	(126)
At 31 July 2012	4,155	4,282

15 Movement on General and Pension Reserve

	Income and Expenditure Account	Pension Reserve	Total £
Balance brought forward (restated)	5,341	-	5,341
Prior year adjustment		(4,226)	(4,226)
Surplus (restated) on continuing operations before transfer from revaluation reserve	13	-	13
Transfer from revaluation reserve	127	-	127
Actuarial loss in STRGL	-	(175)	(175)
Balance carried forward	91	(91)	-
	5,572	(4,492)	1,080

The income and expenditure account includes a designated reserve of £1,000,000 which represents funds earmarked by the Board of Governors for essential backlog maintenance as identified by the Watts Group report commissioned by the Scottish Funding Council.

16 Pensions and Similar Obligations

The College's employees belong to one of 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 Scheme.

The total pension cost was:

	2011/12	2010/11
	£000	£000
STSS	533	594
LGSS	321	358
Total	854	952

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.

Local Government Pension Scheme (Administrative Staff)

The Tayside Superannuation Scheme 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 2011.

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

	2012	**2011 (Restated)**
Discounted rate at 31 July	3.9%	5.3%
Expected return on plan assets	3.9%	5.3%
Future salary increases	4.0%	5.0%
Future pension increases	1.8%	2.7%

Life expectancy from age 65 (years):

	Manual	**Officers (&post 98)**
Non-pensioners		
Male	21.8	21.8
Female	24.4	24.2
Pensioners		
Male	20.6	20.6
Female	22.8	22.8

Employee benefit options

The amounts recognised in the balance sheet are as follows:

Net Pension Asset at	31 July 2012	31 July 2011 (Restated)
	£000's	£000's
Present value of funded obligation	10,392	11,074
Fair value of scheme assets	6,918	8,099
Net liability	3,474	2,975
Present value of unfunded obligation	1,018	1,251
Unrecognised past service cost	-	-
Deficit	1,018	1,251
Net liability in balance sheet	**4,492**	**4,226**

Amounts recognised in the income and expenditure account

	Year ended 31 July 2012	Year ended 31 July 2011 (Restated)
	£000	£000
Current service cost	389	391
Interest on obligation	528	561
Expected return on Scheme assets	(436)	(482)
Past service cost	-	-
Losses (gains) on curtailments and settlements	-	57
TOTAL	481	527
Actual return on Scheme assets	3	1,006

Changes in the present value of the defined benefit obligation

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	Year ended 31 July 2012	Year ended (Restated) 31 July 2011
	£000	£000
Opening defined benefit obligation	12,325	10,224
Service cost	389	391
Interest cost	528	561
Actuarial losses (gains)	(1,594)	1137
Losses (gains) on curtailments	-	57
Estimated benefits paid net of transfers in	(276)	(98)
Past service cost	-	-
Contributions paid by scheme participants	105	117
Unfunded pension payments	(67)	(64)
Closing Defined Benefit Obligation	**11,410**	**12,325**

Changes in the fair value of scheme assets

Reconciliation of opening and closing balances of the fair value of Scheme assets	Year ended 31 July 2012	Year ended (Restated) 31 July 2011
	£000	£000
Opening fair value of Scheme assets	8,099	6,714
Expected return on Scheme assets	436	482
Actuarial gains (losses)	(1,769)	524
Contributions by employer including unfunded	390	424
Contributions by Scheme participants	105	117
Estimated benefits paid net of transfers in	(343)	(162)
Fair value of Scheme assets at end of period	**6,918**	**8,099**

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	Year ended 31 July 2012		Year ended 31 July 2011 (Restated)	
	£000	%	£000	%
Equities	4,566	66	5,669	70
Gilts	623	9	567	7
Other Bonds	899	13	810	10
Property	761	11	729	9
Cash	69	1	324	4
Total	**6,918**	**100**	**8,099**	**100**

Analysis of amount recognised in the statement of total recognised gains and losses (STRGL)

	Year ended 31 July 2012 £000	Year ended (Restated) 31 July 2011 £000
Actuarial return less expected return on Scheme assets	(432)	524
Experience gains and losses	1,183	(232)
Changes in assumptions underlying the present value of the Scheme liabilities	(926)	(905)
Actuarial gains (losses) recognised in STRGL	**(175)**	**(613)**

Movement in (Deficit) During the year

	Year ended 31 July 2012 £000	Year ended (Restated) 31 July 2011 £000
(Deficit) at beginning of year	(4,226)	(3,510)
Current service cost	(389)	(391)
Employer contributions	323	360
Unfunded pension payments	67	64
Past service costs	-	-
Other financial income	(92)	(79)
Settlements and curtailments	-	(57)
Actuarial gains (losses)	(175)	(613)
(Deficit) at end of the year	**(4,492)**	**(4,226)**

Amounts for the current and previous period

	Year ended 31 July 2012 £000	Year ended (Restated) 31 July 2011 £000
Defined benefit obligation	(11,410)	(12,325)
Scheme assets	6,918	8,099
Surplus (Deficit)	(4,492)	(4,226)
Experience adjustment on Scheme liabilities	2,520	(232)
Experience adjustment on Scheme assets	(1,769)	524
Cumulative actuarial gains and losses	(1,927)	(1,752)

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

	Year ended 31 July 2012 £000	Year ended 31 July 2011 (Restated) £000
Surplus on continuing operations after depreciation of assets at valuation	13	(9)
Depreciation (note 10)	741	790
Net (Gain)/Loss on disposal of fixed assets	(2)	(4)
Deferred capital grants released to income (note 1&3)	(616)	(636)
(Increase)/Decrease in stocks	1	-
Decrease/(Increase) in debtors	40	167
(Decrease)/Increase in creditors	199	169
(Decrease)/Increase in provisions	-	448
Pension fund service cost	91	103
Interest receivable (note 5)	(109)	(81)
Net cash inflow from operating activities	358	947

18 Returns on Investments and Servicing of Finance

	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
Other interest received (note 5)	109	81
Interest payable	-	-
Net cash inflow from returns on investments and servicing of finance	109	81

19 Capital Expenditure

	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
Purchase of tangible fixed assets	(716)	(565)
Sale of fixed assets	2	4
Deferred capital grants received	222	554
Net cash (outflow)/inflow from capital expenditure and financial investment	(492)	(7)

20 Management of Liquid Resources

	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
Cash deposits	(25)	949

21 Analysis of Net Funds

	At 31 July 2011 £000	Cash Flows £000	At 31 July 2012 £000
Cash	200	(21)	179
Debt due within 1 year	(64)	64	-
Debt due after 1 year	-	-	-
Current asset investments	4,384	(68)	4,316
	4,520	(25)	4,495

22 Bursaries and other Student Support Funds

	FE Bursary Year Ended 31 July 2012	EMAs Year Ended 31 July 2012	Other Year Ended 31 July 2012	Total Year Ended 31 July 2012	Total Year Ended 31 July 2011 (Restated)
	£000	£000	£000	£000	£000
Balance brought forward	149	(14)	36	171	109
Allocation received in year (prior to clawback)	1,742	208	177	2,127	2,110
Expenditure	(1,771)	(214)	(142)	(2,127)	(1,912)
Repaid to/by Funding Council/funding body (clawback)	(84)	-	(11)	(95)	(136)
Balance carried forward	36	(20)	60	76	171
Represented by:					
Repayable to Funding Council/ funding body as clawback	(36)	20	(60)	(76)	(108)
Virements	-	-	-	-	-
Retained by the college for students	-	-	-	-	63

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 2011-12 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. The Childcare funds below now incorporate both Higher and Further Education funds. The Higher Education Childcare funds were previously included in “Other” above and the previous year Totals have therefore been restated.

23 FE and HE Childcare Funds

	Year ended 31 July 2012 £000	Year ended 31 July 2011 (Restated) £000
Balance brought forward	91	72
Allocation received in year	293	267
Expenditure	(142)	(185)
Repaid to Funding Council/funding body (clawback)	(43)	(63)
Virements	-	-
Balance carried forward	199	91
Represented by:	-	-
Repayable to Funding Council/funding body as clawback	(170)	(72)
Retained by college for students	29	19

24 Prior Year Adjustment

The change in accounting policy to account for the College's participation in the Tayside Superannuation Scheme on a defined benefit basis, in compliance with FRS 17 'Retirement Benefits' requires a prior year adjustment under FRS 3 'Reporting Financial Performance'.

The change in treatment of the HE Childcare funds, previously treated as an agency agreement, but now incorporated within the FE and HE Childcare fund, which, due to the discretion of disbursement does not meet the definition of agency funds and is therefore now incorporated in the income and expenditure account which also requires a prior year adjustment. The prior year adjusts opening reserves of the College at 1 August 2011 and the 2010/11 comparatives. The following table identifies balances restated in these financial statements.

	Note	Reported in 2010/11 (£000's)	FRS 17 Adjustment £000's	Childcare Adjustment £000's	(Restated) 2010/11 £000's
Income and Expenditure Account					
Grants from Scottish Funding Council	1	9,680	-	40	9,720
Other Operating Expenses	8	3,106	103	40	3,249
Statement of Total Recognised Gains and Losses					
Surplus on continuing operations after depreciation of assets at valuation		94	(103)	-	(9)
Actuarial Gains/(Losses) in year		-	(613)	-	(613)
Balance Sheet					
Provisions for Liabilities and Charges	13	1,251	(1,251)	-	-
Net Pension Liabilities		-	4,226	-	4,226
Pension Reserve		-	4,226	-	4,226
General Reserve	15	4,090	1,251	-	5,341

25 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.

NOTES TO THE ACCOUNTS

The College had transactions during the year or worked in partnership with the following bodies in which members of the Board of Governors hold or held official positions:

Member	**Position**	**Organisation**
Mr Paul Grant	Owner/Managing Director	Mackays Ltd
MS Lorraine Young	Strategic Planner	Angus Council
Mr David Sawyers	Chief Executive	Angus Council
Mr Steven Mill	Senior Services Manager	Angus Council
Mr John Forster	Managing Director	Forster Roofing
Mrs Wendy Loudon	Business Services Manager	Aberdeenshire Council
Ms Pauline Murray	Programme Manager	BT Openreach

Related Party transaction values:

Organisation	**Income invoiced by Angus College**	**Expenditure incurred by Angus College**	**Amounts due to/(from) Angus College at 31/07/2012**
Mackays Ltd	£10,645	£0	£0
Angus Council	£275,987	£357,553	£5,437
Forster Rooing	£223	£0	£0
Aberdeenshire Council	£14,074	£0	£0
BT	£0	£24,785	(£37)

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