

# Dundee College

## Report and Financial Statements

For the year ended 31 July 2012

Registered Charity No: SCO21188



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The financial statements on pages 22 to 45 were approved and authorised for issue by the Board of Management on 17 December 2012.

## 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 2012.

### **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, and of its subsidiary company.

### **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 2012, the Board of Management of Dundee College approved an update of the College Strategic Plan for the period 2012-13. 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 governance and effective risk management
2. To contribute to the economic recovery by increasing skills and business capacity in the local area and beyond
3. To enhance the College’s reputation 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 learner experience for all of our learners
6. To manage an effective change process in relation to the College’s estate, work practices, use of technology and business systems
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 aims 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.
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.

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

In the year to 31 July 2012, the consolidated surplus was £285,000 (2010/11 – operating deficit of £2,532,000). The surplus includes the trading activity of the College's subsidiary company - Gardyne Theatre Limited – and exceptional costs for severances/restructuring of £827,000. Residual one-off costs to complete the Gardyne Campus totalled £450,000. The College has accumulated reserves of £15,081,000 (2010/11 – £14,796,000); cash balances of £6,341,000 (2010/11 – £6,365,000) and a long-term loan of £8,000,000.

## **Operating and Financial Review (continued)**

Tangible fixed asset additions during the year were £1,449,000. The only significant movement on the Balance Sheet is the reduction in creditors; largely as a direct consequence of the completion of the Gardyne development, and the fulfillment 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 2011/12, the College repeatedly deposited funds on fixed term deposits to protect interest received from the flat base rate. This practice will continue going forward.

### **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 £ 106,000 (2010/11 - £117,000).

### **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 2012, the College incurred no interest charges in respect of late payment for this period.

## **CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE**

### **Gardyne Campus/Financial Savings**

During 2010/11 – and again in 2011/12 - 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 College's curriculum offer and staffing numbers have changed significantly. The College prepared for 2012/13 with reduced cash funding of -9.9% (2011/12 -10.4%) from SFC. These cuts – coupled with rising costs – led the Board of Management to approve Financial Savings during 2010/11 and 2011/12 for 2011/12 and 2012/13 respectively. Savings of £4,000,000 were achieved in 2011/12 and further savings of £2,000,000 have been actioned for 2012/13.

## Operating and Financial Review (continued)

### **Student Numbers**

In 2011/12 the College met the Student Unit of Measurement (SUMS) target, as set by SFC, of 103,837 SUMs. The College's recurrent target for 2012/13 has been reduced - as part of the funding cuts from SFC - to 96,066 SUMs.

### **Student Achievements**

Success rates for retention and outcomes are disclosed in the Core Performance Indicators listed on page 9.

## **POST-BALANCE SHEET EVENTS/FUTURE DEVELOPMENTS**

### **Merger with Angus College**

Further Education is facing the most uncertain economic and financial outlook we have seen for many years and, in the latter part of 2012, in line with the Scottish Government's Post-16 reform and regionalisation agenda, Dundee and Angus College agreed to combine their resources in order to create a single college for the region.

The two colleges have now entered into a merger process with the aim of becoming a single college for the Tayside Region by 1 November 2013. This positive step will enhance Further Education provision in Tayside and beyond. It will also allow us to work dynamically within the changing FE environment in Scotland, with the shift towards regionalised funding and the Scottish Government's prioritisation of meeting employers' needs.

In the months leading up to merger, the College will continue to build on its strengths, pro-actively manage its costs and seek ways to increase its level of non-governmental income through innovation and new projects. Most importantly – and now more than ever – the Board of Management and the College staff acknowledge the importance of maintaining focus on the quality of our learners' experience.

### **Future Funding**

Dundee College – along with all of Scotland's colleges – has been working with much reduced funding since 2010. In addition, to the -10.4% cut in SFC grant for 2011/12, the Scottish Government announced on further cuts of -9.9% to College Sector for 2012/13. It is anticipated that there will be further cuts in 2013/14 and 2014/15 and this will present a difficult challenge for the new Regional College.

### **Capital Funding**

The College received additional capital funding from the SFC of £800,000 in 2011/12. This funding has been used to refurbish a number of curriculum, student and staff areas within the Kingsway Campus.

### **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 April 2012 missives for the sale of Graham Street were concluded with Persimmon Homes. Melrose Terrace and Constitution Road sites remains unsold and on the market.

## Operating and Financial Review (continued)

### RESOURCES

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

**Tangible Assets** During the year, the College operated from two Campuses. The lease on the Learn Direct Centre in the Overgate Centre in Dundee was cancelled on 31 March 2012.

**Financial** The College has a turnover of £28,790,000, net assets of £54,005,000 and a long-term loan of £8,000,000.

**People** In 2010/11 the College had over 900 employees. With the reduction in funding, the complement of staff fell from 1 August 2012 to under 800 employees. It is anticipated that the College's headcount will be nearer 700 staff for 2012/13.

**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 Strategic Plan Update 2012/13 (approved by the Board of Management in June 2012), 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, NHS Tayside, Scottish Enterprise, Skills Development Scotland, 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 seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005.

### **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 17 December 2012 and signed on its behalf by:**

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**Kish Srinivasan**  
Chairman

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**Christina Potter**  
Principal

## Core Performance Indicators

	2009/10	2010/11	2011/12
<b>Financial CPIs:</b>			
Operating surplus/(deficit) as % of total income	1.3%	(8.2%)	0.7%
Non SFC Income as % of total income	25.0%	24.6%	20.5%
Current assets : current liabilities	1.9:1	2.0:1	2.9:1
Gearing	0%	54%	53%
Days cash	132	76	92
<b>Human Resources CPIs:</b>			
Staff turnover	6.5%	7.15%	23.95%
Working days lost through sickness absence (FTE)	9.29	3.7%	3.55%
<b>Academic CPIs:</b>			
Performance against WSUMs activity target	101%	104%	100%
WSUMs per staff FTE	390	439	481
Student retention			
FE Full-Time	77%	94%	94%
FE Part-Time	93%	98%	99%
HE Full-Time	84%	95%	94%
HE Part-Time	95%	99%	98%
Student outcomes*			
FE	81%	84%	89%
HE	86%	85%	88%

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

## Board of Management Members (2011/12)

### Independent Members

#### **William W Barr**

Retired (previously Deputy Principal, University of Dundee)  
*Chairman of the Board of Management (until 31/03/2012)*  
*Chair of the Chairs' Committee*  
*Chair of the Property Committee*

#### **Kish Srinivasan**

Retired (Previously HM Inspector, HM Inspectorate of Education)  
*Chair of the Board of Management (01/04/2012)*  
*Vice Chair of the Board of Management*  
*Chair of the Audit Committee (until 31 March 2012)*

#### **John Cavanagh**

Rector, Baldrigon High School (*until 31/12/2011*)

#### **Mary Crighton**

Partner, Calders Solicitors  
*Chair of the Quality Enhancement Committee*

#### **Mike Galloway**

Director of City Development, Dundee City Council (*from 1 April 2012*)

#### **Ralph Harrison**

Workforce Development Manager, Scottish Enterprise Tayside  
*Representative from Local Enterprise Company*  
*Chair of the Human Resource and Development Committee (from 1 January 2012)*

#### **Councillor Stewart Hunter**

Convenor of Education Committee, Dundee City Council

#### **Kenny McKeown**

Quality Improvement Officer, Dundee City Council (*from 18 June 2012*)

#### **Joseph Lafferty**

Director, Lifetree Consultancy  
*Chair of the Human Resource and Development Committee (until 31 December 2011)*

#### **Gary Langlands**

Managing Director, VSL (Scotland) Ltd

#### **Pamela Milne**

Director of Human Resources, University of Dundee (*from 1 April 2012*)

#### **Alex Murdoch**

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

#### **Mary Ray**

Retired (previously Assistant Director of Education Angus Council)

**George Robertson**

Principal, Robertson Consulting  
*Chair of the Finance and Property Committee*

**Professor Mike Swanston**

Emeritus Professor of Psychology, University of Abertay Dundee and Honorary Research Fellow,  
School of Psychology, University of Dundee  
*Chair of the Audit Committee (from 1 April 2012)*

**Non-Independent Members**

**Christina Potter**

Principal and Chief Executive, Dundee College

**Wendy Chalmers**

Science Technician, Dundee College  
*Non-Teaching Staff Member*  
*(until 31 March 2012)*

**Jan Low**

Blended Learning Technician, Dundee College  
*Non-Teaching Staff Member (from 18 June 2012)*

**Doug Reilly**

Lecturer, Dundee College  
*Teaching Staff Member*

**Laurie-Ann McKinnon**

President of Dundee College Students' Association  
*(Until 30 June 2012)*

**Graham Ramsay**

President of Dundee College Students' Association *(from 1 September 2012)*

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

**DUNDEE COLLEGE BOARD OF MANAGEMENT STANDING COMMITTEE MEMBERSHIP AS AT 31 JULY 2012**

<b>COMMITTEES</b>	<b>AUDIT</b>	<b>CHAIRS</b>	<b>FINANCE &amp; PROPERTY</b>	<b>HUMAN RESOURCE &amp; DEVELOPMENT</b>	<b>QUALITY ENHANCEMENT</b>
<b>BOARD MEMBERS</b>	M SWANSTON (Chair) M CRIGHTON R HARRISON	K SRINIVASAN (Chair) M CRIGHTON R HARRISON G ROBERTSON M SWANSTON	G ROBERTSON (Chair) M GALLOWAY G LANGLANDS A MURDOCH J LOW D REILLY	R HARRISON (Chair) S HUNTER P MILNE A MURDOCH J LOW D REILLY	M CRIGHTON (Chair) K MCKEOWN M RAY K SRINIVASAN M SWANSTON D REILLY
<b>COLLEGE STAFF/ COMMITTEE MEMBERS</b>		C POTTER	G WESTWATER G RITCHIE L DICK B FERGUSON W GRACE	G WESTWATER G RITCHIE L DICK H ARCHIBALD W GRACE	G WESTWATER G RITCHIE L DICK R MUDIE
<b>OTHER REGULAR ATTENDEES</b>	G WESTWATER COLLEGE AUDITORS				

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

## Professional Advisers

### **External Auditors**

KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

### **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 UK PLC  
301 St Vincent St  
Glasgow  
G2 5HN

### **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 (the 'Code') issued by the Financial Reporting Council in June 2010. 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 2012.

## **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 2011/12 is included on pages 10 and 11.

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 & Property Committee
- Human Resource and Development Committee
- Quality Enhancement Committee

A list of Committee Members for 2011/12 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.

## **Corporate Governance Statement and Internal Control (continued)**

The Finance & Property 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 Quality Enhancement) 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.

### **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.

## Corporate Governance Statement and Internal Control (continued)

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 2012 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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**Kish Srinivasan**  
**Chairman**

**Date : 17 December 2012**

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**Christina Potter**  
**Principal**

**Date : 17 December 2012**

## 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

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**Kish Srinivasan**  
**Chairman**

**Date : 17 December 2012**

## 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 the Board of Management of Dundee College for the year ended 31 July 2012 set out on pages 22 to 45. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of the Board of Management and auditor**

As explained more fully in the Statement of Responsibilities on page 17, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Independent Auditors' Report (continued)

### **Basis for adverse opinion on the financial statements**

The Board of Management has accounted for the College's participation in Tayside Superannuation Fund (being the relevant Local Government Pension Scheme for the College) on a defined contribution basis under Financial Reporting Standard (FRS) 17 'retirement benefits' in their preparation of these financial statements. The Board of Management believe that the College cannot identify its share of assets and liabilities in the Tayside Superannuation Fund on a reasonable and consistent basis and that the College is therefore entitled to use the multi-employer exemption permitted by that FRS, which allows a defined benefit scheme to be accounted for as if it was a defined contribution scheme when a body cannot identify its share of the assets and liabilities in the pension scheme.

They have applied an accounting policy of charging pension costs to the income and expenditure account on the basis of contributions made during the financial year. In our view, the College's share of the underlying assets and liabilities in the Tayside Superannuation Fund could be identified on a consistent and reasonable basis and their share of the deficit in that Fund should therefore be accounted for as a defined benefit scheme under FRS 17. As a result, in our opinion, pension costs for that Fund should not be charged to the income and expenditure account on the basis of the cash contributions made but instead should reflect the cost of benefits earned by employees in the period and its share of assets and liabilities in the Tayside Superannuation Fund should be included within the balance sheet of the College.

In the absence of FRS 17 valuations of the College's share of the assets and liabilities in the Tayside Superannuation Fund it is not practicable for us to quantify the effect of the departure from FRS 17 on the financial statements as a whole.

### **Adverse opinion on the financial statements**

In our opinion, because of the significance of the matter described in the basis for adverse opinion on the financial statements paragraph, the financial statements:

- do not give a true and fair view of the state of the College's affairs as at 31 July 2012 and of its surplus for the year then ended; and
- have not been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: accounting for further and higher education.

In all other respects, in our opinion the financial statements have been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

## Independent Auditors' Report (continued)

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

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

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

Notwithstanding our adverse opinion on the financial statements, in our opinion the information given in the Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Public Finance and Accountability (Scotland) Act 2000 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations I require for my audit;

or

- the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

**S Reid**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

*KPMG LLP is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006*

Saltire Court

20 Castle Terrace

Edinburgh

EH1 2EG

**Consolidated Income and Expenditure Account  
For the year ended 31 July 2012**

	Note	2012 £000	2011 £000
<b>Income</b>			
Funding council grants	2	22,864	23,197
Tuition fees and education contracts	3	3,761	4,479
Other grants and contracts	4	865	1,872
Other income	5	1,194	1,104
Endowment and investment income	6	106	117
<b>Total income</b>		<b>28,790</b>	<b>30,769</b>
<b>Expenditure</b>			
Staff costs	7	17,347	21,263
Exceptional Restructuring costs	7	827	1,563
Other operating expenses	9	6,711	7,811
Depreciation	10	3,636	2,589
Interest and other finance costs		178	75
<b>Total expenditure</b>		<b>28,699</b>	<b>33,301</b>
<b>Surplus/(Deficit) after depreciation and disposal of tangible assets at valuation and before taxation</b>		<b>91</b>	<b>(2,532)</b>
Gain on disposal of assets		194	-
<b>Surplus/(Deficit) on continuing operations after depreciation and disposal of assets at valuation and taxation</b>	<b>18</b>	<b>285</b>	<b>(2,532)</b>

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

## Statement of Consolidated Historical Cost Surpluses

For the year ended 31 July 2012

	Note	2012 £000	2011 £000
Surplus/(Deficit) on continuing operations before taxation		285	(2,532)
Difference between historical cost depreciation and the actual charge for the year on the re-valued amount	17	169	753
<b>Historical cost surplus for the year before and after taxation</b>		454	(1,779)

## Statement of Consolidated Total Recognised Gains and Losses

For the year ended 31 July 2012

	Note	2012 £000	2011 £000
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and disposal of assets and tax	18	285	(2,532)
New Endowments		35	15
<b>Total recognised gains/(losses) relating to the period</b>		320	(2,517)
<b>Reconciliation:</b>			
Opening Reserves and Endowments		14,811	17,328
Total gains and losses recognised in the year		320	(2,517)
<b>Closing reserves and Endowments</b>		15,131	14,811

**Balance Sheets**  
As at 31 July 2012

	Note	Consolidated		College	
		2012 £000	2011 £000	2012 £000	2011 £000
<b>Fixed assets</b>					
Tangible assets	10	<u>59,908</u>	<u>62,127</u>	<u>59,908</u>	<u>62,127</u>
<b>Current assets</b>					
Assets held for disposal		1,000	2,100	1,000	2,100
Stocks		10	13	10	13
Debtors	11	2,504	2,159	2,492	2,159
Short term investments		4,052	4,000	4,052	4,000
Cash at bank and in hand		2,289	2,365	2,275	2,365
		<u>9,855</u>	<u>10,637</u>	<u>9,829</u>	<u>10,637</u>
Creditors: amounts falling due within one year	12	3,376	5,332	3,370	5,332
<b>Net current assets</b>		<u>6,479</u>	<u>5,305</u>	<u>6,459</u>	<u>5,305</u>
<b>Total assets less current liabilities</b>		<b>66,387</b>	<b>67,432</b>	<b>66,367</b>	<b>67,432</b>
Less: Creditors falling due after more than one year	13	8,000	8,000	8,000	8,000
Provisions for liabilities	14	<u>4,382</u>	<u>4,342</u>	<u>4,382</u>	<u>4,342</u>
<b>NET ASSETS</b>		<u><b>54,005</b></u>	<u><b>55,090</b></u>	<u><b>53,985</b></u>	<u><b>55,090</b></u>
<b>Deferred capital grants</b>	15	38,874	40,279	38,874	40,279
<b>Expendable Endowments</b>	16	50	15	30	15
<b>Reserves</b>					
Revaluation reserve	17	7,350	7,519	7,350	7,519
Income & Expenditure reserve	18	6,443	7,277	6,443	7,277
Restricted reserve	18	1,288	-	1,288	-
		<u>15,081</u>	<u>14,796</u>	<u>15,081</u>	<u>14,796</u>
<b>TOTAL FUNDS</b>		<u><b>54,005</b></u>	<u><b>55,090</b></u>	<u><b>53,985</b></u>	<u><b>55,090</b></u>

The financial statements on pages 22 to 45 were approved and authorised for issue by the Board of Management on 17 December 2012 and signed on its behalf by:

\_\_\_\_\_  
Kish Srinivasan – Chair

\_\_\_\_\_  
Garry Westwater – Assistant Principal

\_\_\_\_\_  
Christina Potter - Principal

**Consolidated Cash Flow Statement**  
For the year ended 31 July 2012

	<b>Note</b>	<b>2012 £000</b>	2011 £000
Cash inflow from operating activities	19	(1,042)	(1,580)
Returns on investments and servicing of finance	20	(93)	172
Capital expenditure and financial investment	21	1,111	(10,657)
Management of liquid resources	22	(52)	2,000
Financing	23	-	8,000
		<hr/>	<hr/>
<b>Increase/(Decrease) in cash in period</b>		<b>(76)</b>	<b>(2,065)</b>
		<hr/> <hr/>	<hr/> <hr/>

**Reconciliation of net cash flow to movement in net funds/debt**

	<b>Note</b>	<b>2012 £000</b>	2011 £000
Increase/(Decrease) in cash in the year		(76)	(2,065)
Increase/(Decrease) in short-term deposits		52	(2,000)
		<hr/>	<hr/>
Movement in net funds in the year	24	(24)	(4,065)
Opening net funds		6,365	10,430
		<hr/>	<hr/>
<b>Net funds at 31 July</b>	24	<b>6,341</b>	<b>6,365</b>
		<hr/> <hr/>	<hr/> <hr/>

# Notes to the Accounts

## 1 Statement of Principal Accounting Policies

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

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

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

The College currently has an £8,000,000 loan outstanding with bankers on terms negotiated in 2010. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Basis of Consolidation The consolidated financial statements bring together the financial statements of the College and its subsidiary in accordance with the provisions of FRS 2 Accounting for Subsidiary Undertakings.

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.

## Notes to the Accounts (continued)

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.

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 within the following major components as required by FRS15:

Buildings and main sub-structure	50 years
Internal structure/Mechanical & Electrical	25 years
Internal Fixtures & Property Improvements	10 years
Information & Communications Infrastructure	5 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.

## Notes to the Accounts (continued)

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.

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

Heavy plant	10 years
Light plant and equipment	5 years
Motor vehicles	4 years
Computer equipment	3 years

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

## Notes to the Accounts (continued)

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

The College is partially exempt from VAT.

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.

	<b>2012</b>	2011
	<b>£000</b>	£000
<b>2 Scottish Funding Council grants</b>		
SFC recurrent grant	18,994	20,701
FE childcare funds	506	469
Release of deferred capital grants	2,549	1,129
Other SFC grants	815	898
	<u><b>22,864</b></u>	<u>23,197</u>
	<b>2012</b>	2011
	<b>£000</b>	£000
<b>3 Tuition Fees and Education Contracts</b>		
FE fees - UK & EU	565	1,005
FE fees – non EU	407	668
HE fees	1,764	1,978
Education contracts	1,011	808
Other contracts	14	20
	<u><b>3,761</b></u>	<u>4,479</u>

## Notes to the Accounts (continued)

	<b>2012</b>	2011
	<b>£000</b>	£000
<b>4 Other Grants and Contracts</b>		
European funds	368	1,241
Releases of deferred capital grants (non SFC)	91	195
Other grant income	406	436
	<b>865</b>	<b>1,872</b>
<b>5 Other income</b>	<b>2012</b>	2011
	<b>£000</b>	£000
Residences, catering and conferences	826	756
Other income-generating activities	334	327
Other income	34	21
	<b>1,194</b>	<b>1,104</b>
<b>6 Investment Income</b>	<b>2012</b>	2011
	<b>£000</b>	£000
Interest receivable	106	117
	<b>106</b>	<b>117</b>
<b>7 Staff Costs</b>	<b>2012</b>	2011
	<b>£000</b>	£000
Wages and salaries	14,342	17,601
Social security costs	1,043	1,291
Other pension costs	1,962	2,371
Exceptional Restructuring Costs	827	1,563
	<b>18,174</b>	<b>22,826</b>
Academic/teaching departments	10,922	13,838
Academic/teaching services	729	773
Administrative and central services	4,118	4,878
Premises	1,103	1,326
Catering and residences	475	448
Sub-total	17,347	21,263
Exceptional Restructuring Costs	827	1,563
	<b>18,174</b>	<b>22,826</b>

## Notes to the Accounts (continued)

Following organisational restructuring, comparative values above have been reclassified for 2011.

Exceptional Restructuring costs related 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 respond to further reductions in funding announced for academic year 2012/13 and a Financial Savings Plan, identifying severance costs, was approved by the Board of Management.

The average number of full-time equivalent employees (including higher paid employees) during the year was:

	<b>2012</b>	2011
	<b>Number</b>	Number
Academic/teaching departments	270	339
Academic/teaching services	25	26
Administrative and central services	125	145
Premises	48	62
Catering and residences	<u>26</u>	<u>25</u>
<b>Total</b>	<b><u>494</u></b>	<b><u>597</u></b>

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:

	<b>2012</b>	2011
	<b>£000</b>	£000
£50,001 - £60,000	12	12
£60,001 - £70,000	1	1
£70,001 - £80,000	2	2
£80,001 - £90,000	1	1
£90,001 - £100,000	-	-
£100,001- £110,000	-	-
£110,001- £120,000	<u>1</u>	<u>1</u>
	<b><u>17</u></b>	<b><u>17</u></b>

## Notes to the Accounts (continued)

### 8 Senior Post-Holders' Emoluments

	<b>2012</b>	2011
	<b>Number</b>	Number
The number of senior post-holders including the Principal was:	<u>6</u>	<u>7</u>

Senior post-holders' emoluments are made up as follows:

	<b>£000</b>	£000
Salaries	472	517
Pension contributions	70	79
<b>Total emoluments</b>	<b><u>542</u></b>	<b><u>596</u></b>

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

	<b>Year</b>	<b>Year</b>
	<b>Ended</b>	<b>Ended</b>
	<b>31 July</b>	<b>31 July</b>
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Salary	<b>112</b>	112
Pension contributions	<b>17</b>	17

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)

<b>9 Other Operating Expenses</b>	<b>Year Ended 31 July 2012 £000</b>	<b>Year Ended 31 July 2011 £000</b>
Academic/teaching departments	904	1,049
Academic/teaching services	206	330
Administration and central services	2,573	2,618
Premises costs	1,566	2,586
Catering and residence operations	451	410
Childcare funds	506	469
Agency staff costs	146	127
Interest charged on provision for pension costs, Including revaluation adjustment	359	222
<b>Total</b>	<b><u>6,711</u></b>	<b><u>7,811</u></b>

Following organisational restructuring, comparative values above have been reclassified for 2011.

	<b>Year Ended 31 July 2012 £000</b>	<b>Year Ended 31 July 2011 £000</b>
Other operating expenses include:		
External Auditors' remuneration		
- In respect of these financial statements	17	19
Internal Auditors' remuneration		
- internal audit	11	14
- other services	32	14
Hire of other assets – operating leases	121	145

## Notes to the Accounts (continued)

### 10 Tangible Assets

### Consolidated & College

	Land and Buildings			
	Fuehold £000	Assets in the course of construction £000	Equipment £000	Total £000
<b>Valuation/Cost</b>				
At 1 August 2011	32,804	40,052	3,023	75,879
Additions	-	1,355	94	1,449
Transfers	39,049	(41,157)	2,108	-
Disposals	(15)	-	(1,413)	(1,428)
<b>At 31 July 2012</b>	<b>71,838</b>	<b>250</b>	<b>3,812</b>	<b>75,900</b>
<b>Depreciation</b>				
At 1 August 2011	10,938	-	2,814	13,752
Charge for year	3,175	-	461	3,636
Disposals	(15)	-	(1,381)	(1,396)
<b>At 31 July 2012</b>	<b>14,098</b>	<b>-</b>	<b>1,894</b>	<b>15,992</b>
<b>Net Book Value</b>				
<b>At 31 July 2012</b>	<b>57,740</b>	<b>250</b>	<b>1,918</b>	<b>59,908</b>
At 31 July 2011	21,866	40,052	209	62,127

Fuehold Land and buildings with a net book value of £40,656,000 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 2012 was £19,995,000 before impairment.

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

## Notes to the Accounts (continued)

	<b>Year Ended 31 July 2012 £000</b>	<b>Year Ended 31 July 2011 £000</b>
Cost	63,322	24,289
Aggregate depreciation based upon cost	(10,830)	(7,839)
<b>Net book value</b>	<b><u>52,492</u></b>	<b><u>16,450</u></b>

Assets in course of construction represented construction costs associated with the re-development of the Gardyne Campus, completed this year, and property improvements carried out at the Kingsway Campus.

### Assets held for disposal

Three surplus sites, identified for disposal, were carried at impaired values and transferred to Current Assets at 31 July 2011. One site was sold during the year.

The two remaining sites held for disposal have been reflected as current assets at 31 July 2012.

No formal impairment review has been undertaken in 2011/12, however it is expected that the combined disposal proceeds of both remaining sites will exceed the current asset value.

<b>11 Debtors</b>	<b>Consolidated</b>		<b>College</b>	
	<b>2012 £000</b>	2011 £000	<b>2012 £000</b>	2011 £000
Trade Debtors	<b>149</b>	96	<b>134</b>	96
European Funding	<b>1,124</b>	1,070	<b>1,124</b>	1,070
Prepayments / Accrued Income	<b>1,231</b>	993	<b>1,234</b>	993
	<b><u>2,504</u></b>	<u>2,159</u>	<b><u>2,492</u></b>	<u>2,159</u>

Debtors include £200,000 (2011: £161,000) due from the Funding Council.

College Debtors includes £5,000 (2011:£nil) due from subsidiary.

## Notes to the Accounts (continued)

12 Creditors: amounts falling due within 1 year	Consolidated		College	
	2012 £000	2011 £000	2012 £000	2011 £000
Deferred Income and payments received in advance	940	1,339	940	1,339
Trade creditors	905	1,748	901	1,748
Other creditors	18	30	18	30
Other tax and Social Security	366	446	366	446
Accruals	931	1,478	929	1,478
Bursaries and Access Funds for future disbursement	216	291	216	291
	<b>3,376</b>	<b>5,332</b>	<b>3,370</b>	<b>5,332</b>

Creditors includes £914,000 (2011: £1,413,000) relating to Funding Council grants.  
College Creditors includes £nil (2011:£nil) due to subsidiary.

13 Creditors: amounts falling after 1 year	Consolidated		College	
	2012 £000	2011 £000	2012 £000	2011 £000
<b>Bank Term Loan</b>	<b>8,000</b>	8,000	<b>8,000</b>	8,000
<b>Analysis of borrowings</b>				
Bank loans are repayable as follows:				
Within one year	-	-	-	-
Between one and two years	571	-	571	-
Between two and five years	1,714	1,714	1,714	1,714
In five years or more	5,715	6,286	5,715	6,286

Initially borrowed as a revolving credit facility, on 29<sup>th</sup> June 2012 this sum transferred to a term loan repayable over 15 years commencing June 2014 at £571,428 per annum.

## Notes to the Accounts (continued)

<b>14 Provisions for Liabilities and Charges</b>	<b>Early retirement Pension costs £000</b>
Balance brought forward	4,342
Expenditure in the period	(319)
Interest charged	217
Revaluation adjustment	142
	<hr/>
Balance carried forward	<b><u>4,382</u></b>

A valuation of the existing pension provision was carried out by Barnett Waddingham, an independent firm of actuaries at 31 July 2012. Interest is being charged at 5% pa. There were no material adjustments required arising from changes to pensions payable during the period.

<b>15 Deferred Capital Grants</b>	<b>Consolidated &amp; College</b>		
	<b>SFC £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
<b>At 31 July 2011</b>			
Land and buildings	36,826	1,884	38,710
Equipment	1,569	-	1,569
	<hr/>	<hr/>	<hr/>
	38,395	1,884	40,279
Cash Receivable			
Land and buildings	975	169	1,144
Equipment	91	-	91
Released to I & E Account			
Land and buildings	(2,235)	(91)	(2,326)
Equipment	(314)	-	(314)
<b>At 31 July 2012</b>			
Land and buildings	35,566	1,962	37,528
Equipment	1,346	-	1,346
	<hr/>	<hr/>	<hr/>
	<b><u>36,912</u></b>	<b><u>1,962</u></b>	<b><u>38,874</u></b>

## Notes to the Accounts (continued)

### 16 Endowments

	Restricted expendable £000	2012 Total £000	2011 Total £000
<b>At 1 August</b>			
Capital	15	15	-
	<u>15</u>	<u>15</u>	<u>-</u>
New Endowments	35	35	15
	<u>50</u>	<u>50</u>	<u>15</u>
<b>At 31 July</b>			
Represented by:			
Capital	50	50	15
	<u>50</u>	<u>50</u>	<u>15</u>

### 17 Revaluation Reserve

	Consolidated		College	
	2012 £000	2011 £000	2012 £000	2011 £000
Opening balance	7,519	8,272	7,519	8,272
Transfer to General Reserve in respect of depreciation on revalued assets	(169)	(753)	(169)	(753)
	<u>7,350</u>	<u>7,519</u>	<u>7,350</u>	<u>7,519</u>

### 18 Movement on General Reserves Income and Expenditure Reserve

	Consolidated		College	
	2012 £000	2011 £000	2012 £000	2011 £000
Opening balance	7,277	9,056	7,277	9,056
Surplus/(Deficit) on continuing operations after depreciation of assets and taxation	91	(2,532)	91	(2,532)
Gain/(Loss) on Disposal of assets	194	-	194	-
Transfer to Restricted Reserve	(1,288)	-	(1,288)	-
Transfer from Revaluation Reserve	169	753	169	753
	<u>6,443</u>	<u>7,277</u>	<u>6,443</u>	<u>7,277</u>

## Notes to the Accounts (continued)

18 Restricted Reserve	Consolidated		College	
	2012 £000	2011 £000	2012 £000	2011 £000
Opening balance	-	-	-	-
Transfer from Income & Expenditure Reserve	1,288	-	1,288	-
Balance carried forward	<u>1,288</u>	<u>-</u>	<u>1,288</u>	<u>-</u>

Proceeds from disposal of the College's Graham Street campus have been retained for future investment in the College's estate.

19 Reconciliation of Operating (Deficit)/Surplus to Net Cash Inflow/(Outflow) from Operating Activities	2012 £000	2011 £000
Surplus/(Deficit) after depreciation of assets, disposal of assets and taxation	285	(2,532)
Depreciation (note 9)	3,636	2,589
(Gain)/Loss on disposal of assets	(194)	-
Deferred capital grants released to income	(2,640)	(1,324)
(Increase)/Decrease in stocks	3	(3)
Decrease/ (Increase) in debtors	(324)	2,261
(Decrease)/ Increase in creditors	(1,920)	(2,363)
Increase/ (Decrease) in provisions	40	(91)
Interest receivable (note 5)	(106)	(117)
Interest Payable	178	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b><u>(1,042)</u></b>	<b><u>(1,580)</u></b>
<b>20 Returns on Investments and Servicing of Finance</b>	<b>2012 £000</b>	<b>2011 £000</b>
Interest received	85	172
Interest paid	<u>(178)</u>	<u>-</u>
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b><u>(93)</u></b>	<b><u>172</u></b>

## Notes to the Accounts (continued)

	<b>2012</b>	2011
	<b>£000</b>	£000
<b>21 Capital expenditure and financial investments</b>		
Purchase of Tangible Fixed Assets	(1,449)	(29,677)
Proceeds from sale of Tangible Fixed Assets	37	-
Proceeds from sale of Assets held for disposal	1,288	-
Deferred Capital Grants received	<u>1,235</u>	<u>19,020</u>
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>	<b><u>1,111</u></b>	<b><u>(10,657)</u></b>

	<b>2012</b>	2011
	<b>£000</b>	£000
<b>22 Management of Liquid Resources</b>		
(Increase)/decrease in deposits	<u>(52)</u>	<u>2,000</u>
	<b><u>(52)</u></b>	<b><u>2,000</u></b>

	<b>2012</b>	2011
	<b>£000</b>	£000
<b>23 Financing</b>		
Bank Term Loan	<u>-</u>	<u>8,000</u>
	<b><u>-</u></b>	<b><u>8,000</u></b>

<b>24 Analysis of Changes in Net Funds</b>	<b>At 31 July 2011 £000</b>	<b>Cashflow £000</b>	<b>Other Changes £000</b>	<b>At 31 July 2012 £000</b>
Cash at bank and in hand	2,365	(76)	-	2,289
Short-term investments	<u>4,000</u>	<u>52</u>	<u>-</u>	<u>4,052</u>
Total	<b><u>6,365</u></b>	<b><u>(24)</u></b>	<b><u>-</u></b>	<b><u>6,341</u></b>

## 25 Major Non-Cash Transactions

During the year the institution made a provision of £359,000 (2011: £222,000) for future pension costs.

## Notes to the Accounts (continued)

### 26 Pension and Similar Obligations

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

The total pension cost for the period was £1,963,000 (2011: £2,377,000).

	<b>Year Ended 31 July 2012 £000</b>	<b>Year Ended 31 July 2011 £000</b>
STSS: contributions paid	1,187	1,470
LGSS: contributions paid	776	907
<b>Total pension cost for the year</b>	<b>1,963</b>	<b>2,377</b>

**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 2011
Actuarial method	Project Unit
Investment returns per annum	
Equities	6.9%
Gilts	4.3%
Bonds & Property	5.5%
Discount Rate	6.3%
Pension increases per annum	3.0%
Salary increases per annum	3.5%
Price inflation	5.0%
Actuarial value of assets at 31 March 2011	£1,922m
Actuarial value as a percentage of accrued liabilities	98.0%
Market value of net assets at 31 March 2011	£1,913m

## Notes to the Accounts (continued)

As a result of the fund valuation at 31 March 2011 the employer contribution was reduced from 18.5% to 18.0% on 1 April 2012. This rate has been fixed until 31 March 2015.

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.

<b>27 Capital Commitments</b>	<b>2012</b>	2011
	<b>£000</b>	£000
Commitments contracted for at 31 July	486	947
Commitments entered into but not yet contracted for at 31 July	189	317
<b>28 Financial Commitments</b>	<b>2012</b>	2011
	<b>£000</b>	£000
At 31 July 2012 the College had annual commitments under non-cancellable operating leases as follows:		
<b>Land and buildings</b>		
Expiring within one year	3	6
Expiring between two and five years inclusive	-	22
Expiring in over five years	-	-
	<u>3</u>	<u>28</u>
<b>Others</b>		
Expiring within one year	-	-
Expiring between two and five years inclusive	9	3
Expiring in over five years	89	70
	<u>98</u>	<u>73</u>

## 29 Post Balance Sheet Events

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

## Notes to the Accounts (continued)

### 30 Contingent Liability

Following major restructuring, there is one potential employment tribunal with a former member of staff. Following legal opinion, the College believes this dispute will be successfully defended. Subsequently, no provision has been made for any possible compensation.

### 31 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 Government Employability, Skills and Lifelong Learning Directorate (SGESLLD).

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

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

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

<u>Member</u>	<u>Organisation</u>
Ralph Harrison	Scottish Enterprise
Stewart Hunter	Dundee City Council
Mike Galloway	Dundee City Council
Kenny McKeown	Dundee City Council
Pamela Milne	University of 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 2012 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.

<b>Exception:</b>	VSL (Scotland) Ltd
<b>Volume of Activity:</b>	£94,000
<b>Balance at 31 July:</b>	£0
<b>Nature:</b>	Audio Visual Communications

During the year Board Member Gary Langlands was Managing Director of VSL (Scotland) Ltd.

## Notes to the Accounts (continued)

32 Bursaries and other student support funds	Year ended 31 July 2012			Year ended 31 July 2011	
	FE Bursary £000	EMA's £000	Other £000	Total £000	Total £000
Balance b/fwd	159	11	70	<b>240</b>	21
Allocation received	3,602	275	486	<b>4,363</b>	4,105
in year Expenditure	(3,643)	(307)	(440)	<b>(4,390)</b>	(3,869)
Repaid to Funding body as clawback	-	-	(19)	<b>(19)</b>	(38)
College contribution to funds	-	-	-	-	-
Virements	-	-	-	-	-
Balance c/fwd	<u>118</u>	<u>(21)</u>	<u>97</u>	<u><b>194</b></u>	<u>219</u>
Represented by :					
Repayable to Funding body as clawback	112	(21)	97	<b>188</b>	65
Retained by College for students	6	-	-	<b>6</b>	154

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

In accordance with Accounts Direction for 2011/12 issued by the SFC, Further Education Childcare Funds have been included in the Income and Expenditure Account. The Childcare funds reported in Note 33 below now incorporate both Higher and Further Education funds. The Higher Education Childcare funds were previously included in "Other" above and comparative values have been restated for the year ended 31 July 2011.

## Notes to the Accounts (continued)

<b>33 FE &amp; HE Childcare Funds</b>	<b>Year Ended 31 July 2012 £000</b>	<b>Year Ended 31 July 2011 £000</b>
Balance b/fwd	14	-
Allocation received in year	714	651
Expenditure	(726)	(599)
Repaid to Funding body as clawback	-	-
College contribution to funds	-	-
Virements	-	-
Balance c/fwd	<u><u>2</u></u>	<u><u>52</u></u>
Represented by:		
Repayable to Funding body as clawback	2	38
Retained by College for students	-	14

## 34 Subsidiary undertakings

Details of the subsidiary company, which is registered in Scotland and 100% owned by the College, is as follows:

<b>Company</b>	<b>Principal Activity</b>
Gardyne Theatre Limited	Promotion of performing arts

The company has no share capital, but is limited by guarantee. The ultimate controlling party is Dundee College, the only member, and control is exercised by virtue of the provisions of the Memorandum and Articles of Association.

The trading results of the subsidiary have been included in the consolidated results.