

www.dundeecollege.ac.uk

Dundee College

Report and Financial Statements

For the year ended 31 July 2011

Registered Charity No: SCO21188

Index



CONTENTS	Page
Operating and Financial Review	3 – 8
Core Performance Indicators	9
Board of Management and Committee Membership	10 – 12
Professional Advisers	13
Statement of Corporate Governance and Internal Control	14 – 16
Statement of the Board of Management's Responsibilities	17 – 18
Independent Auditors' Report	19 – 21
Statement of Principal Accounting Policies	22 – 25
Income and Expenditure Account	26
Statement of Historical Cost Surpluses and Deficits	27
Statement of Total Recognised Gains and Losses	27
Balance Sheet	28
Cash Flow Statement	29
Notes to the Accounts	30 – 43

The financial statements on pages 22 to 43 were approved and authorised for issue by the Board of Management on 19 December 2011.

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 2011.

Legal Status

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

Scope of the Financial Statements

The Financial Statements cover all activities of the College.

Mission

The College mission is

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

Implementation of Strategic Plan

In June 2011, the Board of Management of Dundee College approved an update of the College Strategic Plan for the period 2011 to 2014. This plan includes property and financial plans. The plans are reviewed and updated each year. The College’s continuing strategic aims are:

1. To ensure the continuing financial security and sustainability of Dundee College through strong corporate governance and effective risk management
2. To contribute to the economic recovery by increasing skills and business capacity in the local area
3. To enhance the College’s reputation and profile with our key audiences at local, national and international level
4. To maximise the potential of our people through inspiring leadership and personal and professional development
5. To continue to ensure highest quality of learning experience for all our learners
6. To manage an effective change process in relation to the College’s estate, work practices, use of technology and business systems development
7. To continue to develop mutually beneficial collaboration and partnerships

Operating and Financial Review (continued)

Financial Objectives

The principal objectives of the College's Financial Strategy are outlined below:

- 1. Earnings** – The College must generate surpluses and cash in order to supplement grants and invest in infrastructure. Consequently after 2011/12, the College shall aim to generate an annual surplus from operations on the income and expenditure. In achieving surplus, the College expects pay costs will not exceed 65% of turnover.
- 2. Liquidity** – The College must operate from a positive Net Current Assets position - with any movements into Net Current Liabilities being strictly time limited.
- 3. Borrowings** – The College must satisfy the covenants of its long term borrowings – thus, Operating Surplus (before Interest, Depreciation and Capital Expenditure) must cover interest and scheduled loan repayments by a minimum of 2:1 at all times. By 2012/13 a hedging strategy for long term borrowings will be devised and approved.
- 4. Governance** – The College will operate within the terms of the Financial Memorandum with the Scottish Funding Council (SFC) at all times. Thus, a Financial Plan (presently called the Financial Forecast Return) will be produced annually and submitted to the Board of Management and SFC. This plan will look in detail at the coming year plus the following year(s) in detailed terms.

In the recent "Financial Forecast Return (FFR)" submitted by the College to SFC, the College continued to have a recurring underlying operating surplus going forward.

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

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

FINANCIAL POSITION

Financial Results

The College sustained, in the year to 31 July 2011, a deficit of £2,532,000 (2009/10 – operating surplus of £412,000). Included in the deficit for financial year 2010/11 are exceptional costs for severances/restructuring of £1,563,000 and set-up costs for the new Gardyne Campus of £725,000.

The College has accumulated reserves of £14,796,000 (2009/10 – £17,328,000); cash balances of £6,365,000 (2009/10 – £10,430,000) and a long-term debt facility of £8,000,000.

Operating and Financial Review (continued)

Tangible fixed asset additions during the year were £29,677,000. The other significant movements on the Balance Sheet are in tangible assets, cash and creditors; these items are as a direct consequence of the Gardyne development, and the fulfilment of the Estate Strategy to develop a two-campus estate for Dundee College.

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 2010/11, the College repeatedly deposited funds on fixed term deposits to protect interest received from the flat base rate. This practice will continue going forward.

Cash-Flows

Despite incurring a deficit and substantial investment in its estate, the College's operating cash-flow remains strong after an injection of £8,000,000 borrowing facility from Santander repayable over a 16 year term.

Liquidity

As noted above, in late 2010/11, in order to complete the Gardyne development, Dundee College arranged a long-term loan facility with Santander. On the receipts side, static interest rates since have led to fall in interest received to £117,000 (2009/10 - £137,000).

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 2011, the College incurred no interest charges in respect of late payment for this period.

CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE

During 2010/11, Dundee College underwent significant changes. As 2010/11 closed, the new Gardyne Campus was nearing completion, prior to its opening and use from academic year 2011/12. The new Campus presents an excellent environment and facilities for students, staff and visitors to the College. The new Campus replaced Constitution Road, Graham Street and Melrose Terrace and will be a vital resource in maintaining/enhancing the learner experience.

In addition, the Dundee College's curriculum and staffing changed significantly by the end of 2010/11 – as the College prepared for 2011/12 with reduced grant funding of -10.4% from SFC. This cut – coupled with rising costs – led the Board of Management to approve a Financial Savings Proposal, and during 2010/11 plans were made to implement £4,000,000 of savings from the start of academic/financial year 2011/12.

Student Numbers

In 2010/11 the College met the Student Unit of Measurement (SUMS) target, as set by SFC, of 108,927 SUMs. The College's recurrent target for 2011/12 has been reduced to 103,837 SUMs - as Scotland's Colleges have, as part of the funding cuts from SFC, had their activity reduced.

Student Achievements

Success rates for are disclosed in the Core Performance Indicators listed on page 9

POST-BALANCE SHEET EVENTS/FUTURE DEVELOPMENTS

Gardyne Campus

The College's new campus opened to students for the first time on Monday 29th August 2011. The new Campus was officially opened by the Alex Salmond, First Minister on Friday 7th October 2011. The project cost was £48,900,000; with a contribution of grant from SFC of £28,900,000.

Asset Disposals

With the establishment of the new Campus – the previous sites of Constitution Road, Graham Street and Melrose Terrace have been marketed for sale, and in November 2011 missives for the sale of Graham Street were signed with Persimmon Homes. Negotiations on the missives for Melrose Terrace are on-going with Taylor Wimpey PLC. The Constitution Road site remains unsold and on the market.

Gardyne Theatre Limited

From 22nd August 2011 Gardyne Theatre Limited (GTL), a wholly-owned subsidiary of Dundee College, has been incorporated to run the Gardyne Theatre. The company is limited by guarantee, and will operate and promote the theatre for use by local and national arts organisations. The company is registered at Gardyne Campus with the company no 405789.

“Putting Learners At The Centre: Delivering Our Ambitions For Post-16 Education”

On 16th September 2011, Michael Russell, Cabinet Secretary for Education and Lifelong Learning issued the above consultative paper. The paper proposes an unprecedented time of change for the Scottish College Sector. The most profound changes for Dundee College are:

- The creation of regional Colleges (via a series of mergers)
- To simplify the current funding regime - moving to a model of regional planning/funding
- To Move to a new structure over the next three years (2012/13 to 2014/15)
- SFC is expected to develop a more robust and coherent approach to performance management of Scotland's Colleges.

The regional groups suggested are as follows:

North East, Fife, Tayside, Glasgow North and South, Lanarkshire, Edinburgh and Lothians, Ayrshire, West (Consisting of Renfrewshire and Inverclyde), and Forth Valley.

Future Funding

Dundee College – along with all of Scotland's Colleges – is presently working with much reduced funding in 2011/12. In addition, to the -10.4% cut in SFC grant for 2010/11, the Scottish Government announced on 21 September 2011 further cuts to College Sector. The cuts of -13.5% will be implemented over the 3 years of 2012/13 to 2014/15 and will present a difficult challenge for all Colleges. The further cuts will no doubt be instrumental in forcing the consolidation and merger agenda spelt out in the “**Putting Learners At The Centre: Delivering Our Ambitions For Post-16 Education**” paper referred to above.

Capital Funding

In addition to the funds for the Gardyne Campus re-development, the College received additional capital funding from the SFC of £800,000 in 2010/11. This funding has been used to refurbish a number of curriculum, student and staff areas within the Kingsway Campus.

Operating and Financial Review (continued)

RESOURCES

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

Tangible Assets

During 2010/11, the College operated from 5 main Campuses and a Learn Direct Centre in the Overgate Centre in Dundee.

Financial

The College has a turnover of £30,769,000, net assets of £55,075,000 and a debt facility of £8,000,000.

People

During 2010/11 the College had over 900 employees – an equivalent of 597 FTEs. With the reduction in funding, the complement of staff fell from 1 August 2011 to under 800 employees.

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 its new Strategic Plan 2011/14 (approved by the Board of Management in June 2011), 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.

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.

Operating and Financial Review (continued)

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 19th December 2011 and signed on its behalf by:

.....
William W Barr
Chairman

.....
Christina Potter
Principal

Core Performance Indicators

	2008/09	2009/10	2010/11
Financial CPIs:			
Operating surplus/(deficit) as % of total income	0.9%	1.3%	-8.2%
Non SFC Income as % of total income	23.7%	25.0%	24.6%
Current assets : current liabilities	2.6:1	1.9:1	2.0:1
Gearing	0%	0%	54%
Days cash	107	132	76
Human Resources CPIs:			
Staff turnover	12.1%	6.5%	7.15%
Working days lost through sickness absence (FTE)	8.76	9.29	3.7%
Academic CPIs:			
Performance against WSUMs activity target	100%	101%	104%
WSUMs per staff FTE	388	390	439
Student retention			
FE Full-Time	77%	77%	78%
FE Part-Time	84%	93%	93%
HE Full-Time	89%	84%	86%
HE Part-Time	97%	95%	95%
Student outcomes*			
FE	76%	81%	84%
HE	90%	86%	85%

* enrolments on programmes with a national qualification and successful or progressing

Board of Management Members (2010/11)

Independent Members

William W Barr

Retired (previously Deputy Principal, University of Dundee)
Chairman of the Board of Management,
Chair of the Chairs' Committee
Chair of the Property Committee

John Cavanagh

Rector, Baldrigon High School

Mary Crighton

Partner, Calders Solicitors
Chair of the Quality Enhancement Committee

Ralph Harrison

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

Councillor Stewart Hunter

Vice Convenor of Education Committee, Dundee City Council

Joseph Lafferty

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

Gary Langlands

Managing Director, VSL (Scotland) Ltd

Alex Murdoch

Retired (previously Chief Executive, C J Lang & Son Ltd)

George Robertson

Principal, Robertson Consulting

Kish Srinivasan

Retired (Previously HM Inspector, HM Inspectorate of Education)
Vice Chair of the Board of Management
Chair of the Audit Committee

Professor Mike Swanston

Emeritus Professor of Psychology, University of Abertay Dundee and Honorary Research Fellow,
School of Psychology, University of Dundee

Jacqui Wood

Chair, Fundraising Committee, Ninewells Cancer Campaign
(Until May 2011)

Board of Management Members (2010/11) (continued)

Non-Independent

Christina Potter

Principal and Chief Executive, Dundee College

Wendy Chalmers

Science Technician, Dundee College
Non-Teaching Staff Member

Doug Reilly

Lecturer, Dundee College
Teaching Staff Member

Jeanine Raw

President of Dundee College Students' Association
(Until 30/06/11)

The Secretary to the Board of Management is not a member of the Board.

DUNDEE COLLEGE BOARD OF MANAGEMENT STANDING COMMITTEE MEMBERSHIP (2010/11)

COMMITTEES	AUDIT	CHAIRS	FINANCE	HUMAN RESOURCE & DEVELOPMENT	PROPERTY	QUALITY ENHANCEMENT
BOARD MEMBERS	K SRINIVASAN (Chair) M CRIGHTON A MURDOCH M SWANSTON	W W BARR (Chair) M CRIGHTON J LAFFERTY G ROBERTSON K SRINIVASAN	G ROBERTSON (Chair) W CHALMERS J LAFFERTY G LANGLANDS C POTTER J WOOD (until May 2011)	J LAFFERTY (Chair) W CHALMERS R HARRISON S HUNTER A MURDOCH C POTTER D REILLY	W W BARR (Chair) G LANGLANDS C POTTER D REILLY G ROBERTSON	M CRIGHTON (Chair) J CAVANAGH C POTTER D REILLY K SRINIVASAN M SWANSTON J RAW J WOOD (until May 2011)
COLLEGE STAFF/ COMMITTEE MEMBERS		C POTTER	L DICK G RITCHIE G WESTWATER B FERGUSON	L DICK G RITCHIE G WESTWATER H ARCHIBALD W GRACE	L DICK G RITCHIE G WESTWATER B FERGUSON W GRACE D MARSHALL	L DICK G RITCHIE G WESTWATER R MUDIE
OTHER REGULAR ATTENDEES	C POTTER G RITCHIE G WESTWATER COLLEGE AUDITORS				A LORIMER <i>Student Representative</i>	

The Secretary of the Board attends all of the above Standing Committee meetings.

Professional Advisers

External Auditors

Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Internal Auditors

Henderson Loggie
Royal Exchange Buildings
Panmure Street
Dundee
DD1 1DZ

Banking

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

Santander PLC
301 St Vincent St
Glasgow
G2 5HN

Gardyne Project

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

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

Solicitors

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

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

Statement of Corporate Governance and Internal Control

Introduction

Dundee 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 UK Corporate Governance 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 UK Corporate Governance Code Compliance

In the opinion of the Board of Management, Dundee College complies with all the provisions of the UK Corporate Governance Code, in so far as they apply to the further education sector, and it has complied during the year ended 31 July 2011.

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 Chairman and Vice Chairman 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 2010/11 is included on pages 10 and 12.

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

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

A list of Committee Members for 2010/11 is included on page 12.

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

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

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.

Corporate Governance Statement (continued)

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 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 2011 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.

Corporate Governance Statement (continued)

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

_____	Date : <u>19 December 2011</u>
William Barr Chairman	
_____	Date : <u>19 December 2011</u>
Christina Potter Principal	

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 : 19 December 2011

William Barr
Chairman

Independent Auditors' Report

Independent auditors' 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 2011 under the Further and Higher Education (Scotland) Act 1992. The financial statements comprise the Income and Expenditure Account, Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and receipts in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review and in the Statement of Corporate Governance and Internal Control 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.

Independent Auditors' Report (continued)

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the College's affairs as at 31 July 2011 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Opinion on regularity

In our opinion in all material respects

- the expenditure and receipts in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by 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 2011; and
- funds from whatever source administered by the body for specific purposes have been properly applied for the intended purposes.

Opinion on other prescribed matters

In our opinion the information given in the Operating and Financial Review and in the Statement of Corporate Governance and Internal Control included in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or

Independent Auditors' Report (continued)

- we have not received all the information and explanations we require for our audit; or
- the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

We have nothing to report in respect of these matters.

*Scott-Moncrieff
Chartered Accountants
Registered Auditor
Eligible to act as an auditor under Section 1212
of the Companies Act 2006*

*Exchange Place 3
Sempie Street
Edinburgh
EH3 8BL*

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.

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.

Statement of Principal Accounting Policies (continued)

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.

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.

Statement of Principal Accounting Policies (continued)

(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.

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.

Statement of Principal Accounting Policies (continued)

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 2011

	<i>Notes</i>	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
INCOME			
Funding Council grants	1	23,197	23,361
Tuition fees and education contracts	2	4,479	4,222
Other grants and contracts	3	1,872	2,151
Other income	4	1,104	1,260
Investment income	5	117	137
		<hr/>	<hr/>
Total income		30,769	31,131
		<hr/>	<hr/>
EXPENDITURE			
Staff costs	6	21,263	21,127
Exceptional restructuring costs	6	1,563	-
Other operating expenses	8	7,811	7,727
Depreciation	9	2,589	1,865
Interest and other finance costs		75	-
		<hr/>	<hr/>
Total expenditure		33,301	30,719
		<hr/>	<hr/>
(Deficit)/Surplus on continuing operations after depreciation of fixed assets at valuation and before tax		(2,532)	412
Taxation		-	-
		<hr/>	<hr/>
(Deficit)/Surplus on continuing operations after depreciation of fixed assets at valuation and tax	15	(2,532)	412
		<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 2011

	<i>Notes</i>	Year Ended 31 July 2011 £000	Year Ended 31 July 2010
(Deficit)/Surplus on continuing operations before taxation		(2,532)	412
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	14	753	753
		<u>(1,779)</u>	<u>1,165</u>
Historical cost (deficit)/surplus for the period before and after taxation		<u>(1,779)</u>	<u>1,165</u>

Statement of Total Recognised Gains and Losses For the Year Ended 31 July 2011

	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
(Deficit)/Surplus on continuing operations after depreciation of fixed assets at valuation and tax	(2,532)	412
	<u>(2,532)</u>	<u>412</u>
Total recognised gains/(losses) relating to the period	<u>(2,532)</u>	<u>412</u>
Reconciliation		
Opening reserves	17,328	16,916
Total recognised gains/(losses) for the period	(2,532)	412
	<u>14,796</u>	<u>17,328</u>
Closing Reserves	<u>14,796</u>	<u>17,328</u>

Balance Sheet as at 31 July 2011

	<i>Notes</i>	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Fixed Assets			
Tangible assets	9	62,127	37,139
Current Assets			
Assets held for disposal	9	2,100	-
Stock		13	10
Debtors	10	2,159	4,475
Cash at bank and in hand		6,365	10,430
		<u>10,637</u>	<u>14,915</u>
Creditors : amounts falling due within one year	11	5,347	7,710
Net current assets		<u>5,290</u>	<u>7,205</u>
Total assets less current liabilities		67,417	44,344
Less: Creditors falling due after more than one year	11	8,000	-
Provisions for liabilities and charges	12	4,342	4,433
NET ASSETS		<u>55,075</u>	<u>39,911</u>
Deferred capital grants	13	40,279	22,583
Reserves			
Revaluation reserve	14	7,519	8,272
General reserve	15	7,277	9,056
Total reserves		<u>14,796</u>	<u>17,328</u>
TOTAL		<u>55,075</u>	<u>39,911</u>

The financial statements on pages 22 to 43 were approved and authorised for issue by the Board of Management on 19 December 2011 and were signed on its behalf by:

William Barr – Chairman

Garry Westwater – Assistant Principal

Christina Potter - Principal

Cash Flow Statement

For the Year Ended 31 July 2011

	<i>Notes</i>	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Cash flow from operating activities	16	(1,580)	2,258
Returns on investments and servicing of finance	17	172	103
Capital expenditure and financial Investment	18	(10,657)	(53)
Financing	19	8,000	-
Increase/(Decrease) in cash in the period		(4,065)	2,308
Reconciliation of net cash flow to movement in net funds/debt			
Increase/(Decrease) in cash in the period		(4,065)	2,308
Movement in net funds in period	20	(4,065)	2,308
Opening net funds		10,430	8,122
Net funds at 31 July	20	6,365	10,430

Notes to the Accounts

1 Funding Council Grants

	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
SFC FE recurrent grant (including fee waiver)	20,701	20,989
FE childcare funds	469	531
Release of deferred capital grants	1,129	598
Other SFC grants	898	1,243
	<hr/>	<hr/>
Total	23,197	23,361
	<hr/> <hr/>	<hr/> <hr/>

2 Tuition Fees and Education Contracts

	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
FE fees – UK & EU	1,005	1,201
FE fees – non EU	668	326
HE fees	1,978	1,766
Education contracts	808	914
Other contracts	20	15
	<hr/>	<hr/>
Total	4,479	4,222
	<hr/> <hr/>	<hr/> <hr/>

3 Other Grants and Contracts

	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
European funds	1,241	1,511
Releases from deferred capital grants (non-SFC)	195	158
Other grant income	436	482
	<hr/>	<hr/>
Total	1,872	2,151
	<hr/> <hr/>	<hr/> <hr/>

4 Other Income

	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Residences, catering and conferences	756	825
Other income-generating activities	327	424
Other income	21	11
	<hr/>	<hr/>
Total	1,104	1,260
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts (continued)

5 Investment Income

	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Interest receivable	117	137
Total	<u>117</u>	<u>137</u>

6 Staff Costs

	Year Ended 31 July 2011	Year Ended 31 July 2010
The average number of full-time equivalent employees (including higher paid employees) during the year was:		
	Number	Number
Academic/teaching departments	348	346
Academic/teaching services	26	23
Administration and central services	136	149
Premises	62	63
Catering and residencies	25	22
Total	<u>597</u>	<u>603</u>

Staff costs for the above persons:

	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Wages and salaries	17,601	17,514
Social security costs	1,291	1,277
Other pension costs	2,371	2,336
Exceptional restructuring costs	1,563	-
Total	<u>22,826</u>	<u>21,127</u>
Academic/teaching departments	13,887	13,859
Academic/teaching services	773	756
Administration and central services	4,829	4,707
Premises	1,326	1,357
Catering and residences	448	448
Sub-total	<u>21,263</u>	<u>21,127</u>
Exceptional restructuring costs	1,563	-
Total	<u>22,826</u>	<u>21,127</u>

Notes to the Accounts (continued)

6 Staff Costs (continued)

No members of staff received a pay award during the year.

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 2011		Year Ended 31 July 2010	
	Number Senior Post-holders	Number Other Staff	Number Senior Post-holders	Number Other Staff
£50,001 to £60,000	1	11	2	9
£60,001 to £70,000	1	-	1	-
£70,001 to £80,000	2	-	2	-
£80,001 to £90,000	1	-	1	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	1	-	1	-
	6	11	7	9
	6	11	7	9

7 Senior Post-Holders' Emoluments

	Year Ended 31 July 2011	Year Ended 31 July 2010
	Number	Number
The number of senior post-holders including the Principal was:	7	7
Senior post-holders' emoluments are made up as follows :		
	£000	£000
Salaries	517	524
Pension contributions	79	80
Total emoluments	596	604

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

	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Salary	112	110
Pension contributions	17	16

Notes to the Accounts (continued)

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.

Exceptional restructuring costs related principally to payments made to staff under a voluntary severance scheme and also to compulsory redundancy payments and pension strain costs. The College was forced to make substantial savings in response to the reduction in funding announced for academic year 2011/12.

8 Other Operating Expenses

	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Academic/teaching departments	1,196	1,422
Academic/teaching services	328	294
Administration and central services	2,472	2,870
Premises costs	2,587	1,746
Catering and residence operations	410	399
Childcare funds	469	531
Agency staff costs	127	239
Interest charged on provision for pension costs	222	226
	<hr/>	<hr/>
Total	7,811	7,727
	<hr/>	<hr/>

Other operating expenses include:

Auditors' remuneration - external audit	19	18
- other services	14	18
- internal audit	14	13
Hire of other assets – operating leases	142	153

Notes to the Accounts (continued)

9 Tangible Fixed Assets

	Land and Buildings			
	Freehold £000	Assets In Course of Construction £000	Equipment £000	Total £000
Cost or valuation				
At 1 August 2010	47,328	13,255	3,327	63,910
Additions	2,772	26,797	108	29,677
Transfer to Current Assets	(17,296)	-	(412)	(17,708)
Disposals	-	-	-	-
At 31 July 2011	<u>32,804</u>	<u>40,052</u>	<u>3,023</u>	<u>75,879</u>
Depreciation				
At 1 August 2010	23,619	-	3,152	26,771
Charge for period	2,515	-	74	2,589
Transfer to Current Assets	(15,196)	-	(412)	(15,608)
Disposals	-	-	-	-
Impairment	-	-	-	-
At 31 July 2011	<u>10,938</u>	<u>-</u>	<u>2,814</u>	<u>13,752</u>
Net book value at 31 July 2011	<u>21,866</u>	<u>40,052</u>	<u>209</u>	<u>62,127</u>
Net book value at 31 July 2010	<u>23,709</u>	<u>13,255</u>	<u>175</u>	<u>37,139</u>
Inherited	5,417	-		5,417
Financed by capital grant	12,663	28,900	101	41,664
Other	3,786	11,152	108	15,046
	<u>21,866</u>	<u>40,052</u>	<u>209</u>	<u>62,127</u>

Freehold Land and buildings with a net book value of £14,597,000 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 2011 was £24,990,000 before impairment.

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

	2011 £000	2010 £000
Cost	24,289	22,338
Aggregate depreciation based upon cost	(7,839)	(6,898)
Net book value	<u>16,450</u>	<u>15,440</u>

Notes to the Accounts (continued)

Assets in course of construction represent construction costs associated with re-development of the Gardyne Campus and property improvements carried out at the Kingsway Campus.

The redeveloped areas of the Gardyne campus were not fully operational until just before the commencement of the 2011/12 academic year.

Rationalisation of College estate

An impairment adjustment was made in 2008/09 to reflect an extension to the economic useful life of three sites and a reduction in land values. It is still planned to dispose of these three sites during 2011/12. No formal impairment review has been undertaken in 2010/11.

Assets held for disposal

The three sites now held for disposal have been reflected as current assets at 31 July 2011.

10 Debtors	2011	2010
	£000	£000
Trade debtors	96	192
European funding	1,070	1,414
Prepayments & accrued income	993	2,869
Total	<u>2,159</u>	<u>4,475</u>

Debtors includes £161,000 (2010: £2,546,000) due from the Funding Council.

11 Creditors: amounts falling due

	within 1 Year		after more than 1 Year	
	2011	2010	2011	2010
	£000	£000	£000	£000
Deferred income and payments received in advance	1,354	3,303	-	-
Trade creditors	1,748	3,618	-	-
Other creditors	30	74	-	-
Other taxation and social security	446	475	-	-
Accruals	1,478	199	-	-
Bursaries and access funds for future disbursement	291	41	-	-
Bank Term Loan	-	-	8,000	-
	<u>5,347</u>	<u>7,710</u>	<u>8,000</u>	<u>-</u>

Creditors includes £1,413,000 (2010: £3,107,000) relating to Funding Council grants. During the year the College borrowed £8,000,000 from Santander to help finance its investment in estates. This sum is advanced under a revolving facility agreement and may be partly repaid within one year with any portion remaining unpaid by 29/06/12 crystallising in the form of a term loan repayable over 15 years.

Notes to the Accounts (continued)

12 Provisions for Liabilities and Charges

	Early retirement Pension costs £000
Balance b/fwd	4,433
Expenditure in the period	(313)
Interest charged	222
	<hr/>
Balance c/fwd	4,342
	<hr/> <hr/>

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. There were no material adjustments required arising from changes to pensions payable during the period.

13 Deferred Capital Grants

	SFC £000	Other Grants £000	Total £000
At 31 July 2010			
Land and buildings	20,517	2,055	22,572
Equipment	11	-	11
	<hr/>	<hr/>	<hr/>
	20,528	2,055	22,583
Cash receivable			
Land and buildings	18,888	24	18,912
Equipment	108	-	108
Released to income and expenditure account			
Land and buildings	(1,120)	(195)	(1,315)
Equipment	(9)	-	(9)
At 31 July 2011			
Land and buildings	38,285	1,884	40,169
Equipment	110	-	110
	<hr/>	<hr/>	<hr/>
	38,395	1,884	40,279
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

14 Revaluation Reserve

	2011 £000	2010 £000
Opening balance	8,272	9,025
Transfer to general reserve in respect of depreciation on revalued assets	(753)	(753)
	<hr/>	<hr/>
Balance c/fwd	7,519	8,272
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts (continued)

15 Movement on General Reserves

	2011	2010
	£000	£000
Income and Expenditure Account Reserve		
Opening balance	9,056	7,891
(Deficit)/Surplus on continuing operations after depreciation of assets and taxation	(2,532)	412
Transfer from revaluation reserve	753	753
	<hr/>	<hr/>
Balance c/fwd	7,277	9,056
	<hr/> <hr/>	<hr/> <hr/>

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

	Year Ended	Year Ended
	31 July 2011	31 July 2010
	£000	£000
(Deficit)/Surplus on continuing operations after depreciation of fixed assets at valuation and tax	(2,532)	412
Depreciation (note 9)	2,589	1,865
Deferred capital grants released to income (note 1 & 3)	(1,324)	(750)
(Increase)/decrease in stock	(3)	13
Decrease/(increase) in debtors	2,261	(3,106)
(Decrease)/increase in creditors	(2,363)	4,050
(Decrease)/increase in provisions	(91)	(89)
Interest receivable (note 5)	(117)	(137)
	<hr/>	<hr/>
Net cash inflow / (outflow) from operating activities	(1,580)	2,258
	<hr/> <hr/>	<hr/> <hr/>

17 Returns on Investments and Servicing of Finance

	Year Ended	Year Ended
	31 July 2011	31 July 2010
	£000	£000
Interest received	172	103
	<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance	172	103
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts (continued)

18 Capital Expenditure and Financial Investment

	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Purchase of tangible fixed assets	(29,677)	(12,369)
Sale of tangible fixed assets	-	-
Deferred capital grants received	19,020	12,316
	<hr/>	<hr/>
Net cash (outflow)/inflow from capital expenditure and financial investment	(10,657)	(53)
	<hr/> <hr/>	<hr/> <hr/>

19 Financing

	Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
New unsecured loan	8,000	-
	<hr/>	<hr/>

20 Analysis of Changes in Net Funds

	At 31 July 2010 £000	Cashflow £000	Other Changes £000	At 31 July 2011 £000
Cash at bank and in hand	10,430	(4,065)	-	6,365
	<hr/>	<hr/>	<hr/>	<hr/>
Total	10,430	(4,065)	-	6,365
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

21 Major Non-Cash Transactions

During the year the institution made a provision of £222,000 (2010: £226,000) for future pension costs.

22 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 £2,377,000 (2010: £2,336,000).

Total pension cost for the year

	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
STSS : contributions paid	1,470	1,440
LGSS : contributions paid	907	896
	<hr/>	<hr/>
	2,377	2,336
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts (continued)

22 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 has remained at 14.9% since 1 April 2010.

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 pro-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)

23 Capital Commitments

	2011 £000	2010 £000
Commitments contracted for at 31 July	947	25,845
	<u> </u>	<u> </u>
Commitments entered into but not yet contracted for at 31 July	317	4,820
	<u> </u>	<u> </u>

Committed expenditure includes £502,110 to complete the development of Gardyne Campus.

24 Financial Commitments

At 31 July 2011 the College had annual commitments under non-cancellable operating leases as follows:

	2011 £000	2010 £000
Land and buildings		
Expiring within one year	-	7
Expiring between two and five years inclusive	22	43
Expiring in over five years	-	-
	<u> </u>	<u> </u>
	22	50
	<u> </u>	<u> </u>
Others		
Expiring within one year	-	2
Expiring between two and five years inclusive	-	88
Expiring in over five years	70	-
	<u> </u>	<u> </u>
	70	90
	<u> </u>	<u> </u>

25 Post Balance Sheet Events

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

26 Contingent Liability

Following major restructuring in 2010/11, there are potentially two employment tribunals with former staff. Following legal opinion, the College believes these will be successfully defended. Subsequently, no provision has been made for any possible compensation.

27 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)

27 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 and 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
Stewart Hunter	Vice Convenor of Education Committee	Dundee City Council
Mike Swanston	Emeritus Professor of Psychology	University of Abertay Dundee

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

With the listed exceptions below, there were no transactions during the year ended 31 July 2011 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: Vision Sound & Light Ltd
Volume of Activity: £30,000
Balance at 31 July: £nil
Nature: Audio Visual Communications

Exception: VSL (Scotland) Ltd
Volume of Activity: £30,000
Balance at 31 July: £29,041
Nature: Audio Visual Communications

During the year Board Member Gary Langlands was Managing Director of both Vision Sound & Light Ltd and VSL (Scotland) Ltd.

Notes to the Accounts (continued)

28 Bursaries and other student support funds

	Year ended 31 July 2011					Year ended
	FE Bursary £000	FE Discretionary £000	EMA's £000	Other £000	Total £000	31 July 2010 Total £000
Balance b/fwd	33	-	(20)	8	21	(21)
Allocation received in year	3,311	296	357	323	4,287	4,485
Expenditure	(3,152)	(259)	(346)	(256)	(4,013)	(4,364)
Repaid to Funding Council as clawback	(33)	-	-	(5)	(38)	-
College contribution to funds	-	-	-	-	-	-
Virements	-	-	-	-	-	(80)
Balance c/fwd	<u>159</u>	<u>37</u>	<u>(9)</u>	<u>70</u>	<u>257</u>	<u>20</u>
Represented by :						
Repayable to Funding Council as clawback	19	37	(9)	56	103	20
Retained by College for students	140	-	-	14	154	-

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)

29 FE Childcare Funds

	Year ended 31 July 2011 Total £000	Year ended 31 July 2010 Total £000
Balance b/fwd	-	-
Allocation received in year	469	531
Expenditure	(455)	(611)
Repaid to Funding Council as clawback	-	-
College contribution to funds	-	-
Virements		80
Balance c/fwd	<u>14</u>	<u>-</u>
Represented by:		
Repayable to Funding Council as clawback	-	-
Retained by College for students	14	-

In accordance with Accounts direction for 2010-11 issued by the Funding Council, Childcare Funds have been included in the Income and Expenditure Account.