



Report and Financial Statements

For the period ended 31 March 2014

Registered Charity No: SCO21188



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The financial statements on pages 20 to 54 were approved and authorised for issue by the Board of Management on 30 September 2014.

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 and Angus College for the period ended 31 March 2014.

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.

Vision

Dundee and Angus College has established a clear vision to lead learning, inspire success and be recognised as sector leading by 2016.

REGIONAL OUTCOME AGREEMENT

Priority Impacts

Dundee and Angus College delivers significantly above the Scottish average and is committed to increasing the WSUMS delivered to 16 to 19 and 20 – 24 year olds by 2% from AY 2013/14 to AY 2014/15.

Between the period AY 2013/14 – AY 2014/15, the College will deliver the following priority impacts:

1. To maximise the opportunity created by the Tay Waterfront development by providing a skilled workforce to support projected growth in areas such as hospitality, cultural tourism and the energy sector in partnership with employers, local authorities, and economic development agencies.
2. To work with schools and the university sector to provide articulation pathways and widen access by delivering a streamlined regional College curriculum that shortens learner journeys and enhances employment and progression opportunities.
3. To increase the proportion of WSUMs delivered to learners from the 10% most deprived (SIMD) postcode areas by 2%.
4. To maintain sector leading levels of learner retention and attainment, maintaining a successful outcome ratio of over 80%.
5. To ensure the sustainability of the regional college through sound financial management of the public funds available, and to direct the maximum level of resource towards learners.

Operating and Financial Review (continued)

FINANCIAL OBJECTIVES

Post the Office of National Statistics (ONS) re-classification of Scotland's Colleges as Public Bodies, the College is required to make significant changes to the way it operates, accounts and manages cash ahead of and from 1 April 2014.

The reclassification has burdened the College with unwelcome and additional administration, bureaucracy and cost. One such burden is that the College, in order to provide the potential to access its cash reserves, had to donate £8m to the Dundee and Angus Foundation (DAF).

Given these new financial restrictions placed on the College, a revised Financial Plan is being developed. It is likely this plan, valid from 1 April 2014, will need to adhere to the following constraints going forward:

1. **Earnings** – The College must not generate a deficit, and the use of surplus cash can no longer be used to supplement grants and invest in infrastructure. Consequently, the College aims to generate an annual surplus from operations on the income and expenditure.
2. **Liquidity** – The College will have restrictions placed on surplus cash generated - and this may mean that the College will carry forward cash but be unable to use it.
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.

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. Provided the College is in surplus, some cash can be donated to DAF going forward.

At present, the College's Risk Register details the "Negative impacts as a result of the reclassification of colleges" as the highest scoring risk.

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:

- Financial
- Human Resources
- Academic
- Student retention and Student outcome

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

Operating and Financial Review (continued)

FINANCIAL POSITION

Financial Results

In the year to 31 March 2014, the consolidated deficit was £9,517,000 (2012/13 – operating deficit of £770,000). The deficit includes the donation of £8,000,000 to Dundee and Angus Foundation; costs for severances/restructuring of £2,845,000 and the trading activity of the College's subsidiary company - Gardyne Theatre Limited. The College has accumulated reserves (including pension reserve) of £5,543,000 (2012/13 – £18,138,000); cash balances of £4,274,000 (2012/13 – £12,166,000) and a long-term loan of £8,000,000 (2012/13 - £8,000,000).

Comparative values for 2012/13 have been restated following the merger of Dundee College with Angus College in accordance with FRS 6.

Tangible fixed asset additions during the year were £1,446,000, with disposals of £145,000 and a Depreciation charge of £2,963,000. Net Assets have reduced by over £13,000,000 with the donation to DAF, and an increase in the 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 2013/14, 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 £110,000 (2012/13 - £215,000).

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 March 2014, the College incurred no interest charges in respect of late payment for this period.

CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE

Student Numbers

In 2013/14 the College is forecasting that it will exceed the Student Unit of Measurement (SUMS) target, as set by SFC. The 2014/15 target for Dundee and Angus College is 145,703.

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

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.

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 this will need to be effectively managed.

Capital Funding

The College received additional capital funding from the SFC of £1,605,000 in 2013/14. This funding has been used to refurbish a number of areas, including the continuation of major upgrading of roofing and M&E infrastructure at Kingsway campus. The College also completed the Biomass Boiler Plant Room at the Arbroath Campus to reduce future energy costs.

Asset Disposals

During 2013/14, one of the last remaining ex-Dundee College sites - Melrose Terrace – was sold in March.

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 three main Campuses, and four outreach centres.

Financial The College has a turnover of £28,646,000, net assets of £49,456,000 and a long-term loan of £8,000,000.

People With reduction in funding in successive years, both legacy Colleges and Dundee and Angus College have reduced staffing levels. The present Headcount is circa 1,000 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 ensuring we continue to attract students and grow external partnerships.

PRINCIPAL RISKS AND UNCERTAINTIES

Within its Regional Outcome Agreement, the College identifies risks with its Risk Register. Key Risks are categorised in five areas thus:

- Strategic and Structural, Compliance, Operational, Financial and Reputational

For all key risks, the consequences, impact, likelihood, mitigating controls, residual risk and lead manager or team are identified.

STAKEHOLDER RELATIONSHIPS

The College has many stakeholders – our key stakeholders include: SFC, Dundee City Council, Angus 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 the 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.

Operating and Financial Review (continued)

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 30 September 2014 and signed on its behalf by:

Angela McCusker
Chair

Christina Potter
Principal

Core Performance Indicators

	Merged 2011/12		Merged 2012/13		Merged 2013/14
Financial CPIs:					
Operating surplus/(deficit) as % of total income	0.4%		(1.4%)		(32.7%)
Non SFC Income as % of total income	22.5%		23.8%		24.2%
Current assets : current liabilities	2.85:1		2.30:1		1.19:1
Gearing	148%		227%		75%
Days cash	124		119		38
	Angus	Dundee	Angus	Dundee	D&A
Human Resources CPIs:					
Staff turnover	5.6%	23.95%	5.3%	10.92%	6.5%
Working days lost through sickness absence (FTE)	3.9%	3.55%	2.7%	3.17%	2%
Academic CPIs:					
Performance against WSUMs activity target	125%	100%	123%	103%	101%
WSUMs per staff FTE	398	481	398	534	Not applicable for period
Student retention					
FE Full-Time	85%	94%	86%	95%	93%
FE Part-Time	96%	99%	97%	99%	98%
HE Full-Time	88%	94%	87%	97%	96%
HE Part-Time	94%	98%	95%	99%	98%
Student outcomes					
FE	90%	89%	93%	91%	91%
HE	83%	88%	78%	92%	90%

Note: Core Performance Indicators for prior years have been restated for the combined entity where appropriate. With the exception of WSUMs per Staff FTE, Academic CPIs and Student retention and outcomes are given for the full academic year to July 2014.

DUNDEE AND ANGUS COLLEGE

Board of Management Members (1 August 2013 to 30 September 2014)

Independent Members

Kish Srinivasan (until 3 March 2014)

Retired (Previously HM Inspector, HM Inspectorate of Education)

Chair of the Board of Management (Dundee College and then Dundee and Angus College)

David Sawers (until 2 July 2014)

Retired (Previously Chief Executive, Angus Council)

Chair of Finance and Facilities Committee, Angus College Board

Chair of Finance and Property Committee, Dundee and Angus Board (until 4 March 2014)

Interim Chair of the Dundee and Angus College Board (from 4 March 2014)

Angela McCusker (from 4 July 2014)

Independent Consultant, Executive Coach, and Mindfulness Leader

Regional Chair of Dundee and Angus College Board of Management

Gary Bisset (from 1 June 2014)

Proprietor, The Engaged Workplace Consultancy Ltd)

Mary Crighton (until 31 October 2013)

Partner, Calders Solicitors

Chair of Quality Enhancement Committee, Dundee College Board

Mike Galloway

Director of City Development, Dundee City Council

Paul Grant

Chairman, Mackays

Chair of Human Resources and Quality Committee, Angus College Board

Vice Chair of the Board of Management, Dundee and Angus College Board

Chair of Audit Committee, Dundee and Angus College Board

Ralph Harrison (until 31 October 2013)

Workforce Development Manager, Scottish Enterprise Tayside

Representative from Local Enterprise Company

Chair of Human Resources and Development Committee, Dundee College Board

Graham Hay (until 31 October 2013)

Retired (Previously Proprietor, Graham Associates, Human Resource Consultants)

Chair of Angus College Board

Councillor Stewart Hunter (until 31 October 2013)

Convenor of Education Committee, Dundee City Council

Gary Langlands (until 31 October 2013)

Managing Director, Visual Sound and Light Ltd

Wendy Loudon (until 31 October 2013, then from 1 June 2014)

Joint Practice Manager, Annat Bank and Townhead Medical Practices, Montrose

Douglas Mackintosh (until 31 October 2013)

Retired (Previously Solicitor)

DUNDEE AND ANGUS COLLEGE

Board of Management Members (1 August 2013 to 30 September 2014) (continued)

Independent Members

Kenny McKeown (until 31 October 2013)
Quality Improvement Officer, Dundee City Council

Steven Mill (until 31 October 2013, then from 1 June 2014)
Service Manager, Finance, Angus Council

Pamela Milne
Director of Human Resources, University of Dundee
Chair of Human Resources and Development Committee, Dundee College Board
Chair of Human Resources and Development Committee, Dundee and Angus College Board

Alex Murdoch (until 31 October 2013)
Retired (Previously Chief Executive, C J Lang & Son Ltd)

Pauline Murray (until 28 May 2014)
Programme Manager – BT Group Openreach

Mary Ray (until 31 October 2013)
Retired (Previously Assistant Director of Education, Angus Council)

George Robertson
Principal, Robertson Consulting
Chair of Finance and Property Committee, Dundee College Board
Chair of Finance and Property Committee, Dundee and Angus College Board (from 18/3/14)

John Smith (until 31 October 2013)
Farmer
Chair of Audit Committee, Angus College Board

Professor Mike Swanston (until 14 July 2014)
Emeritus Professor of Psychology, University of Abertay Dundee and Honorary Research Fellow,
School of Psychology, University of Dundee
Chair of Audit Committee, Dundee College Board
Chair of Learning, Teaching and Quality Committee, Dundee and Angus College Board

Steven Watt (from 1 November 2013)
Chief Information Officer, University of St Andrews

Margo Williamson (from 1 June 2014)
Strategic Director – People, Angus Council
Chair of Learning, Teaching and Quality Committee, Dundee and Angus College Board (from 1 August 2014)

Lorraine Young (until 31 October 2013)
Senior Manager, Social Work, Angus Council

DUNDEE AND ANGUS COLLEGE

Board of Management Members (1 August 2013 to 30 September 2014) (continued)

Non-Independent Members

Christina Potter

Principal and Chief Executive, Dundee and Angus College

John Burt (until 31 October 2013)

Principal and Chief Executive, Angus College

Sonja Cargill

Administration Team Leader, Dundee and Angus College

Non-Teaching Staff Member

Simon Hewitt

Lecturer, Dundee & Angus College

Teaching Staff Member

Jan Low (until 31 October 2013)

Blended Learning Technician, Dundee College

Non-Teaching Staff Member

George McAteer (until 31 October 2013)

Lecturer, Angus College

Teaching Staff Member

Abi Mawhirt (from 1 November 2013)

Head of Organisational Development, Dundee and Angus College

Non-Teaching Staff Member

Andy Reid (until 31 October 2013)

Payroll Officer, Angus College

Non-Teaching Staff Member

Graham Ramsay (until 30 June 2014)

President of Dundee & Angus College Students' Association

Student Member

Marc Winsland (from 1 August 2014)

President of Dundee & Angus College Students' Association

Student Member

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

DUNDEE AND ANGUS COLLEGE BOARD OF MANAGEMENT AND COMMITTEE MEMBERSHIP AS AT 31 MARCH 2014

Dates		Committee	#	K Srinivasan (Chair)	D Sawers (Interim Chair)	P Grant (Vice-Chair)	C Potter (Principal)	M Galloway	S Hewitt (Academic Staff Rep)	S Cargill (Support Staff Rep)	P Milne	P Murray	G Ramsay (Student President)	G Robertson	M Swanston	S Watt	M Crighton	R Harrison	Clr. S Hunter	A Mawhirt (Support Staff Rep)	K McKeown	G Langlands	A Murdoch	M Ray	G Hay	J Burt (Principal)	D Mackintosh	L Young	J Smith	W Loudon	S Mill	A Reid (Support Staff Rep)	G McAteer (Academic Staff Rep)		
1 November 2013	to	31 March 2014 (Dundee and Angus College)	Audit	2		2					2				1	1																			
			Finance & Property	2		2	2	2	1	2					2																				
			Human Resources	2		2	2	1	2	1	2	1																							
			Learning, Teaching & Quality	2	1			1		1	1				2		2	1																	
			Board of Management	3	2	3	2	3	2	2	2	3	1	2	2	3	3																		
1 August 2013	to	31 October 2013 (Dundee College)	Audit	1											1		1	0																	
			Finance & Property	0																															
			Human Resources	1			0		1											1	0				1										
			Quality Enhancement	1	1		0		1					1		1			1				1			1									
			Board of Management	1	1		0	1	1	1	1			1	1	1			1	1	0		1	1	1	1									
1 August	to	31 October (Angus)	Audit	0																															
			Finance & Facilities	0																															
			HR & Quality	0																															
			Board of Governors	2		1	2							1			1									2	2	1	0	1	2	1	1	1	

(1) (2) (3) (4)

(1) - K Srinivasan retired on 3rd March 2014

(2) - D Sawers became Interim Chair from 4th March 2014

(3) - P Grant was Vice-Chair at Angus College, prior to his appointment as Vice-Chair of Dundee and Angus College on 1 November 2013

(4) - C Potter was Principal of Dundee College, prior to her appointment as Principal of Dundee and Angus College on 1 November 2013

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

Bank of Scotland
2 Brothock Bridge
Arbroath
DD11 1NH

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 March 2014.

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 Chair and Vice Chair 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 2013/14 is included on pages 10 - 12.

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

- Chairs' Committee
- Audit Committee
- Finance & Property Committee
- Human Resources and Development Committee
- Learning, Teaching & Quality Committee

A list of Committee Members for 2013/14 is included on page 13.

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

Angela McCusker
Chair

Date : 30 September 2014

Christina Potter
Principal

Date : 30 September 2014

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

Angela McCusker
Chair

Date : 30 September 2014

Independent Auditor's 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 and Angus College for the period ended 31 March 2014 set out on pages 22 to 54. 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 the Board of Management's Responsibilities on page 18, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 March 2014 and of its deficit for the period then ended;

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 (continued)

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

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

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

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

In our opinion the information given in the Operating and Financial Review for the financial period 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 we require for our audit; or
- the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

Andrew Shaw

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 period ended 31 March 2014**

	Note	2014 £000 8 Months	2013 £000 12 Months
Income			
Funding council grants	2	21,700	31,326
Tuition fees and education contracts	3	4,713	6,399
Other grants and contracts	4	670	1,212
Other income	5	1,453	1,933
Endowment and investment income	6	110	215
Total income		28,646	41,085
Expenditure			
Staff costs	7	17,299	25,185
Restructuring costs	7	2,845	2,659
Other operating expenses	9	6,723	9,158
Depreciation	10	2,963	4,453
Interest and other finance costs		183	192
Donation		8,000	-
Total expenditure		38,013	41,647
(Deficit)/Surplus after depreciation and disposal of tangible assets at valuation and before taxation		(9,367)	(562)
(Loss)/Gain on disposal of assets		(150)	(208)
(Deficit)/Surplus on continuing operations after depreciation and disposal of assets at valuation and taxation	17	(9,517)	(770)

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

Statement of Consolidated Historical Cost Surpluses and Deficits
For the period ended 31 March 2014

	Note	2014 £000 8 Months	2013 £000 12 Months
(Deficit)/Surplus on continuing operations before taxation		(9,517)	(770)
Difference between historical cost depreciation and the actual charge for the year on the re-valued amount	16	198	295
Historical cost (deficit)/surplus for the year before and after taxation		(9,319)	(475)

Statement of Consolidated Total Recognised Gains and Losses
For the period ended 31 March 2014

	Note	2014 £000 8 Months	2013 £000 12 Months
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		(9,517)	(770)
Endowments		(7)	40
Impairment Adjustment	16	-	(340)
Actuarial gain/(loss) in respect of pension scheme		(3,077)	7,436
Total recognised gains/(losses) relating to the period		(12,601)	6,366

Reconciliation:

Opening Reserves and Endowments	18,227	11,861
Total gains and losses recognised in the year	(12,601)	6,366
Closing reserves and Endowments	5,626	18,227

Balance Sheets
As at 31 March 2014

	Note	Consolidated		College	
		2014 £000	2013 £000	2014 £000	2013 £000
Fixed assets					
Tangible assets	10	68,855	70,397	68,855	70,397
Current assets					
Assets held for disposal		160	660	160	660
Stocks		20	15	18	15
Debtors	11	5,163	5,186	5,256	5,199
Short term investments		-	2,885	-	2,885
Cash at bank and in hand		4,274	9,281	4,246	9,271
		9,617	18,027	9,680	18,030
Creditors: amounts falling due within one year	12	8,085	7,822	8,047	7,800
Net current assets		1,532	10,205	1,633	10,230
Total assets less current liabilities		70,387	80,602	70,488	80,627
Less: Creditors falling due after more than one year	13	7,429	7,429	7,429	7,429
NET ASSETS excluding Pension Liability		62,958	73,173	63,059	73,198
Net Pension liability	24	13,502	10,358	13,502	10,358
NET ASSETS including Pensions liability		49,456	62,815	49,557	62,840

Balance Sheets (continued)
As at 31 March 2014

	Note	Consolidated		College	
		2014 £000	2013 £000	2014 £000	2013 £000
Deferred capital grants	14	43,830	44,587	43,830	44,587
Expendable Endowments	15	83	90	83	90
Reserves					
Income & Expenditure account excluding pension reserve	17	9,976	17,464	10,077	17,490
Pension Reserve	17	(13,502)	(10,358)	(13,502)	(10,358)
Income & Expenditure account including pension reserve		(3,526)	7,106	(3,425)	7,132
Revaluation reserve	16	9,069	9,768	9,069	9,767
Restricted reserve	18	-	1,264	-	1,264
		5,543	18,138	5,644	18,163
TOTAL FUNDS		49,456	62,815	49,557	62,840

The financial statements on pages 22 to 54 were approved and authorised for issue by the Board of Management on 30 September 2014 and signed on its behalf by:

Angela McCusker – Chair

Garry Westwater – Assistant Principal

Christina Potter - Principal

Consolidated Cash Flow Statement
For the period ended 31 March 2014

	Note	2014 £000 8 Months	2013 £000 12 Months
Cash inflow/(outflow) from operating activities	19	(8,790)	1,139
Returns on investments and servicing of finance	20	(123)	40
Capital expenditure and financial investment	21	1,021	65
Management of liquid resources	22	2,885	1,773
Increase/(Decrease) in cash in period		(5,007)	3,017

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

	Note	2014 £000 8 Months	2013 £000 12 Months
Increase/(Decrease) in cash in the year		(5,007)	3,017
Increase/(Decrease) in short-term deposits		(2,885)	(1,773)
Movement in net funds in the year	23	(7,892)	1,244
Opening net funds		12,166	10,922
Net funds at 31 March	23	4,274	12,166

Notes to the Accounts

1 Statement of Principal Accounting Policies

Basis of Preparation The College merged with Angus College on 1 November 2013. This was effected by a transfer of functions within the public sector, from Angus College to Dundee College as the host entity, and accordingly these accounts have been prepared on a going concern basis.

The combination of Angus College and Dundee College has met the merger accounting criteria under FRS 6 'mergers and acquisitions' and these financial statements has been prepared on that basis.

Where one party is substantially larger than the other party FRS 6 presumes that the larger party can or will dominate the combined undertaking. It is management's opinion through the process of developing the business case, appointment of the partnership and regional boards and the subsequent senior management appointment process, there has been equal representation from Dundee and Angus college. On this basis, Angus College, despite its smaller size, is not deemed to have been subject to dominant influence from Dundee College and this presumption has been rebutted by management in concluding that the criteria set out in FRS 6, specifically in respect of dominant influence, has been met.

With merger accounting, the carrying values of the assets and liabilities of the parties to the merger are not required to be adjusted to fair value, although appropriate adjustments are made to achieve uniformity of accounting policies where necessary. No amendments were necessary to the established accounting policies to reflect the merger, although some items of income and expenditure have been reclassified to ensure consistency of presentation.

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.

Notes to the Accounts (continued)

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

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

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

Advances received in respect of European Structural Fund projects, along with any relevant provisions against non-payment of claims or claw back 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.

Notes to the Accounts (continued)

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.

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

Notes to the Accounts (continued)

(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 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 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.

Notes to the Accounts (continued)

	2014	2013
	£000	£000
2 Scottish Funding Council grants		
SFC recurrent grant	16,819	24,076
FE childcare funds	545	742
Release of deferred capital grants	2,728	3,133
Merger Transitional funding	973	2,222
Other SFC grants	635	1,153
	21,700	31,326
	2014	2013
	£000	£000
3 Tuition Fees and Education Contracts		
FE fees - UK & EU	912	884
FE fees – non EU	100	180
HE fees	2,329	2,502
Education contracts	1,367	2,822
Other contracts	5	11
	4,713	6,399
	2014	2013
	£000	£000
4 Other Grants and Contracts		
European funds	150	485
Releases of deferred capital grants (non SFC)	122	198
Other grant income	398	529
	670	1,212
	2014	2013
	£000	£000
5 Other income		
Residences, catering and conferences	934	1,157
Other income-generating activities	483	405
Other income	36	371
	1,453	1,933

Notes to the Accounts (continued)

6 Endowment & Investment Income	2014 £000	2013 £000
Endowment income	50	10
Interest receivable	60	205
	110	215
7 Staff Costs	2014 £000	2013 £000
Wages and salaries	13,992	20,223
Social security costs	1,006	1,476
Other pension costs	2,301	3,486
Restructuring Costs	2,845	2,659
	20,144	27,844
Academic/teaching departments	10,420	14,725
Academic/teaching services	613	1,287
Administrative and central services	4,886	6,890
Premises	966	1,404
Catering and residences	414	879
Sub-total	17,299	25,185
Restructuring Costs	2,845	2,659
	20,144	27,844

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 period was:

	2014 Number	2013 Number
Academic/teaching departments	349	378
Academic/teaching services	33	40
Administrative and central services	175	167
Premises	61	62
Catering and residences	32	42
Total	650	689

Notes to the Accounts (continued)

Average FTE has been calculated on an annualised basis with the exception of variable teaching pay which calculated on an hourly basis for the 8 month period. Consequently, numbers are not directly comparable.

Staff of the former Dundee College received an unconsolidated pay award of 1% plus £600. Staff of the former Angus College received a consolidated award of 3.5%.

The number of staff, including senior post-holders and the Principal, who received emoluments in the following ranges, on an 8 month basis, was:

	2014	2013
	£000	£000
£50,001 - £60,000	7	7
£60,001 - £70,000	4	4
£70,001 - £80,000	4	1
£80,001 - £90,000	9	2
£90,001 - £100,000	12	-
£100,001 - £110,000	9	-
£110,001 - £120,000	1	2
£120,001 - £130,000	1	-
£140,001 - £150,000	-	3
£200,001 - £210,000	-	1
	<u>47</u>	<u>20</u>

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	2014 Number	2013 Number
The number of senior post-holders including the Principal was:	21	11
Senior post-holders' emoluments are made up as follows:		
	£000	£000
Salaries	779	817
Pension contributions	120	123
Total emoluments	<u>899</u>	<u>940</u>

The above emoluments include amounts payable to the Principals (who were the highest paid senior post-holders) of:

	Period Ended 31 March 2014 £000	Year Ended 31 July 2013 £000
Salary	111	215
Pension contributions	17	32
Severance	-	174
	<u>128</u>	<u>421</u>

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:

	2014 £000	2013 £000
Compensation for the loss of office paid to senior post holders	731	472

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)

	2014	2013
	£000	£000
9 Other Operating Expenses		
Academic/teaching departments	1,102	2,011
Academic/teaching services	185	214
Administration and central services	2,244	2,722
Premises costs	1,833	2,357
Catering and residence operations	489	866
Other Income Generating Activities	253	151
Childcare funds	545	742
Agency staff costs	72	95
Total	6,723	9,158

	2014	2013
	£000	£000
Other operating expenses include:		
External Auditors' remuneration		
- In respect of these financial statements	36	42
Internal Auditors' remuneration		
- internal audit	-	18
- other services	16	23

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 31 July 2013	90,224	179	5,079	95,482
Additions		1,087	359	1,446
Transfers	1,186	(1,261)	75	-
Disposals	(44)	-	(101)	(145)
At 31 March 2014	<u>91,366</u>	<u>5</u>	<u>5,412</u>	<u>96,783</u>
Depreciation				
At 31 July 2013	22,268	-	2,817	25,085
Charge for year	2,493	-	470	2,963
Disposals	(34)	-	(86)	(120)
At 31 March 2014	<u>24,727</u>	<u>-</u>	<u>3,201</u>	<u>27,928</u>
Net Book Value				
At 31 March 2014	<u>66,639</u>	<u>5</u>	<u>2,211</u>	<u>68,855</u>
At 31 July 2013	<u>67,956</u>	<u>179</u>	<u>2,262</u>	<u>70,397</u>

Fuehold Land and buildings with a net book value of £23,538,000 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 March 2014 was £13,935,000 before impairment. The Net Book Value included in Tangible Assets above is £9,092,000.

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

Notes to the Accounts (continued)

	2014	2013
	£000	£000
Cost	76,325	63,786
Aggregate depreciation based upon cost	<u>(18,778)</u>	<u>(13,891)</u>
Net book value	<u>57,547</u>	<u>49,895</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. Subsequent impairment reviews were carried and valuations revised accordingly.

There is only one remaining sites held for disposal remaining in current assets at 31 March 2014. This was subsequently sold, realising a gain, however this will be negated if the college surrenders 25% of the proceeds to the Scottish Funding Council.

11 Debtors	Consolidated		College	
	2014	2013	2014	2013
	£000	£000	£000	£000
Trade Debtors	730	455	712	447
European Funding	645	1,010	645	1,010
Prepayments / Accrued Income	3,788	3,721	3,759	3,692
Other Debtors	<u>-</u>	<u>-</u>	<u>140</u>	<u>50</u>
	<u>5,163</u>	<u>5,186</u>	<u>5,256</u>	<u>5,199</u>

Debtors include £2,012,000 (2013: £1,609,000) due from the Funding Council.
College Debtors includes £140,000 (2013: £50,000) due from subsidiary.

Notes to the Accounts (continued)

12 Creditors: amounts falling due within 1 year	Consolidated		College	
	2014 £000	2013 £000	2014 £000	2013 £000
Bank Overdraft	-	86	-	86
Deferred Income and payments received in advance	2,532	1,930	2,523	1,928
Trade creditors	1,074	494	1,053	480
Other creditors	203	207	203	206
Other tax and Social Security	461	544	461	544
Accruals	3,235	3,353	3,227	3,348
Bursaries and Access Funds for future disbursement	9	637	9	637
Bank Term Loan	571	571	571	571
	8,085	7,822	8,047	7,800

Creditors includes £1,128,000 (2013: £2,202,000) relating to Funding Council grants. This includes strategic funds of £1,006,000 (2013: £911,000) 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	
	2014 £000	2013 £000	2014 £000	2013 £000
Bank Term Loan	7,429	7,429	7,429	7,429
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	5,144	5,144	5,144

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 2013			
Land and buildings	38,587	3,763	42,350
Equipment	2,106	132	2,238
	<u>40,693</u>	<u>3,895</u>	44,588
Cash Receivable			
Land and buildings	1,590	68	1,658
Equipment	434	-	434
Released to I & E Account			
Land and buildings	(1,857)	-	(1,857)
Equipment	(871)	(122)	(993)
At 31 March 2014			
Land and buildings	38,320	3,831	42,151
Equipment	1,669	10	1,679
	<u>39,989</u>	<u>3,841</u>	<u>43,830</u>

Notes to the Accounts (continued)

15 Endowments

	Restricted expendable £000	2014 Total £000	2013 Total £000
At 1 August			
Capital	90	90	50
	90	90	50
New Endowments	43	43	50
Released to Income	(50)	(50)	(10)
	83	83	90
At 31 July			
	83	83	90
Represented by:			
Capital	83	83	90
	83	83	90

16 Revaluation Reserve

	Consolidated		College	
	2014 £000	2013 £000	2014 £000	2013 £000
Opening balance	9,768	11,505	9,768	11,505
Transfer to General Reserve in respect of depreciation on revalued assets	(198)	(295)	(198)	(295)
Transfer to General Reserve in respect of disposals	(500)	(1,102)	(500)	(1,102)
Transfer to general reserve in respect of impairment	-	(340)	-	(340)
Balance carried forward	9,069	9,768	9,069	9,768

Notes to the Accounts (continued)

17 Movement on General Reserves Income and Expenditure Reserve	Consolidated		College	
	2014 £000	2014 £000	2014 £000	2014 £000
Opening balance (restated)	17,464		17,490	
Surplus/(Deficit) on continuing operations after depreciation of assets and taxation	(9,367)		(9,292)	
(Loss)/Gain on Disposal of assets	(150)		(150)	
Transfer from Restricted Reserve	1,264		1,264	
Transfer from Revaluation Reserve	698		698	
Movement in reserves for Pension fund service cost	67		67	
Balance carried forward	9,976		10,077	
Pension Reserve	Consolidated		College	
	2014	2014	2014	2014
	£000	£000	£000	£000
Balance brought forward	(10,358)		(10,358)	
Actuarial gain/(loss) in STRGL	(3,077)		(3,077)	
Movement in reserves	(67)		(67)	
Balance carried forward	(13,502)		(13,502)	
18 Restricted Reserve	Consolidated		College	
	2014	2013	2014	2013
	£000	£000	£000	£000
Opening balance	1,264	1,288	1,264	1,288
Transfer from Income & Expenditure Reserve	(1,264)	(24)	(1,264)	(24)
Balance carried forward	-	1,264	-	1,264

Net proceeds from disposal of Exchequer-Funded assets can no longer be retained for future investment following re-classification.

Notes to the Accounts (continued)

19 Reconciliation of Operating (Deficit)/Surplus to Net Cash Inflow/(Outflow) from Operating Activities	2014 £000	2013 £000
Surplus/(Deficit) after depreciation of assets, disposal of assets and taxation	(9,517)	(770)
Depreciation (note 10)	2,963	4,453
(Gain)/Loss on disposal of assets	150	208
Deferred capital grants released to income	(2,850)	(3,331)
Endowments released to income	(7)	(10)
(Increase)/Decrease in stocks	(5)	(2)
Decrease/ (Increase) in debtors	23	(1,623)
(Decrease)/ Increase in creditors	263	1,812
Increase/ (Decrease) in provisions	-	-
Pension fund service cost	67	415
Interest receivable (note 6)	(60)	(205)
Interest Payable	183	192
Net cash inflow/(outflow) from operating activities	(8,790)	1,139
20 Returns on Investments and Servicing of Finance	2014 £000	2013 £000
Interest received	60	224
Interest paid	(183)	(184)
Net cash inflow from returns on investment and servicing of finance	(123)	40

Notes to the Accounts (continued)

21	Capital expenditure and financial investments	2014	2013		
		£000	£000		
	Purchase of Tangible Fixed Assets	(1,446)	(1,684)		
	Proceeds from sale of Tangible Fixed Assets	375	252		
	Proceeds from sale of Assets held for disposal		(213)		
	Deferred Capital Grants received	2,092	1,660		
	Endowments received		50		
	Net cash inflow/(outflow) from capital expenditure and financial investment	1,021	65		
22	Management of Liquid Resources	2014	2013		
		£000	£000		
	(Increase)/decrease in deposits	2,885	1,773		
		2,885	1,773		
23	Analysis of Changes in Net Funds	Consolidated at 31 July 2013	Cashflow	Other Changes	At 31 March 2014
		£000	£000	£000	£000
	Cash at bank and in hand	9,281	(5,007)	-	4,274
	Short-term investments	2,885	(2,885)	-	0
	Total	12,166	(7,892)	-	4,274

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 £1,913,000 (2013: £2,700,000).

	2014	2013
	£000	£000
STSS: contributions paid	1,134	1,627
LGSS: contributions paid	779	1,073
Total pension paid for the year	1,913	2,700

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):

	2014	2013
<u>Discounted rate at 31 March (31 July)</u>	4.6	4.6
Expected return on plan assets	5.8	5.8
Future salary increases	4.7	4.7
Future pension increases	2.5	2.5
<u>Life expectancy from age 65 years:</u>		
Non-pensioners:		
Male	21.9	21.9
Female	24.5	24.5
Pensioners:		
Male	20.6	20.6
Female	22.9	22.9

Notes to the Accounts (continued)

Employee Benefit Options	2014	2013
The amounts recognised in the BS are as follow:	£000	£000
Net Pension Asset at		
Present value of funded obligation	(41,986)	(36,365)
Fair value of scheme assets	34,004	31,365
	<hr/>	<hr/>
Net Liability	<u>(7,982)</u>	<u>(5,000)</u>
Present value of unfunded obligation	(5,520)	(5,358)
Unrecognised past service cost	-	-
	<hr/>	<hr/>
Deficit	<u>(5,520)</u>	<u>(5,358)</u>
Net Liability in balance sheet	(13,502)	(10,358)
Amounts recognised in the Income and Expenditure Account	2014	2013
	£000	£000
Current service cost	966	1,541
Interest on obligation	1,275	1,660
Expected return on scheme assets	(1,205)	(1,288)
Past service cost	-	-
Losses (gains) on curtailments and settlements	279	4
	<hr/>	<hr/>
Total	<u>1,315</u>	<u>1,917</u>
Actual return on scheme assets	2,337	5,751

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)

	2014 £000	2013 £000
Opening defined benefit obligation	41,723	42,089
Service cost	966	1,541
Interest cost	1,275	1,660
Actuarial losses (gains)	4,209	(2,975)
Losses (gains) on curtailments	279	4
Estimated benefits paid net of transfers in	(935)	(559)
Past service cost	-	-
Contributions paid by scheme participants	258	361
Unfunded pension payments	(269)	(398)
	<hr/>	<hr/>
Closing defined benefit obligation	47,506	41,723

Changes in the fair value of scheme assets

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

	2014 £000	2013 £000
Opening fair value of scheme Assets	31,365	24,710
Expected return on scheme assets	1,205	1,288
Actuarial gains (losses)	1,132	4,461
Contributions by employer included unfunded	1,248	1,502
Contributions by scheme participants	258	361
Estimated benefits paid net of transfers in	(1,204)	(957)
	<hr/>	<hr/>
Fair value of scheme assets at end of period	34,004	31,365

Notes to the Accounts (continued)

The major categories of scheme assets as a percentage of total scheme assets are as follows:	2014 £000	%	2013 £000	%
Equities	24,143	71	22,269	71
Gilts	1,700	5	2,196	7
Other Bonds	4,421	13	3,763	12
Property	3,060	9	2,823	9
Cash	680	2	314	1
Total	34,004	100	31,365	100

Analysis of amount recognised in the statement of total recognised gains and losses (STRGL)	2014 £000	2013 £000
Actual return less expected return on scheme assets	1,132	4,461
Experience gains and losses	(49)	(145)
Changes in assumptions underlying the present value of the scheme liabilities	(4,160)	3,120
Actuarial gains/(losses) recognised in STRGL	(3,077)	7,436

Movement in (deficit) during the period	2014 £000	2013 £000
(Deficit) at beginning of the year	(10,358)	(17,379)
Current service cost	(966)	(1,541)
Employer Contributions	979	1,104
Unfunded pension payments	269	398
Past service costs	-	-
Other financial income	(70)	(372)
Settlements and curtailments	(279)	(4)
Actuarial gains/(losses)	(3,077)	7,436
(Deficit) at end of the year	(13,502)	(10,358)

Notes to the Accounts (continued)

Amounts for the current and previous period	2014 £000	2013 £000
Defined benefit obligation	(47,506)	(41,723)
Scheme assets	34,004	31,365
	<hr/>	<hr/>
Surplus/(Deficit)	<u>(13,502)</u>	<u>(10,358)</u>
Experience adjustments on scheme liabilities	(49)	(145)
Experience adjustments on scheme assets	1,132	4,461
Cumulative actuarial gains and losses	(8,803)	(5,726)
	<hr/>	<hr/>
25 Capital Commitments	2014 £000	2013 £000
Commitments contracted for at period end	-	499
Commitments entered into but not yet contracted for at period end	3,285	364
	<hr/>	<hr/>
26 Financial Commitments	2014 £000	2013 £000
At period end the College had annual commitments under non-cancellable operating leases as follows:		
Land and buildings		
Expiring within one year	41	3
Expiring between two and five years inclusive	-	-
Expiring in over five years	26	-
	<hr/>	<hr/>
	<u>67</u>	<u>3</u>
Others		
Expiring within one year	-	-
Expiring between two and five years inclusive	126	104
Expiring in over five years	-	-
	<hr/>	<hr/>
	<u>126</u>	<u>104</u>

Notes to the Accounts (continued)

27 Post Balance Sheet Events

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

28 Contingent Liability

Full provision has been made for all known liabilities. There were no contingent liabilities at 31 March 2014.

29 Related Party Transactions

The Board of Management of Dundee and Angus 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 and Angus 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
Lorraine Young	Angus Council
Steven Mill	Angus Council
Wendy Loudon	NHS Tayside

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 March 2014 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	Period ended 31 March 2014			Year Ended 31 July 2013	
	FE Bursary £000	EMA's £000	Other £000	Total £000	Total £000
Balance b/fwd	164	(21)	129	272	270
Allocation received	4,562	389	453	5,404	6847
in year Expenditure	(4,425)	(366)	(419)	(5,210)	(6735)
Repaid to Funding body as clawback	(253)	-	(102)	(355)	(110)
Virements	-	-	-	-	-
Balance c/fwd	<u>48</u>	<u>2</u>	<u>61</u>	<u>111</u>	<u>272</u>
Represented by :					
Repayable to Funding body as clawback	-	-	-	-	272
Retained by College for students	48	2	61	111	-

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 2013/14 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	Period Ended 31 March 2014 £000	Year Ended 31 July 2013 £000
Balance b/fwd	340	201
Allocation received in year	729	1096
Expenditure	(746)	(957)
Repaid to Funding body as clawback	(323)	-
	<hr/>	<hr/>
Balance c/fwd	<u>0</u>	<u>340</u>
Represented by:		
Repayable to Funding body as clawback	-	314
Retained by College for students	-	26

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 and Angus 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 Merger of Dundee College & Angus College

Accounting policies of the former Dundee and Angus colleges were consistent with additional alignment achieved in 2012-13 in advance of the anticipated merger. Consequently, no amendments to the valuation of assets, liabilities or other financial statement balances were required as a result of the merger, associated with harmonisation or alignment of accounting policies.

Notes to the Accounts (continued)

33 Merger of Dundee College & Angus College (continued)

FRS 6 requires disclosure of:

1. an analysis between the parties to the merger of the principal components of the income and expenditure account and statement of total recognised gains and losses for the previous financial year, which the College has presented in the financial statements;
2. an analysis of the principal components of the current year's income and expenditure account and statement of total recognised gains and losses in respect of the components prior to and subsequent to the date of the merger; and
3. the aggregate book value of the net assets of each party to the merger at the date of the merger.

The disclosure required at (1) above, has been provided below.

Due to system limitations and limited comparability in the legacy financial records of Dundee and Angus colleges, in the period leading up to the merger vesting date (1 November 2013), the College has not been able to prepare the disclosures required at (2) or (3) above on a consistent, reliable basis. Key elements of income were allocated to Dundee and Angus College, as a merged entity for the whole period 1 August 2013 to 31 March 2014 with no distinction made between the combining components in the period 1 August 2013 to 31 October 2013, prior to the version date.

No amendments were required to the aggregate book value of net assets of each party to the merger at the date of the merger due to the previous alignment of accounting policies and continuation of all respective operations.

On the basis above, it is management's opinion that the omission of these disclosures does not materially affect the truth or fairness of these financial statements.

Notes to the Accounts (continued)

33 Merger of Dundee College & Angus College (continued)

	Income & Expenditure Account For the year ended 31 July 2013		
	Dundee College £000	Angus College £000	Total £000
Income			
Funding council grants	22,685	8,641	31,326
Tuition Fees and education contracts	3,856	2,543	6,399
Other Grants + Contracts	827	385	1,212
Other Income	1,259	674	1,933
Endowment & Investment Income	113	102	215
Total Income	<u>28,740</u>	<u>12,345</u>	<u>41,085</u>
Expenditure			
Staff Costs	17,251	7,934	25,185
Restructuring Costs	1,687	972	2,659
Other Operating Expenses	6,449	2,709	9,158
Depreciation	3,773	680	4,453
Interest Payable	192	-	192
Total Expenditure	<u>29,352</u>	<u>12,295</u>	<u>41,647</u>
(Deficit)/Surplus after depreciation & disposal of tangible assets at valuation & before taxation	(612)	50	(562)
(Loss)/Gain on Disposal of Assets	<u>(213)</u>	<u>5</u>	<u>208</u>
(Deficit)/Surplus on continuing operations after depreciation and disposal of assets at valuation & taxation	<u>(825)</u>	<u>55</u>	<u>(770)</u>

Notes to the Accounts (continued)

33 Merger of Dundee College & Angus College (continued)

**Statement of Total Recognised Gains & Losses
For the year ended 31 July 2013**

	Dundee College £000	Angus College £000	Total £000
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax	(825)	55	(770)
Endowments	40	-	40
Impairment Adjustment	(340)	-	(340)
Actuarial gain/(loss) in respect of pension scheme	5,561	1,875	7,436
Total recognised gains/(losses) relating to the period	4,436	1,930	6,366
Prior year adjustment	(8,505)	-	(8,505)
 Total gains and losses recognised since last financial statements	 <u>(4,069)</u>	 <u>1,930</u>	 <u>(2,139)</u>
 Reconciliation:			
Opening Reserves and Endowments	6,626	5,235	11,861
Total gains and losses recognised in the year	<u>4,436</u>	<u>1,930</u>	<u>6,366</u>
Closing reserves and Endowments	<u>11,062</u>	<u>7,165</u>	<u>18,227</u>