

Dundee College

Report and Financial Statements

For the year ended 31 July 2013

Registered Charity No: SCO21188



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The financial statements on pages 20 to 49 were approved and authorised for issue by the Board of Management on 17 December 2013.

Operating and Financial Review

NATURE, OBJECTIVES and STRATEGIES

The Board of Management of Dundee and Angus College present the report and the audited financial statements of Dundee College for the year ended 31 July 2013.

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, 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 1.35:1 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 show 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 2013, the consolidated deficit was £825,000 (2011/12 – operating surplus of £361,000). The deficit includes the trading activity of the College's subsidiary company - Gardyne Theatre Limited – and costs for severances/restructuring of £1,687,000. The College has accumulated reserves (including pension reserve) of £11,025,000 (2011/12 – £6,576,000); cash balances of £7,749,000 (2011/12 – £6,341,000) and a long-term loan of £8,000,000 (2011/12 - £8,000,000).

Comparative values for 2011/12 have been restated following the change in policy to adopt FRS17 – 'Retirement Benefits' in full. Details of the adjustment made in these financial statements, and in respect of the prior year, are shown in Note 33.

Operating and Financial Review (continued)

Tangible fixed asset additions during the year were £1,293,000, with disposals of £247,000 and a Depreciation charge of £3,773,000. Assets held for disposal were subject to an impairment charge of £340,000. Net Assets have been reduced with the recognition of a Net Pension Liability.

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 2012/13, the College utilised both fixed interest term deposit and notice accounts to secure marginally better interest rates during a period of falling bank rates.

Liquidity

The College's net cash position has strengthened but flat interest rates have resulted in only a modest increase in interest received to £ 113,000 (2011/12 - £106,000).

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 2013, the College incurred no interest charges in respect of late payment for this period.

CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE

Student Numbers

In 2012/13 the College exceeded the Student Unit of Measurement (SUMS) target, as set by SFC, of 96,072 SUMS. The 2013/14 target for Dundee and Angus College is 144,593.

Student Achievements

Success rates for retention and outcomes are disclosed in the Core Performance Indicators listed on page 8. Both sets of data show noticeable improvements on 2011/12.

POST-BALANCE SHEET EVENTS/FUTURE DEVELOPMENTS

Merger with Angus College

In line with the Scottish Government's Post-16 reform and regionalisation agenda, Dundee College formally merged with Angus College on Friday 1st November 2013.

This positive step will further enhance Further and Higher Education provision in Tayside and beyond. It will also allow us to work dynamically within the changing political and economic environment in Scotland, with the shift towards regionalised funding and the Scottish Government's prioritisation of meeting employers' needs.

Managing the merger and the resulting need to integrate systems, processes and staffing structures will occupy much management time; however, the Board of Management and College management and staff acknowledge the importance of maintaining focus on the quality of our learners' experience, the learners' successful outcomes and engagement with local and national employers. This approach of "business as usual" will ensure that merger does not become a major distraction and that high quality delivery of learning and services remains the number one priority.

Operating and Financial Review (continued)

Reclassification of Colleges

In 2010, ONS determined that the Colleges in the UK should be reclassified as Public Bodies. This reclassification is effective from 1 April 2014. In England and Wales action has been taken to avoid some of the additional bureaucracy and financial constraints that reclassification will bring. In Scotland however, the Scottish Government has not chosen to take such mitigation action, and from 1 April 2014 Colleges in Scotland must change the accounting year, how cash resources are managed and the accounting for depreciation, capital expenditure and asset valuations.

Future Funding

Dundee College – along with all of Scotland’s colleges – has been working with much reduced funding since 2010. The College sustained cuts of -9.9% for 2012/13, and the new Dundee and Angus College must absorb further cuts of -3.2% in 2013/14. In addition, a ‘flat cash’ funding settlement from SFC for 2014/15 will mean a real terms cut in funding and will need to be effectively managed.

Capital Funding

The College received additional capital funding from the SFC of £907,000 in 2012/13. This funding has been used to refurbish a number of areas, including major upgrading of roofing and M&E infrastructure at Kingsway campus. The College also invested in solar panels to reduce future energy consumption.

Asset Disposals

Melrose Terrace and Constitution Road sites remain unsold and Current Asset values have been reduced to £660,000 - reflecting disappointing property market conditions.

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.

Financial The College has a turnover of £28,740,000, net assets of £48,285,000 and a long-term loan of £8,000,000.

People With reduction in funding in successive years, the College Headcount had fallen to 695. It is anticipated that the new College’s headcount will be nearer 1,000 staff for 2013/14.

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, 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.

Operating and Financial Review (continued)

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

The College 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 2013 and signed on its behalf by:

Kish Srinivasan
Chairman

Christina Potter
Principal

Core Performance Indicators

	2010/11	2011/12	2012/13
Financial CPIs:			
Operating surplus/(deficit) as % of total income	(8.2%)	1.3%	(2.9%)
Non SFC Income as % of total income	24.6%	20.5%	21.1%
Current assets : current liabilities	2.0:1	2.9:1	2.1:1
Gearing	54%	122%	73%
Days cash	76	93	111
Human Resources CPIs:			
Staff turnover	7.15%	23.95%	10.92%
Working days lost through sickness absence (FTE)	3.7%	3.55%	3.17%
Academic CPIs:			
Performance against WSUMs activity target	104%	100%	103%
WSUMs per staff FTE	439	481	534
Student retention			
FE Full-Time	94%	94%	95%
FE Part-Time	98%	99%	99%
HE Full-Time	95%	94%	97%
HE Part-Time	99%	98%	99%
Student outcomes*			
FE	84%	89%	91%
HE	85%	88%	92%

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

Board of Management Members (2012/13)

Independent Members

Kish Srinivasan

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

Mary Crighton

Partner, Calders Solicitors
Chair of the Quality Enhancement Committee

Mike Galloway

Director of City Development, Dundee City Council

Ralph Harrison

Workforce Development Manager, Scottish Enterprise Tayside
Representative from Local Enterprise Company
Chair of the Human Resource and Development Committee

Councillor Stewart Hunter

Convenor of Education Committee, Dundee City Council

Kenny McKeown

Quality Improvement Officer, Dundee City Council

Gary Langlands

Managing Director, VSL (Scotland) Ltd

Pamela Milne

Director of Human Resources, University of Dundee

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

Non-Independent Members

Christina Potter

Principal and Chief Executive, Dundee & Angus College

Jan Low

Blended Learning Technician, Dundee & Angus College
Non-Teaching Staff Member

Mr Simon Hewitt

Lecturer, Dundee & Angus College
Teaching Staff Member (from 1 April 2013)

Doug Reilly

Lecturer, Dundee & Angus College
Teaching Staff Member (until 31 March 2013)

Graham Ramsay

President of Dundee & Angus College Students' Association

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 2013

COMMITTEES	BOARD OF MANAGEMENT	AUDIT	FINANCE & PROPERTY	HUMAN RESOURCE & DEVELOPMENT	QUALITY ENHANCEMENT
BOARD MEMBERS	K SRINIVASAN (Chair) (5) M SWANSTON (6) M CRIGHTON (6) M GALLOWAY (1) R HARRISON (6) S HUNTER (1) G LANGLANDS (3) K MCKEOWN (5) P MILNE (5) A MURDOCH (5) M RAY (5) G ROBERTSON (5) G RAMSAY (4) D REILLY (4) S HEWITT (0) J LOW (5) C POTTER (6)	M SWANSTON (Chair) (3) M CRIGHTON (3) R HARRISON (3)	G ROBERTSON (Chair) (4) M GALLOWAY (3) G LANGLANDS ((3) A MURDOCH (4) J LOW (3) D REILLY (0) C POTTER (1)	R HARRISON (Chair) (2) S HUNTER (0) P MILNE (3) A MURDOCH (2) J LOW (3) D REILLY (2) S HEWITT (1) C POTTER (3)	M CRIGHTON (Chair) (2) K MCKEOWN (3) M RAY (2) K SRINIVASAN (2) M SWANSTON (2) D REILLY (1) S HEWITT (1) G RAMSAY (3) C POTTER (2)
COLLEGE STAFF/ COMMITTEE MEMBERS & OTHER REGULAR ATTENDEES	G WESTWATER	G WESTWATER COLLEGE AUDITORS	G WESTWATER G RITCHIE L DICK B FERGUSON W GRACE A LORIMER (Student Rep)	G WESTWATER G RITCHIE L DICK H ARCHIBALD W GRACE	G WESTWATER G RITCHIE L DICK R MUDIE

- The Secretary of the Board attends all of the above Standing Committee meetings.
- Numbers of attendances at Board of Management and Committee meetings are noted in brackets.
- During 2012/13 the Chairs Committee did not convene
- During 2012/13 there were 2 Ex-Ord BOM 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 & Angus 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 & Angus 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 2013.

Board of Management

Dundee & Angus 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 2012/13 is included on pages 9 - 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 2012/13 is included on page 11.

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 & Angus 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 2013 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, and arrangements as part of the merger with Angus College from 1 November 2013, to ensure the continuation of its functions within the public sector for the foreseeable future.

Signed on Behalf of the Board of Management

Kish Srinivasan
Chairman

Date : 17 December 2013

Christina Potter
Principal

Date : 17 December 2013

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

Kish Srinivasan
Chairman

Date : 17 December 2013

Independent Auditors' Report

Independent auditor's report to the members of the Board of Management of Dundee and Angus 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 2013 set out on pages 20 to 49. 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 and Angus College and to the Auditor General for Scotland in accordance with sections 21 and 22 of the Public Finance and Accountability (Scotland) Act 2000. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditor's report and for no other purpose. In accordance with the Code of Audit Practice approved by the Auditor General for Scotland, this report is also made to the Scottish Parliament, as a body. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Management of Dundee and Angus 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 16 & 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.

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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2013 and of its deficit for the year then ended;

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

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

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

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

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

Matters on which we are required to report by exception

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

- proper 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.

Stephen 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 2013**

	Note	2013 £000	2012 £000 (restated)
Income			
Funding council grants	2	22,685	22,864
Tuition fees and education contracts	3	3,856	3,761
Other grants and contracts	4	827	865
Other income	5	1,259	1,194
Endowment and investment income	6	113	106
Total income		28,740	28,790
Expenditure			
Staff costs	7	17,251	17,630
Restructuring costs	7	1,687	827
Other operating expenses	9	6,449	6,352
Depreciation	10	3,773	3,636
Interest and other finance costs		192	178
Total expenditure		29,352	28,623
(Deficit)/Surplus after depreciation and disposal of tangible assets at valuation and before taxation		(612)	167
(Loss)/Gain on disposal of assets		(213)	194
(Deficit)/Surplus on continuing operations after depreciation and disposal of assets at valuation and taxation	17	(825)	361

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

Statement of Consolidated Historical Cost Surpluses and Deficits
For the year ended 31 July 2013

	Note	2013 £000	2012 £000 (restated)
(Deficit)/Surplus on continuing operations before taxation		(825)	361
Difference between historical cost depreciation and the actual charge for the year on the re-valued amount	16	169	169
Historical cost (deficit)/surplus for the year before and after taxation		<u>(656)</u>	<u>530</u>

Statement of Consolidated Total Recognised Gains and Losses
For the year ended 31 July 2013

	Note	2013 £000	2012 £000 (restated)
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		(825)	361
Endowments		40	35
Impairment Adjustment	16	(340)	-
Actuarial gain/(loss) in respect of pension scheme		5,561	(5,714)
Total recognised gains/(losses) relating to the period		<u>4,436</u>	<u>(5,318)</u>
Prior year adjustment		(8,505)	-
Total gains and losses recognized since last financial statements		<u>(4,069)</u>	<u>(5,318)</u>
Reconciliation:			
Opening Reserves and Endowments		6,626	11,944
Total gains and losses recognised in the year		<u>4,436</u>	<u>(5,318)</u>
Closing reserves and Endowments		<u>11,062</u>	<u>6,626</u>

Balance Sheets
As at 31 July 2013

	Note	Consolidated		College	
		2013 £000	2012 £000	2013 £000	2012 £000
Fixed assets					
Tangible assets	10	57,181	59,908	57,181	59,908
Current assets					
Assets held for disposal		660	1,000	660	1,000
Stocks		12	10	12	10
Debtors	11	3,246	2,504	3,259	2,492
Short term investments		2,115	4,052	2,115	4,052
Cash at bank and in hand		5,634	2,289	5,624	2,275
		11,667	9,855	11,670	9,829
Creditors: amounts falling due within one year	12	5,551	3,376	5,529	3,370
		6,116	6,479	6,141	6,459
Net current assets					
		63,297	66,387	63,322	66,367
Total assets less current liabilities					
Less: Creditors falling due after more than one year	13	7,429	8,000	7,429	8,000
NET ASSETS excluding Pension Liability		55,868	58,387	55,893	58,367
Net Pension liability	24	7,583	12,887	7,583	12,887
NET ASSETS including Pensions liability		48,285	45,500	48,310	45,480

Balance Sheets (continued)
As at 31 July 2013

Deferred capital grants	14	37,223	38,874	37,223	38,874
Expendable Endowments	15	90	50	90	30
Reserves					
Income & Expenditure account excluding pension reserve	17	11,552	10,825	11,577	10,825
Pension Reserve	17	(7,583)	(12,887)	(7,583)	(12,887)
		3,969	(2,062)	3,994	(2,062)
Income & Expenditure account including pension reserve					
Revaluation reserve	16	5,739	7,350	5,739	7,350
Restricted reserve	18	1,264	1,288	1,264	1,288
		10,972	6,576	10,997	6,576
TOTAL FUNDS		48,285	45,500	48,310	45,480

The financial statements on pages 20 to 49 were approved and authorised for issue by the Board of Management on 17 December 2013 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 2013

	Note	2013 £000	2012 £000
Cash inflow from operating activities	19	1,563	(1,042)
Returns on investments and servicing of finance	20	(62)	(93)
Capital expenditure and financial investment	21	(93)	1,111
Management of liquid resources	22	1,937	(52)
		<hr/>	<hr/>
Increase/(Decrease) in cash in period		3,345	(76)
		<hr/>	<hr/>

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

	Note	2013 £000	2012 £000
Increase/(Decrease) in cash in the year		3,345	(76)
Increase/(Decrease) in short-term deposits		(1,937)	52
Movement in net funds in the year	23	<hr/> 1,408	<hr/> (24)
Opening net funds		6,341	6,365
		<hr/>	<hr/>
Net funds at 31 July	23	7,749	6,341
		<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.

The College merged with Angus College on 1 November 2013. This is a transfer of functions within the public sector, from Angus College to Dundee College, and accordingly these accounts have been prepared on a going concern basis. No amendments have been made to established accounting policies to reflect the merger.

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.

The College has a reasonable expectation that it has adequate resources, and arrangements as part of the merger with Angus College from 1 November 2013, to ensure the continuation of its functions within the public sector 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 The College participates in two multi-employer defined benefit pension schemes.

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

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

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

Tangible Fixed Assets

- (a) Land and Buildings
Land and buildings inherited from 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.

Notes to the Accounts (continued)

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.

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 2013. 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

Notes to the Accounts (continued)

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

Agency Arrangements The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the College Income and Expenditure Account, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific

funds are disbursed, and those funds do not meet the definition of agency funds, the income and expenditure relation to those funds are shown in the College Income and Expenditure Account.

Taxation 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.

	2013	2012
	£000	£000
2 Scottish Funding Council grants		
SFC recurrent grant	17,121	18,994
FE childcare funds	589	506
Release of deferred capital grants	2,647	2,549
Merger Transitional funding	1,330	-
Other SFC grants	998	815
	<u>22,685</u>	<u>22,864</u>

Notes to the Accounts (continued)

	2013	2012
	£000	£000
3 Tuition Fees and Education Contracts		
FE fees - UK & EU	438	565
FE fees – non EU	180	407
HE fees	1,826	1,764
Education contracts	1,401	1,011
Other contracts	11	14
	<u>3,856</u>	<u>3,761</u>
4 Other Grants and Contracts		
European funds	381	368
Releases of deferred capital grants (non SFC)	119	91
Other grant income	327	406
	<u>827</u>	<u>865</u>
5 Other income		
Residences, catering and conferences	848	826
Other income-generating activities	405	334
Other income	6	34
	<u>1,259</u>	<u>1,194</u>
6 Endowment & Investment Income		
Endowment income	10	-
Interest receivable	103	106
	<u>113</u>	<u>106</u>
7 Staff Costs		
Wages and salaries	13,826	14,342
Social security costs	1,011	1,043
Other pension costs	2,414	2,245
Restructuring Costs	1,687	827
	<u>18,938</u>	<u>18,457</u>

Notes to the Accounts (continued)

Academic/teaching departments	10,402	10,922
Academic/teaching services	755	729
Administrative and central services	4,519	4,401
Premises	1,080	1,103
Catering and residences	495	475
Sub-total	17,251	17,630
Restructuring Costs	1,687	827
	18,938	18,457

Restructuring costs related to severance costs payable to staff under a voluntary severance scheme and include pension strain costs. The College was obliged to offer a Voluntary Severance Scheme to staff in response to the merger with Angus College and the resulting rationalisation of management and processes within the new organisational structure. The scheme has been approved by The Scottish Funding Council who are contributing substantially to the costs of the scheme.

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

	2013	2012
	Number	Number
Academic/teaching departments	253	270
Academic/teaching services	26	25
Administrative and central services	114	125
Premises	45	48
Catering and residences	25	26
Total	463	494

Staff received an unconsolidated pay award of £750 per FTE 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:

	2013	2012
	£000	£000
£50,001 - £60,000	7	12
£60,001 - £70,000	1	1
£70,001 - £80,000	1	2
£80,001 - £90,000	1	1
£110,001 - £120,000	1	1
£140,001 - £150,000 *	3	-
£200,001 - £210,000 *	1	-
	15	17

* These bandings include the gross cost of compensation for loss of office under the terms of the voluntary severance scheme available to all staff.

Notes to the Accounts (continued)

8 Senior Post-Holders' Emoluments	2013 Number	2012 Number
The number of senior post-holders including the Principal was:	6	6
Senior post-holders' emoluments are made up as follows:		
	£000	£000
Salaries	484	472
Pension contributions	71	70
Total emoluments	<u>555</u>	<u>542</u>

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

	Year Ended 31 July 2013 £000	Year Ended 31 July 2012 £000
Salary	119	112
Pension contributions	18	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.

Compensation for the loss of office paid to senior post holders:

	2013 £000	2012 £000
Compensation for the loss of office paid to senior post holders	130	-

The compensation for loss of office is calculated with the terms & conditions of the college wide voluntary severance scheme which is open to all employees.

Notes to the Accounts (continued)

9 Other Operating Expenses	Year Ended 31 July 2013 £000	Year Ended 31 July 2012 £000
Academic/teaching departments	993	904
Academic/teaching services	214	206
Administration and central services	2,421	2,573
Premises costs	1,672	1,566
Catering and residence operations	465	451
Childcare funds	589	506
Agency staff costs	95	146
Total	6,449	6,352

	Year Ended 31 July 2013 £000	Year Ended 31 July 2012 £000
Other operating expenses include:		
External Auditors' remuneration		
- In respect of these financial statements	25	17
Internal Auditors' remuneration		
- internal audit	9	11
- other services	23	32
Hire of other assets – operating leases	100	121

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
Valuation/Cost				
At 1 August 2012	71,838	250	3,812	75,900
Additions	-	1,108	185	1,293
Transfers	710	(1,177)	467	-
Disposals	(247)	-	-	(247)
At 31 July 2013	<u>72,301</u>	<u>181</u>	<u>4,464</u>	<u>76,946</u>
Depreciation				
At 1 August 2012	14,098	-	1,894	15,992
Charge for year	3,230	-	543	3,773
Disposals	-	-	-	-
At 31 July 2013	<u>17,328</u>	<u>-</u>	<u>2,437</u>	<u>19,765</u>
Net Book Value				
At 31 July 2013	<u>54,973</u>	<u>181</u>	<u>2,027</u>	<u>57,181</u>
At 31 July 2012	<u>57,740</u>	<u>250</u>	<u>1,918</u>	<u>59,908</u>

Fuehold Land and buildings with a net book value of £38,668,000 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 2013 was £19,995,000 before impairment. The Net Book Value included in Tangible Assets above is £5,079,000.

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

Notes to the Accounts (continued)

	Year Ended 31 July 2013 £000	Year Ended 31 July 2012 £000
Cost	63,786	63,322
Aggregate depreciation based upon cost	(13,891)	(10,830)
Net book value	<u>49,895</u>	<u>52,492</u>

Assets in course of construction represented construction costs associated with improvements to both property and plant installations.

Assets Held for Disposal

Three surplus sites, identified for disposal, were carried at impaired values and transferred to Current Assets at 31 July 2011.

The two remaining sites held for disposal have been reflected as current assets at 31 July 2013.

An impairment review undertaken in 2012/13 has resulted in the impairment of one of the surplus sites by £340,000, to reduce the carrying value to the net proceeds now anticipated from the disposal of each site. The College is confident that the remaining values will be realised upon disposal, however the College is expected to surrender 25% of the proceeds to The Scottish Funding Council.

The Scottish Funding Council have determined that a proportion of the proceeds from the disposal, during 2011/12, of the Graham Street campus should now be surrendered by clawback from the Estates capital funding grant for 2013/14. This amounts to £213,000 and is treated as a Loss on Disposal in the Income and Expenditure Account for 2012/13.

11 Debtors	Consolidated		College	
	2013 £000	2012 £000	2013 £000	2012 £000
Trade Debtors	259	149	251	134
European Funding	1,010	1,124	1,010	1,124
Prepayments / Accrued Income	1,977	1,231	1,998	1,234
	<u>3,246</u>	<u>2,504</u>	<u>3,259</u>	<u>2,492</u>

Debtors include £1,588,000 (2012: £200,000) due from the Funding Council.

College Debtors includes £50,000 (2012:£5,000) due from subsidiary.

Notes to the Accounts (continued)

12 Creditors: amounts falling due within 1 year	Consolidated		College	
	2013 £000	2012 £000	2013 £000	2012 £000
Deferred Income and payments received in advance	1,547	940	1,545	940
Trade creditors	424	905	410	901
Other creditors	95	18	94	18
Other tax and Social Security	368	366	368	366
Accruals	2,339	931	2,334	929
Bursaries and Access Funds for future disbursement	207	216	207	216
Bank Term Loan	571	-	571	-
	5,551	3,376	5,529	3,370

Creditors includes £1,596,000 (2012: £914,000) relating to Funding Council grants. This includes strategic funds of £909,000 (2012: £278,000) held for the benefit of the sector, with the College acting as paying agent.

College Creditors includes £nil (2012:£nil) due to subsidiary.

13 Creditors: amounts falling after 1 year	Consolidated		College	
	2013 £000	2012 £000	2013 £000	2012 £000
Bank Term Loan	7,429	8,000	7,429	8,000
Analysis of borrowings				
Bank loans are repayable as follows:				
Between one and two years	571	571	571	571
Between two and five years	1,714	1,714	1,714	1,714
In five years or more	5,144	5,715	5,144	5,715

Initially borrowed as a revolving credit facility, on 29th June 2012 this sum transferred to a term loan repayable over 15 years commencing July 2014 at £571,428 per annum. Amount repayable within one year is shown within Creditors: amounts falling due within one year.

Notes to the Accounts (continued)

14 Deferred Capital Grants	Consolidated & College		
	SFC £000	Other £000	Total £000
At 31 July 2012			
Land and buildings	35,566	1,962	37,528
Equipment	<u>1,346</u>	<u>-</u>	<u>1,346</u>
	36,912	1,962	38,874
Cash Receivable			
Land and buildings	497	169	666
Equipment	437	12	449
Released to I & E Account			
Land and buildings	(2,297)	(117)	(2,414)
Equipment	(350)	(2)	(352)
At 31 July 2013			
Land and buildings	33,766	2,014	35,780
Equipment	<u>1,433</u>	<u>10</u>	<u>1,443</u>
	<u>35,199</u>	<u>2,024</u>	<u>37,223</u>

Notes to the Accounts (continued)

15 Endowments

	Restricted expendable £000	2013 Total £000	2012 Total £000
At 1 August			
Capital	50	50	15
	<u>50</u>	<u>50</u>	<u>15</u>
New Endowments	50	50	35
Released to Income	(10)	(10)	-
At 31 July	<u>90</u>	<u>90</u>	<u>50</u>
Represented by:			
Capital	90	90	50
	<u>90</u>	<u>90</u>	<u>50</u>

16 Revaluation Reserve

	Consolidated		College	
	2013 £000	2012 £000	2013 £000	2012 £000
Opening balance	7,350	7,519	7,350	7,519
Transfer to General Reserve in respect of depreciation on revalued assets	(169)	(169)	(169)	(169)
Transfer to General Reserve in respect of disposals	(1,102)	-	(1,102)	-
Transfer to general reserve in respect of impairment	(340)	-	(340)	-
Balance carried forward	<u>5,739</u>	<u>7,350</u>	<u>5,739</u>	<u>7,350</u>

Notes to the Accounts (continued)

17 Movement on General Reserves	Consolidated		College	
	2013	2012	2013	2012
Income and Expenditure Reserve	£000	£000	£000	£000
Opening balance (restated)	10,825		10,825	
Surplus/(Deficit) on continuing operations after depreciation of assets and taxation	(612)		(587)	
(Loss)/Gain on Disposal of assets	(213)		(213)	
Transfer to Restricted Reserve	24		24	
Impairment Adjustment	(340)		(340)	
Transfer from Revaluation Reserve	1,611		1,611	
Movement in reserves for Pension fund service cost	257		257	
Balance carried forward	11,552		11,577	
Pension Reserve	Consolidated		College	
	2013	2012	2013	2012
	£000	£000	£000	£000
Prior year adjustment	(12,887)		(12,887)	
Actuarial gain/(loss) in STRGL	5,561		5,561	
Movement in reserves	(257)		(257)	
Balance carried forward	(7,583)		(7,583)	
18 Restricted Reserve	Consolidated		College	
	2013	2012	2013	2012
	£000	£000	£000	£000
Opening balance	1,288	-	1,288	-
Transfer from Income & Expenditure Reserve	(24)	1,288	(24)	1,288
Balance carried forward	1,264	1,288	1,264	1,288

Net proceeds from disposal of the College's Graham Street campus have been retained for future investment in the College's estate. Procedure Notes For The Disposal of Exchequer-Funded assets obliges the College to reinvest proceeds in accordance with its Estates Strategy.

Notes to the Accounts (continued)

19 Reconciliation of Operating (Deficit)/Surplus to Net Cash Inflow/(Outflow) from Operating Activities	2013 £000	2012 £000
Surplus/(Deficit) after depreciation of assets, disposal of assets and taxation	(825)	361
Depreciation (note 10)	3,773	3,636
(Gain)/Loss on disposal of assets	213	(194)
Deferred capital grants released to income	(2,766)	(2,640)
Endowments released to income	(10)	-
(Increase)/Decrease in stocks	(2)	3
Decrease/ (Increase) in debtors	(761)	(324)
(Decrease)/ Increase in creditors	1,595	(1,920)
Increase/ (Decrease) in provisions	-	40
Pension fund service cost	257	(76)
Interest receivable (note 6)	(103)	(106)
Interest Payable	192	178
Net cash inflow/(outflow) from operating activities	<u>1,563</u>	<u>(1,042)</u>
20 Returns on Investments and Servicing of Finance	2013 £000	2012 £000
Interest received	122	85
Interest paid	(184)	(178)
Net cash inflow from returns on investment and servicing of finance	<u>(62)</u>	<u>(93)</u>

Notes to the Accounts (continued)

	2013	2012
	£000	£000
21 Capital expenditure and financial investments		
Purchase of Tangible Fixed Assets	(1,292)	(1,449)
Proceeds from sale of Tangible Fixed Assets	247	37
Proceeds from sale of Assets held for disposal	(213)	1,288
Deferred Capital Grants received	1,115	1,235
Endowments received	50	-
Net cash inflow/(outflow) from capital expenditure and financial investment	(93)	1,111

	2013	2012
	£000	£000
22 Management of Liquid Resources		
(Increase)/decrease in deposits	1,937	(52)
	1,937	(52)

23 Analysis of Changes in Net Funds	At 31 July 2012 £000	Cashflow £000	Other Changes £000	At 31 July 2013 £000
Cash at bank and in hand	2,289	3,345	-	5,634
Short-term investments	4,052	(1,937)	-	2,115
Total	6,341	1,408	-	7,749

Notes to the Accounts (continued)

24 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 paid for the period was £1,856,000 (2012: £1,963,000).

	Year Ended 31 July 2013 £000	Year Ended 31 July 2012 £000
STSS: contributions paid	1,104	1,187
LGSS: contributions paid	<u>752</u>	<u>776</u>
Total pension paid for the year	<u>1,856</u>	<u>1,963</u>

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 scheme is subject to triennial valuations by independent actuaries, with the most recent valuation being carried out as at 31 March 2011.

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

	2013	2012 (restated)
Discounted rate at 31 July	4.6%	3.9%
Expected return on plan assets	5.8%	5.1%
Future salary increases	4.7%	4.0%
Future pension increases	2.5%	1.8%
Life expectancy from age 65 years:		
Non-pensioners		
Male	21.9	21.8
Female	24.5	24.4
Pensioners	20.6	20.6
Male		
Female	22.9	22.8

Notes to the Accounts (continued)

Employee Benefit Options	2013	2012
The amounts recognised in the BS are as follow:		
Net Pension Asset at	£000's	£000's
		(restated)
Present value of funded obligation	(25,795)	(26,297)
Fair value of scheme assets	22,554	17,792
	<hr/>	<hr/>
Net Liability	(3,241)	(8,505)
	<hr/>	<hr/>
Present value of unfunded obligation	(4,342)	(4,382)
Unrecognised past service cost	-	-
	<hr/>	<hr/>
Deficit	(4,342)	(4,382)
	<hr/>	<hr/>
Net Liability in balance sheet	(7,583)	(12,887)
	Year Ended	Year Ended
	31 July 2013	31 July 2012
	£000's	£000's
Amounts recognised in the Income and Expenditure Account		(restated)
Current service cost	1,087	964
Interest on obligation	1,208	1,418
Expected return on scheme assets	(927)	(1,140)
Past service cost	-	-
Losses (gains) on curtailments and settlements	-	-
	<hr/>	<hr/>
Total	1,368	1,242
	<hr/>	<hr/>
Actual return on scheme assets	4,138	8

Changes in the present value of the defined benefit obligation

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

Notes to the Accounts (continued)

	Year Ended 31 July 2013 £000's	Year Ended 31 July 2012 £000's (restated)
Opening defined benefit obligation	30,679	31,358
Service cost	1,087	964
Interest cost	1,208	1,418
Actuarial losses (gains)	(2,351)	(1,537)
Losses (gains) on curtailments	-	-
Estimated benefits paid net of transfers in	(413)	(1,463)
Past service cost	-	-
Contributions paid by scheme participants	255	258
Unfunded pension payments	(328)	(319)
	<hr/>	<hr/>
Closing defined benefit obligation	<u>30,137</u>	<u>30,679</u>

Changes in the fair value of scheme assets

Reconciliation of opening and closing balances of the fair value of scheme assets

	Year Ended 31 July 2013 £000's	Year Ended 31 July 2012 £000's (restated)
Opening fair value of scheme Assets	17,792	24,109
Expected return on scheme assets	927	1,140
Actuarial gains (losses)	3,210	(7,251)
Contributions by employer included unfunded	1,111	1,318
Contributions by scheme participants	255	258
Estimated benefits paid net of transfers in	(741)	(1,782)
	<hr/>	<hr/>
Fair value of scheme assets at end of period	<u>22,554</u>	<u>17,792</u>

Notes to the Accounts (continued)

The major categories of scheme assets as a percentage of total scheme assets	Year Ended 31 July 2013		Year Ended 31 July 2012	
are as follows:			(restated)	
	£000's	%	£000's	%
Equities	16,013	71	11,743	66
Gilts	1,579	7	1,601	9
Other Bonds	2,706	12	2,313	13
Property	2,030	9	1,957	11
Cash	226	1	178	1
Total	22,554	100	17,792	100

Analysis of amount recognised in the statement of total recognised gains and losses (STRGL)	Year Ended 31 July 2013 £000's	Year Ended 31 July 2012 £000's (restated)
Actual return less expected return on scheme assets	3,210	(1,133)
Experience gains and losses	(118)	(2,059)
Changes in assumptions underlying the present value of the scheme liabilities	2,469	(2,522)
Actuarial gains/(losses) recognised in STRGL	5,561	(5,714)

Movement in (deficit) during the year	Year Ended 31 July 2013 £000's	Year Ended 31 July 2012 £000's (restated)
(Deficit) at beginning of the year	(12,887)	(7,249)
Current service cost	(1,087)	(964)
Employer Contributions	783	999
Unfunded pension payments	328	319
Past service costs	-	-
Other financial income	(281)	(278)
Settlements and curtailments	-	-
Actuarial gains/(losses)	5,561	(5,714)
(Deficit) at end of the year	(7,583)	(12,887)

Notes to the Accounts (continued)

	Year Ended 31 July 2013 £000's	Year Ended 31 July 2012 £000's (restated)
Amounts for the current and previous period		
Defined benefit obligation	(30,137)	(30,679)
Scheme assets	22,554	17,792
	<hr/>	<hr/>
Surplus/(Deficit)	(7,583)	(12,887)
	<hr/>	<hr/>
Experience adjustments on scheme liabilities	(118)	4,059
Experience adjustments on scheme assets	3,210	(7,251)
Cumulative actuarial gains and losses	(5,674)	(11,235)
	<hr/>	<hr/>
	2013	2012
25 Capital Commitments	£000	£000
Commitments contracted for at 31 July 2013	499	486
Commitments entered into but not yet contracted	364	189
for at 31 July		
	<hr/>	<hr/>
	2013	2012
26 Financial Commitments	£000	£000
At 31 July 2013 the College had annual commitments under non-cancellable operating leases as follows:		
Land and buildings		
Expiring within one year	3	3
Expiring between two and five years inclusive	-	-
Expiring in over five years	-	-
	<hr/>	<hr/>
	3	3
	<hr/>	<hr/>
Others		
Expiring within one year	-	-
Expiring between two and five years inclusive	104	9
Expiring in over five years	-	89
	<hr/>	<hr/>
	104	98
	<hr/>	<hr/>

Notes to the Accounts (continued)

27 Post Balance Sheet Events

On 1st November 2013, vesting day, the process of merger was completed with the transfer of all of the assets and activities of Angus College to Dundee College. The Scottish Government gave its consent to the change of name of Dundee and Angus College.

28 Contingent Liability

There is one civil action pending, brought by a former member of staff. Legal opinion obtained by the College suggests that it will be successfully defended with no damages awarded. In the unlikely event of damages being paid they would not have a material impact on the results.

29 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.

There were no transactions during the year ended 31 July 2013 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.

Notes to the Accounts (continued)

30 Bursaries and other student support funds	Year ended 31 July 2013			Year ended 31 July 2012	
	FE Bursary £000	EMA's £000	Other £000	Total £000	Total £000
Balance b/fwd	118	(21)	97	194	240
Allocation received	3,989	335	481	4,805	4,363
in year Expenditure	(3,961)	(325)	(479)	(4,765)	(4,390)
Repaid to Funding body as clawback	(10)	-	(64)	(74)	(19)
College contribution to funds	-	-	7	7	-
Virements	-	-	-	-	-
Balance c/fwd	136	(11)	42	167	194
Represented by :					
Repayable to Funding body as clawback	136	(11)	42	167	188
Retained by College for students	-	-	-	-	6

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 2012/13 issued by the SFC, Further Education Childcare Funds have been included in the Income and Expenditure Account. The Childcare funds reported in Note 31 below now incorporate both Higher and Further Education funds.

Notes to the Accounts (continued)

31 FE & HE Childcare Funds	Year Ended 31 July 2013 £000	Year Ended 31 July 2012 £000
Balance b/fwd	2	14
Allocation received in year	833	714
Expenditure	(804)	(726)
Repaid to Funding body as clawback	-	-
College contribution to funds	-	-
Virements	-	-
Balance c/fwd	<u>31</u>	<u>2</u>
Represented by:		
Repayable to Funding body as clawback	31	2
Retained by College for students	-	-

32 Subsidiary Undertakings

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

Company	Principal Activity
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.

33 Prior Year Adjustment

The change in accounting policy this year to account for the College's participation in the Tayside Superannuation Scheme on a defined benefit basis, in compliance with FRS 17 'Retirement Benefits' requires a prior year adjustment under FRS 3 'Reporting Financial Performance'. The following table identifies the consolidated balances restated in these financial statements.

Notes to the Accounts (continued)

	Reported in 2011/12 £000	FRS17 Adjustments £000	Restated for 2011/12 £000
Income and Expenditure Account			
Staff costs	17,347	283	17,630
Other operating expenses	6,711	(359)	6,352
Statement of Total Recognised Gains and Losses			
Surplus on continuing operations after depreciation of assets at valuation disposal of assets and tax	285	76	361
Actuarial gain/(loss)	-	(5,714)	(5,714)
Balance Sheet			
Provision for liabilities	4,382	(4,382)	-
Net Pension liability	-	12,887	12,887
Pension Reserve	-	12,887	12,887
General Reserve	6,443	4,382	10,825