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# Dundee College

## Report and Financial Statements

For the year ended 31 July 2009

Registered Charity No: SCO21188



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# Operating and Financial Review

## **Nature, Objectives and Strategies**

The Board of Management of Dundee College present their report and the audited financial statements for the year ended 31 July 2009.

## **Legal Status**

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

## **Scope of the Financial Statements**

The Financial Statements cover all activities of the College.

## **Mission**

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

## **Implementation of Strategic Plan**

At a residential planning session in March 2009, members of the Board of Management met with key College managers to review the published Strategic Aims in light of changing local and national economic and political priorities. As expected one year on from the establishment of the 2008 – 10 Strategic Aims, changes and adjustments are incremental rather than dramatic. For example, the need for greater cost controls and sustainable practices are captured.

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

## Operating and Financial Review (continued)

### **Financial Objectives**

The College's financial objectives are:

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

In the recent "Financial Forecast Return (FFR)" - submitted by the College to SFC - the College projected an operating surplus by 2011/12.

### **Performance Indicators**

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

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

## **Financial Position**

### **Financial Results**

The College generated, in the year to 31 July 2009, an operating deficit of £258,000 (2007/08 – operating deficit of £1,258,000). The result in 2007/08 is stated after accounting for the exceptional restructuring costs of a Voluntary Severance Scheme (VSS) of £1,610,000.

The College has accumulated reserves of £16,916,000 (2007/08 – £17,724,000); cash balances of £8,122,000 (2007/08 – £8,124,000) and no short or long-term debt facilities.

Tangible fixed asset additions during the year were £1,659,000.

## Operating and Financial Review (continued)

### **Taxation Status**

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

### **Treasury Policies and Objectives**

During financial year 2008/09, the College repeatedly deposited funds on fixed term deposits to protect interest received from a falling base rate. This practice will continue until the College starts to use funds for the development of the College's estate needs.

### **Cash-Flows**

The College's operating cash-flow remains strong.

### **Liquidity**

Presently Dundee College has no loan debt and strong cash balances – however falling interest rates during 2008 and 2009 have led to decreasing interest of £297,000 (2007/08 - £485,000).

### **Creditor Payment Policy**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires the College, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. During the financial year to 31 July 2009, the College incurred no interest charges in respect of late payment for this period.

## **Current and Future Developments and Performance**

### **Student Numbers**

In 2008/09 the College met the Student Unit of Measurement (SUMS) target, as set by SFC, of 106,427 SUMs. The College had approximately 20,000 students in total in the year. The College's SUMs target for 2009/10 has been increased to 108,602 - as some of Scotland's Colleges have been awarded additional SUMs/funding to help combat the impact of the economic downturn.

### **Student Achievements**

Success rates for 2008/09 are being analysed but comparators for 2006/07 and 2007/08 are:

	2006/07	2007/08
FE Awards	83%	85%
HE Awards	84%	89%

## Operating and Financial Review (continued)

### **Curriculum Developments**

The College portfolio will continue to be developed to meet local and national demands. Specific developments for 2009/10 include:

- a) Schools/college partnerships programmes have been increased and now include a new “Skills for Work” qualification – Energy Int. 2
- b) HNC/D – Petroleum Engineering
- c) HND Engineering Systems
- d) HND Computer Networking and Internet Technology
- e) HNC Police Studies

### **Post-Balance Sheet Events / Future Developments**

#### **Gardyne Campus**

On 24 September, the Scottish Funding Council approved the College’s Gateway 4 submission for the Gardyne Campus re-development. The College has signed a contract with Bovis LendLease for the refurbishment works at Gardyne. The full scheme is priced at £47.7m; and the College will receive funding from the Scottish Funding Council of £28.9m.

#### **Capital Funding**

In addition to the approval of the Gardyne Campus re-development, the College has also received additional capital funding from SFC of £925k. This funding was announced as part of a targeted allocation of additional capital funding to help Scotland’s Colleges respond better to the needs of individuals and businesses during the economic downturn.

## Resources

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

Tangible Assets:

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

Financial:

The College has a turnover of £29.2m, net assets of £27.9m and no borrowings.

People:

The College has over 900 employees – an equivalent of 589 FTEs.

Reputation:

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

## Principal Risks and Uncertainties

In the Strategic Plan 2009-11, Dundee College has identified, in detail, key risks under the following 7 categories:

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

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

## Stakeholder Relationships

The College has many stakeholders – our key stakeholders include: SFC, Dundee City Council, Scottish Enterprise, The University of Abertay Dundee, The University of Dundee, local schools, employers, other Colleges, the local community and our many international partners.

## Equal Opportunities and Employment of Disabled Persons

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

## Operating and Financial Review (continued)

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

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

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

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

### **Disclosure of Information to Auditors**

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

**Approved by order of the members of the Board on 23 November 2009 and signed on its behalf by:**

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**Professor Ian C Colligan**  
Chairman

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**Christina Potter**  
Principal

## Board of Management Members (2008/2009)

### **William W Barr**

Retired (previously Deputy Principal, University of Dundee)  
*Vice Convenor of the Board of Management, Convenor of the Property Committee*

### **Alan M Boyter**

Director of Human Resources, NHS Lothian

### **Alasdair D Chalmers**

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

### **Wendy Chalmers**

Science Technician, Dundee College  
*Non-Teaching Staff Member*

### **Professor Ian C Colligan**

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

### **Mary Crighton**

Partner, Calders Solicitors

### **Councillor Tom Ferguson**

Vice Convenor of Education Committee, Dundee City Council  
*(until 30 April 2009)*

### **Ralph Harrison**

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

### **Joseph Lafferty**

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

### **George Laidlaw**

Rector, Menzieshill High School

### **Christina Potter**

Principal and Chief Executive, Dundee College

### **Doug Reilly**

Lecturer, Dundee College  
*Teaching Staff Member (from 1 September 2008 and re-elected from 1 April 2009)*

**Board of Management Members (2008/2009) (continued)**

**George Robertson**

Retired (Previously Finance Director, Albacom Ltd)

**Kish Srinivasan**

Retired (Previously HM Inspector, HM Inspectorate of Education)  
*Convenor of Audit Committee*

**Jean Louis Venter**

President of Dundee College Students' Association  
*(from 24 November 2008 to 30 June 2009)*

**Jacqui Wood**

Chair, Fundraising Committee, Ninewells Cancer Campaign

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

**DUNDEE COLLEGE BOARD OF MANAGEMENT  
STANDING COMMITTEE MEMBERSHIP (2008/09)**

COMMITTEES	AUDIT	CONVENORS	FINANCE	HR & D*	PROPERTY	STUDENT AFFAIRS/ QE** FROM JANUARY	NOTES
<b>BOARD MEMBERS</b>	WW BARR K SRINIVASAN (C) A BOYTER M CRIGHTON	IC COLLIGAN (C) WW BARR AD CHALMERS J LAFFERTY K SRINIVASAN	AD CHALMERS (C) W CHALMERS J LAFFERTY C POTTER G ROBERTSON J WOOD	J LAFFERTY (C) A BOYTER W CHALMERS IC COLLIGAN R HARRISON C POTTER D REILLY (from 27/10/08)	WW BARR (C) T FERGUSON (until 30/04/09) C POTTER G ROBERTSON D REILLY (from 02/09/08) JL VENTER (from 24/11/08 – 30/06/09)	IC COLLIGAN (C) M CRIGHTON G LAIDLAW C POTTER D REILLY (from 29/10/08) K SRINIVASAN JL VENTER (from 29/10/08 – 30/06/09) J WOOD	(C) Committee Convenor  * Human Resource and Development  **Quality Enhancement
<b>COLLEGE STAFF/ COMMITTEE MEMBERS</b>		C POTTER	L DICK G RITCHIE G WESTWATER B FERGUSON D HAWNEY	L DICK G RITCHIE G WESTWATER H ARCHIBALD (from 11/05/09) W GRACE	L DICK G RITCHIE G WESTWATER B FERGUSON W GRACE D MARSHALL	L DICK G RITCHIE G WESTWATER R MUDIE K NEADES (to 31/03/09)	
<b>OTHER REGULAR ATTENDEES</b>	AD CHALMERS (Finance Convenor) IC COLLIGAN (Board Convenor) C POTTER (Principal) G RITCHIE (Depute Principal) G WESTWATER (Assistant Principal) + COLLEGE AUDITORS KM OVENSTONE (Secretary to the Board)				K McCLUNG (Student Representative – 04/11/08)	A DEVINE (Administration Manager) C McLEAN (Student Liaison Officer) R GARVIE (Quality Development Manager) M BARTLE/K COFFIELD (Team Leaders, Student Services) L WHITTON (Student Representative – from 28/01/09 – 06/05/09) HMle P CONNELLY (29/10/08) P GILMARTIN (28/01/09)	

\*Human Resource and Development

## Professional Advisers

### **External Auditors**

Scott-Moncrieff  
17 Melville Street  
Edinburgh  
EH3 7PH

### **Internal Auditors**

Henderson Loggie  
Royal Exchange Buildings  
Panmure Street  
Dundee  
DD1 1DZ

### **Bankers**

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

### **VAT**

Grant Thornton  
1 /4 Atholl Crescent  
Edinburgh  
EH3 8LQ

### **Solicitors**

Thorntons WS  
Whitehall House  
33 Yeaman Shore  
Dundee  
DD1 4BJ

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

### **Gardyne Project**

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

Gardiner & Theobald LLP  
Corunna House  
39 Cadogan Street  
Glasgow  
G2 7QH

# Statement of Corporate Governance and Internal Control

## **Introduction**

Dundee College is committed to exhibiting good practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 2008. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

## **Statement of Full Combined Code Compliance**

In the opinion of the Board of Management, Dundee College complies with all the provisions of the Combined Code, in so far as they apply to the further education sector, and it has complied during the year ended 31 July 2009.

## **Board of Management**

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

The Board comprises lay members, employees and a student representative. The roles of the Board Convenor and Vice Convenor are separated from the role of the College Principal, who, as Chief Executive, holds the only executive role on the Board. A list of Board Members for 2008/09 is included on pages 9 and 10.

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

- Convenors' Committee
- Audit Committee
- Finance Committee
- Human Resource and Development Committee
- Property Committee
- Quality Enhancement Committee

A list of Committee Members for 2008/09 is included on page 11.

The Convenors' Committee makes recommendations to the Board with regard to membership issues – the filling of vacancies, periods of office and re-election (in accordance with agreed procedures and in line with requirements of Further and

## **Corporate Governance Statement (continued)**

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

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

The Audit Committee meets three times each year, with the College's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Scottish Funding Council as they affect the College's business and monitors adherence to the regulatory requirements. Whilst members of senior management attend Audit Committee meetings, they are not members of the Committee. Normally at each meeting, prior to the commencement of formal business, the Audit Committee Convenor meets in private with committee members (and the external auditors, as appropriate) for their own independent discussions.

## **Corporate Strategy**

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

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

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

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

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

The Executive receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning

## Corporate Governance Statement (continued)

mechanisms which are embedded within the operational planning process. The Executive and the Audit Committee also receive regular reports from the College's Internal Auditors and the appropriate health, safety and environmental monitoring functions which include recommendations for improvement.

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

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

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

The Board of Management is of the view that there is an ongoing process for identifying, evaluating and managing the institution's significant risks that have been in place for the year ended 31 July 2009 up to the date of approval of the annual reports and accounts. This process is regularly reviewed by the Board of Management and accords with the internal control guidance as applicable to the further education sector. The College also complies with current directives including the revised Scottish Funding Council Financial Memorandum – effective from 1 January 2006.

### **Going Concern**

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

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

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**Ian C Colligan**  
**Board Convenor**

**Date : 23 November 2009**

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**Christina Potter**  
**Principal**

**Date : 23 November 2009**

## Statement of the Board of Management's Responsibilities

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

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Acts (1992 and 2005), the Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the College and the Scottish Funding Council the Board of Management, through its designated office holder, the Principal, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

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

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

The Board of Management has taken reasonable steps to :

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

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

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

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

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

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

**Date : 23 November 2009**

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**Ian C Colligan**  
**Board Convenor**

## Independent Auditors' Report

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

We have audited the financial statements of Dundee College for the year ended 31 July 2009 under the Further and Higher Education (Scotland) Act 1992. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective Responsibilities of the Board of Management, Principal and Auditor**

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction. We also report to you whether, in our opinion, the information which comprises the Operating and Financial Review, included in the Annual Report, is consistent with the financial statements. We also report whether in all material respects:

- the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers;
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum dated 1 January 2006 and any other terms and conditions attached to them for the year ended 31 July 2009; and

## Independent Auditors' Report (continued)

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

In addition, we report to you if, in our opinion, the College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement of Corporate Governance and Internal Control reflects the College's compliance with the requirements of the Scottish Funding Council and we report if, in our opinion, it does not. We are not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the College's corporate governance procedures or its risk and control procedures.

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

### **Basis of Audit Opinion**

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

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

## Independent Auditors' Report (continued)

### **Opinions**

#### *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 the Accounts Direction made thereunder by the Scottish Funding Council, of the state of affairs of the college as at 31 July 2009 and of its deficit, total recognised gains and losses and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction made thereunder by the Scottish Funding Council; and
- information which comprises the Operating and Financial Review, included with the Annual Report, is consistent with the financial statements.

#### *Regularity*

In our opinion in all material respects:

- the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers;
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum dated 1 January 2006 and any other terms and conditions attached to them for the year ended 31 July 2009; and
- funds from whatever source administered by the College for specific purposes have been properly applied for the intended purposes.

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

**Scott-Moncrieff  
17 Melville Street  
Edinburgh  
EH3 7PH**

# Statement of Principal Accounting Policies

## **Basis of Preparation**

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

## **Basis of Accounting**

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

## **Basis of Consolidation**

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

## **Recognition of Income**

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

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

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

Recurrent grants from the Funding Council are recognised in the period in which they are receivable.

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

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

## Statement of Principal Accounting Policies (continued)

### **Maintenance of Premises**

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

### **Pension Schemes**

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

### **Exceptional Pension Costs**

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

### **Tangible Fixed Assets**

#### (a) **Land and Buildings**

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

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

## Statement of Principal Accounting Policies (continued)

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

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

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

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

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

### (c) Equipment

Equipment costing less than £10,000 (inclusive of VAT) per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Major items of equipment inherited from the local authority were included in the balance sheet at valuation and depreciated on a straight-line basis over three years.

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

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

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

## Statement of Principal Accounting Policies (continued)

### **Leased Assets**

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

### **Stocks**

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

### **Agency Arrangements**

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

### **Taxation**

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

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

### **Provisions**

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

## Income and Expenditure Account For the Year Ended 31 July 2009

	<i>Notes</i>	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
<b>INCOME</b>			
Funding Council grants	1	22,294	21,360
Tuition fees and education contracts	2	3,830	3,741
Other grants and contracts	3	1,298	1,726
Other income	4	1,503	1,618
Investment income	5	297	485
		<hr/>	<hr/>
<b>Total income</b>		<b>29,222</b>	<b>28,930</b>
		<hr/>	<hr/>
<b>EXPENDITURE</b>			
Staff costs	6	19,892	19,024
Exceptional restructuring costs	6	-	1,610
Other operating expenses	8	7,771	7,502
Depreciation	9	1,817	2,052
		<hr/>	<hr/>
<b>Total expenditure</b>		<b>29,480</b>	<b>30,188</b>
		<hr/>	<hr/>
(Deficit) on continuing operations after depreciation of fixed assets at valuation and before tax		( 258 )	( 1,258 )
Taxation		-	-
		<hr/>	<hr/>
<b>(Deficit) on continuing operations after depreciation of fixed assets at valuation and tax</b>	<i>15</i>	<b>( 258 )</b>	<b>( 1,258 )</b>
		<hr/> <hr/>	<hr/> <hr/>

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

## Statement of Historical Cost Surpluses and Deficits For the Year Ended 31 July 2009

	<i>Notes</i>	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
(Deficit) on continuing operations before taxation		( 258 )	( 1,258 )
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	14	752	1,044
Transfer from the revaluation reserve in respect of impairment adjustment	14	550	-
		<hr/>	<hr/>
<b>Historical cost surplus/(deficit) for the period before and after taxation</b>		<b>1,044</b>	<b>( 214 )</b>
		<hr/> <hr/>	<hr/> <hr/>

## Statement of Total Recognised Gains and Losses For the Year Ended 31 July 2009

	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
(Deficit) on continuing operations after depreciation of fixed assets at valuation and tax	( 258 )	( 1,258 )
Impairment adjustment	( 550 )	-
	<hr/>	<hr/>
<b>Total recognised (losses) relating to the period</b>	<b>( 808 )</b>	<b>( 1,258 )</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation</b>		
Opening reserves	17,724	18,982
Total recognised (losses) for the period	( 808 )	( 1,258 )
	<hr/>	<hr/>
<b>Closing Reserves</b>	<b>16,916</b>	<b>17,724</b>
	<hr/> <hr/>	<hr/> <hr/>

**Balance Sheet as at 31 July 2009**

	<i>Notes</i>	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
<b>Fixed Assets</b>			
Tangible assets	9	<b>26,635</b>	<b>27,343</b>
<b>Current Assets</b>			
Stock		23	35
Debtors	10	1,335	1,221
Cash at bank and in hand		8,122	8,124
		<u>9,480</u>	<u>9,380</u>
<b>Creditors : amounts falling due within one year</b>	11	<b>3,654</b>	<b>5,501</b>
<b>Net current assets</b>		<b><u>5,826</u></b>	<b><u>3,879</u></b>
<b>Total assets less current liabilities</b>		<b>32,461</b>	<b>31,222</b>
<b>Provisions for liabilities and charges</b>	12	<b>4,522</b>	<b>4,610</b>
<b>NET ASSETS</b>		<b><u>27,939</u></b>	<b><u>26,612</u></b>
<b>Deferred capital grants</b>	13	<b>11,023</b>	<b>8,888</b>
<b>Reserves</b>			
Revaluation reserve	14	9,025	10,327
General reserve	15	7,891	7,397
Total reserves		<u>16,916</u>	<u>17,724</u>
<b>TOTAL</b>		<b><u>27,939</u></b>	<b><u>26,612</u></b>

The financial statements on pages 21 to 43 were approved and authorised for issue by the Board of Management on 23 November 2009 and were signed on its behalf by:

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Ian C Colligan – Board Convenor

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Garry Westwater – Assistant Principal

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Christina Potter - Principal

## Cash Flow Statement

### For the Year Ended 31 July 2009

	<i>Notes</i>	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
Cash flow from operating activities	16	( 1,503 )	2,970
Returns on investments and servicing of finance	17	337	462
Capital expenditure and financial investment	18	1,164	( 696 )
<b>(Decrease)/ Increase in cash in the period</b>		<b>( 2 )</b>	<b>2,736</b>
 <b>Reconciliation of net cash flow to movement in net funds/debt</b>			
(Decrease)/ Increase in cash in the period		( 2 )	2,736
Movement in net funds in period	19	( 2 )	2,736
Opening net funds		8,124	5,388
<b>Net funds at 31 July</b>	19	<b>8,122</b>	<b>8,124</b>

## Notes to the Accounts

### 1 Funding Council Grants

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
SFC FE recurrent grant (including fee waiver)	19,887	19,426
Funding for increased STSS contributions	102	205
FE childcare funds	480	453
Release of deferred capital grants	530	457
Other SFC grants	1,295	819
	<hr/>	<hr/>
Total	22,294	21,360
	<hr/> <hr/>	<hr/> <hr/>

### 2 Tuition Fees and Education Contracts

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
FE fees – UK & EU	1,257	1,347
FE fees – non EU	255	204
HE fees	1,601	1,473
Education contracts	697	703
Other contracts	20	14
	<hr/>	<hr/>
Total	3,830	3,741
	<hr/> <hr/>	<hr/> <hr/>

### 3 Other Grants and Contracts

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
European funds	794	1,105
Releases from deferred capital grants (non-SFC)	158	158
Other grant income	346	463
	<hr/>	<hr/>
Total	1,298	1,726
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Accounts (continued)

**4 Other Income**

	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
Residences, catering and conferences	765	771
Other income-generating activities	735	839
Other income	3	8
	<hr/>	<hr/>
Total	1,503	1,618
	<hr/> <hr/>	<hr/> <hr/>

**5 Investment Income**

	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
Interest receivable	297	485
	<hr/>	<hr/>
Total	297	485
	<hr/> <hr/>	<hr/> <hr/>

**6 Staff Costs**

	<b>Year Ended 31 July 2009</b>	<b>Year Ended 31 July 2008</b>
The average number of full-time equivalent employees (including higher paid employees) during the year was:		
	<b>Number</b>	<b>Number</b>
Academic/teaching departments	275	256
Academic/teaching services	80	72
Administration and central services	143	140
Premises	69	69
Catering and residencies	22	22
	<hr/>	<hr/>
Total	589	559
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Accounts (continued)

## 6 Staff Costs (continued)

Staff costs for the above persons :	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Wages and salaries	16,557	15,894
Social security costs	1,229	1,181
Other pension costs	2,106	1,949
Exceptional restructuring costs	-	1,610
	<hr/>	<hr/>
Total	19,892	20,634
	<hr/> <hr/>	<hr/> <hr/>
Academic/teaching departments	10,971	11,104
Academic/teaching services	2,373	1,855
Administration and central services	4,684	4,454
Premises	1,453	1,203
Catering and residences	411	408
	<hr/>	<hr/>
Sub-total	19,892	19,024
Exceptional restructuring costs	-	1,610
	<hr/>	<hr/>
Total	19,892	20,634
	<hr/> <hr/>	<hr/> <hr/>

A three year pay agreement extending until 31 July 2010 was agreed with unions representing both academic and support staff. Under the terms of those agreements academic staff received an increase of 3% with effect from 1<sup>st</sup> August 2008 and support staff received increases of 2% on 1<sup>st</sup> August 2008 and 2% on 1<sup>st</sup> February 2009. The Principal, Depute Principal and Assistant Principals received the same pay award as academic staff.

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

	Year Ended 31 July 2009		Year Ended 31 July 2008	
	Number Senior Post-holders	Number Other Staff	Number Senior Post-holders	Number Other Staff
£50,001 to £60,000	5	-	3	-
£60,001 to £70,000	-	-	3	-
£70,001 to £80,000	2	-	-	-
£80,001 to £90,000	1	-	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	1	-	1	-
	<hr/>	<hr/>	<hr/>	<hr/>
	9	-	7	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**7 Senior Post-Holders' Emoluments**

	<b>Year Ended 31 July 2009</b>	<b>Year Ended 31 July 2008</b>
	<b>Number</b>	<b>Number</b>
The number of senior post-holders including the Principal was :	9	7
	—	—
Senior post-holders' emoluments are made up as follows :		
	<b>£000</b>	<b>£000</b>
Salaries	508	486
Pension contributions	74	66
	—————	—————
Total emoluments	582	552
	=====	=====

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

	<b>Year Ended 31 July 2009</b>	<b>Year Ended 31 July 2008</b>
	<b>£000</b>	<b>£000</b>
Salary	106	102
	=====	=====
Pension contributions	15	14
	=====	=====

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

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

## Notes to the Accounts (continued)

**8 Other Operating Expenses**

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Academic/teaching departments	1,459	1,394
Academic/teaching services	624	514
Other support services	113	191
Administration and central services	2,273	2,315
Premises costs	2,060	1,891
Catering and residence operations	393	386
Childcare funds	480	453
Agency staff costs	151	125
Interest charged on provision for pension costs, net of revaluation adjustment	218	233
	<hr/>	<hr/>
Total	7,771	7,502
	<hr/> <hr/>	<hr/> <hr/>

Other operating expenses include :

Auditors' remuneration - external audit	15	15
- other services	19	9
- internal audit	11	12
Hire of other assets – operating leases	122	120

## Notes to the Accounts (continued)

## 9 Tangible Fixed Assets

	<b>Land and Buildings</b>			
	<b>Freehold £000</b>	<b>Assets In Course of Construction £000</b>	<b>Equipment £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>				
At 1 August 2008	45,242	1,479	3,184	49,905
Additions	901	651	107	1,659
Disposals	-	-	( 23 )	( 23 )
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2009	46,143	2,130	3,268	51,541
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 August 2008	19,526	-	3,036	22,562
Charge for period	1,743	-	74	1,817
Disposals	-	-	( 23 )	( 23 )
Impairment	550	-	-	550
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2009	21,819	-	3,087	24,906
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value at 31 July 2009</b>	<b>24,324</b>	<b>2,130</b>	<b>181</b>	<b>26,635</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 July 2008	25,716	1,479	148	27,343
	<hr/>	<hr/>	<hr/>	<hr/>
Inherited	9,022	-	-	9,022
Financed by capital grant	11,054	1,843	15	12,912
Other	4,248	287	166	4,701
	<hr/>	<hr/>	<hr/>	<hr/>
	24,324	2,130	181	26,635
	<hr/>	<hr/>	<hr/>	<hr/>

Freehold Land and buildings with a net book value of £16,050,000 have been financed by exchequer funds. These assets can only be sold in accordance with the terms of the Procedure Notes for the Disposal of Exchequer-Funded Assets and the Retention of Proceeds by FE Colleges.

Land and buildings inherited at nil cost were valued in 1994 at depreciated replacement cost by a firm of independent chartered surveyors. The valuation relating to assets retained at 31 July 2009 was £24,990,000 before impairment.

## Notes to the Accounts (continued)

**9 Tangible Fixed Assets (continued)**

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

	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
Cost	21,153	20,252
Aggregate depreciation based upon cost	( 5,851 )	( 4,860 )
	<hr/>	<hr/>
Net book value	15,302	15,392
	<hr/> <hr/>	<hr/> <hr/>

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

**Rationalisation of College estate**

An impairment adjustment has been made in 2008/09 to reflect an extension to the economic useful life of three sites and a reduction in land values. It is now planned to dispose of these three sites in 2011.

**10 Debtors**

	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
Trade debtors	381	321
European funding	705	436
Prepayments & accrued income	249	464
	<hr/>	<hr/>
Total	1,335	1,221
	<hr/> <hr/>	<hr/> <hr/>

Debtors includes £62,000 (2008: £277,000) due from the Funding Council.

**11 Creditors: amounts falling due within one year**

	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
Deferred income and payments received in advance	1,578	2,153
Trade creditors	1,007	887
Other creditors	280	1,250
Other taxation and social security	441	442
Accruals	307	667
Bursaries and access funds for future disbursement	41	102
	<hr/>	<hr/>
	3,654	5,501
	<hr/> <hr/>	<hr/> <hr/>

Creditors includes £1,480,000 (2008: £1,994,000) relating to Funding Council grants.

## Notes to the Accounts (continued)

## 12 Provisions for Liabilities and Charges

	Early retirement Pension costs £000
Balance b/fwd	4,610
Expenditure in the period	( 306 )
Interest charged	230
Revaluation adjustment	( 12 )
<b>Balance c/fwd</b>	<b>4,522</b>

A valuation of the existing pension provision was carried out by Barnett Waddingham, an independent firm of actuaries at 31 July 2009. Interest is being charged at 5% pa

## 13 Deferred Capital Grants

	SFC £000	Other Grants £000	Total £000
<b>At 31 July 2008</b>			
Land and buildings	6,568	2,296	8,864
Equipment	24	-	24
	<u>6,592</u>	<u>2,296</u>	<u>8,888</u>
Cash receivable			
Land and buildings	2,823	-	2,823
Equipment	-	-	-
Released to income and expenditure account			
Land and buildings	( 523 )	( 158 )	( 681 )
Equipment	( 7 )	-	( 7 )
<b>At 31 July 2009</b>			
Land and buildings	8,868	2,138	11,006
Equipment	17	-	17
	<u>8,885</u>	<u>2,138</u>	<u>11,023</u>

## 14 Revaluation Reserve

	2009 £000	2008 £000
<b>Opening balance</b>	10,327	11,371
Transfer to general reserve in respect of depreciation on revalued assets	( 752 )	( 1,044 )
Transfer to general reserve in respect of impairment	( 550 )	-
<b>Balance c/fwd</b>	<b>9,025</b>	<b>10,327</b>

## Notes to the Accounts (continued)

**15 Movement on General Reserves**

	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
<b>Income and Expenditure Account Reserve</b>		
<b>Opening balance</b>	7,397	7,611
(Deficit) on continuing operations after depreciation of assets and taxation	( 258 )	( 1,258 )
Impairment adjustment	( 550 )	-
Transfer from revaluation reserve	1,302	1,044
	<hr/>	<hr/>
<b>Balance c/fwd</b>	<b>7,891</b>	<b>7,397</b>
	<hr/>	<hr/>

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

	<b>Year Ended</b> <b>31 July 2009</b> <b>£000</b>	<b>Year Ended</b> <b>31 July 2008</b> <b>£000</b>
(Deficit) on continuing operations after depreciation of fixed assets at valuation and tax	( 258 )	( 1,258 )
Depreciation (note 9)	1,817	2,052
Deferred capital grants released to income (note 1 & 3)	( 688 )	( 615 )
(Increase)/decrease in stocks	12	( 32 )
(Increase)/decrease in debtors	( 154 )	135
Increase/(decrease) in creditors	( 1,847 )	3,235
Increase/(decrease) in provisions	( 88 )	( 62 )
Interest receivable (note 5)	( 297 )	( 485 )
	<hr/>	<hr/>
<b>Net cash (outflow)/ inflow from operating activities</b>	<b>( 1,503 )</b>	<b>2,970</b>
	<hr/>	<hr/>

**17 Returns on Investments and Servicing of Finance**

	<b>Year Ended</b> <b>31 July 2009</b> <b>£000</b>	<b>Year Ended</b> <b>31 July 2008</b> <b>£000</b>
Interest received	337	462
	<hr/>	<hr/>
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>337</b>	<b>462</b>
	<hr/>	<hr/>

## Notes to the Accounts (continued)

**18 Capital Expenditure and Financial Investment**

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Purchase of tangible fixed assets	( 1,659 )	( 1,021 )
Sale of tangible fixed assets	-	-
Deferred capital grants received	2,823	325
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>	<b>1,164</b>	<b>( 696 )</b>
	<hr/> <hr/>	<hr/> <hr/>

**19 Analysis of Changes in Net Funds**

	At 31 July 2008 £000	Cashflow £000	Other Changes £000	At 31 July 2009 £000
Cash at bank and in hand	8,124	( 2 )	-	8,122
	<hr/>	<hr/>	<hr/>	<hr/>
Total	8,124	( 2 )	-	8,122
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**20 Major Non-Cash Transactions**

During the year the institution made a provision of £230,000 (2008 : £233,000) for future pension costs, however this was reduced by a revaluation reduction of £12,000.

**21 Pension and Similar Obligations**

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

The total pension cost for the period was £2,106,000 (2008: £1,949,000).

**Total pension cost for the year**

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
STSS : contributions paid	1,265	1,194
LGSS : contributions paid	841	755
	<hr/>	<hr/>
	<b>2,106</b>	<b>1,949</b>
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Accounts (continued)

**21 Pension and Similar Obligations (continued)****Scottish Teachers' Superannuation Scheme**

The STSS scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purposes of determining contribution rates.

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

The employer contribution increased from 13.5% to 14.9% on 1 April 2009.

**Local Government Superannuation Scheme**

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

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

Latest actuarial valuation	31 March 2008
Actuarial method	Project Unit
Investment returns per annum	
Equities	7.8%
Gilts	4.6%
Bonds & Property	5.9%
Discount Rate	7.1%
Pension increases per annum	3.7%
Salary increases per annum	5.2%
Actuarial value of assets at 31 March 2008	£1,558m
Actuarial value as a percentage of accrued liabilities	97.6%
Market value of net assets at 31 March 2008	£1,550m

As a result of the fund valuation at 31 March 2008 the employer contribution was reduced from 18.9% to 18.5% on 1 April 2009. This rate has been fixed until 31 March 2012.

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

## Notes to the Accounts (continued)

**22 Capital Commitments**

	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
Commitments contracted for at 31 July	1,532	1,541
Commitments entered into but not yet contracted for at 31 July	<u>38,748</u>	<u>33,656</u>

Committed expenditure includes £38,130,000 for the development of Gardyne campus.

**23 Financial Commitments**

At 31 July 2009 the College had annual commitments under non-cancellable operating leases as follows :

	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
<b>Land and buildings</b>		
Expiring within one year	7	34
Expiring between two and five years inclusive	59	17
Expiring in over five years	-	-
	<u>66</u>	<u>51</u>
<b>Others</b>		
Expiring within one year	2	-
Expiring between two and five years inclusive	60	62
Expiring in over five years	-	-
	<u>62</u>	<u>62</u>

**24 Post Balance Sheet Events**

The College received confirmation of the Scottish Funding Council's £28.9 million grant funding support for the redevelopment of the Gardyne campus. The College has now contracted with Bovis Lendlease to be the main contractor.

**25 Contingent Liability**

There were no contingent liabilities at 31 July 2009.

**26 Related Party Transactions**

The Board of Management of Dundee College is a body incorporated under the Further and Higher Education (Scotland) Act 1992 sponsored by the Scottish Funding Council (SFC), who in turn are sponsored by the Scottish Executive Enterprise, Transport and Lifelong Learning Department (SEETLLD).

## Notes to the Accounts (continued)

### 26 Related Party Transactions (continued)

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

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

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

<u>Member</u>	<u>Position</u>	<u>Organisation</u>
Ralph Harrison	Workforce Development Manager	Scottish Enterprise Tayside
Tom Ferguson	Vice Convenor of Education Committee	Dundee City Council

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

With the listed exceptions below, there were no transactions during the year ended 31 July 2009 with non-public bodies in which any member of the Board of Management or key Manager of the College has an interest and which in aggregate exceeded £5,000.

Exception : DP&L Travel Ltd  
Volume of Activity: £95,000  
Nature : Business travel agents

Exception : DP&L Group Ltd t/a Allison-Gray  
Volume of Activity : £38,000  
Nature : Safety wear products and industrial supplies

Exception : RC Stiven & Co  
Volume of Activity : £7,000  
Nature : Oil and paint merchants

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

## Notes to the Accounts (continued)

**27 Bursaries and other student support funds**

	Year ended 31 July 2009					Year ended
	FE Bursary £000	FE Discretionary £000	EMA's £000	Other £000	Total £000	31 July 2008 Total £000
Balance b/fwd	54	34	14	-	102	( 5 )
Allocation received in year	2,941	310	311	263	3,825	3,956
Expenditure	( 2,913 )	( 349 )	( 387 )	( 320 )	( 3,969 )	( 3,864 )
Repaid to Funding Council as clawback	( 48 )	( 18 )	-	-	( 66 )	-
College contribution to funds	-	-	-	57	57	15
Virements	-	30	-	-	30	-
Balance c/fwd	<u>34</u>	<u>7</u>	<u>( 62 )</u>	<u>-</u>	<u>( 21 )</u>	<u>102</u>
Represented by :						
Repayable to Funding Council as clawback	34	7	( 62 )	-	( 21 )	-
Retained by College for students	-	-	-	-	-	102

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

## Notes to the Accounts (continued)

## 28 FE Childcare Funds

	Year ended 31 July 2009 Total £000	Year ended 31 July 2008 Total £000
Balance b/fwd	-	-
Allocation received in year	480	453
Expenditure	( 450 )	( 463 )
Repaid to Funding Council as clawback	-	-
College contribution to funds	-	10
Virements	( 30 )	-
	<hr/>	<hr/>
Balance c/fwd	-	-
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Repayable to Funding Council as clawback	-	-
Retained by College for students	-	-

In accordance with Accounts direction for 2008-09 issued by the Funding Council, Childcare Funds have been included in the Income and Expenditure Account.