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# REPORT OF THE BOARD OF MANAGEMENT FOR THE PERIOD ENDED 31 JULY 2005

The Board of Management of Oatridge College present their twelfth report together with the Audited Financial Statements for the financial year to 31 July 2005.

## Mission

The Board of Management vision for the College is:

***'To be a national and international centre of excellence for landbased education, training and enterprise'***

## Financial Objectives and Review

As a result of the Further and Higher Education (Scotland) Act 1992 the College gained incorporated status on 1st April 1993. Control of the College was passed to the Board of Management. The College Principal is the Accounting Officer and is responsible to Parliament for the stewardship of the College's finances and assets.

The overall financial objective of the College is to provide a sound and accountable financial structure which will underpin the College's strategic plan by making the most efficient use of the College's resources and obtaining best value for money.

The Board of Management has taken account of Circular FE/54/02 issued by the Scottish Further Education Funding Council in December 2002 which requires that a college must ensure that, over the medium to long-term, college costs are less than income and that it has sufficient liquid assets. In 2003 the Board established, as a primary objective, the achievement of an operating surplus. The College's income and expenditure account for the year to 31 July 2005 showed a surplus on continuing operations after depreciation of assets and before gain on sale of assets of £52,000. The surplus after gain on sale of assets was £63,000.

## Equal Opportunities

Oatridge College is committed to promoting equality of opportunity, good race relations and to the avoidance of discrimination. The College aims to serve the whole of the land-based community, to encourage participation by all groups and to provide an environment where individuals can develop to their full potential without discrimination.

## Physical Developments

The Board of Management is committed to the provision of a high quality teaching environment for the future as identified in the Estate Strategy. A £6 million campus redevelopment programme has been planned including new teaching accommodation and forge and engineering facilities. The Scottish Further Education Funding Council has committed £2.8 million to the project. The remaining funding for the project has been achieved from the sale of assets, current funds and borrowing.

Plans were completed on the development of the new 1550 $m^2$ teaching block to replace the portacabin classrooms which have been in use for more than twenty years. Tenders were issued in July 2005 for the construction of the new accommodation. Work commenced in July, under separate enabling contracts, to provide the services infrastructure for the new developments and to provide four temporary classrooms during the period of construction.

Plans have been prepared for the new forge and engineering workshop.

A new equine centre has been planned and Scottish Enterprise and Sportscotland have both committed funds to the £2.3 million project.

## Post Balance Sheet Events

A contractor was appointed in August 2005 for the construction of the new teaching accommodation. Work commenced on site on 29 August and is scheduled for completion in August 2006.

The services infrastructure work was completed as programmed. The four temporary classrooms were installed and are in use for the twelve months of construction. The design of the new forge and engineering workshop has been completed and work is scheduled to commence in June 2006.

Plans for the new equine centre have been completed. Construction work is scheduled to commence in January 2006.

Under the terms of the Further and Higher Education (Scotland) Act 2005 the Scottish Further Education Funding Council merged with the Scottish Higher Education Funding Council on 3 October 2005 to establish the Scottish Further and Higher Education Council as a single body providing funding and support for Scotland's colleges and universities.

## Prompt Payment to Suppliers

The College complies with the CBI Prompt Payment Code and has a policy of paying its suppliers within 30 days of invoice unless the invoice is contested. All disputes and complaints are handled as quickly as possible. The average payment period for the year ended 31st July 2005 was 30 days.

### Charitable and Taxation Status

The College is registered as a charity with the Inland Revenue and is not liable to corporation tax. (Scottish Charity No SC021208)

### Professional Advisers

| | |
|---|---|
| External Auditor: | Wylie & Bisset |
| Internal Auditor: | Chiene & Tait |
| Bankers: | Royal Bank of Scotland plc |
| Solicitors: | Tods Murray WS |

**Board of Management Membership**

The following members served the College during the year:

| | |
|---|---|
| Gillian Alexander | Scottish Enterprise, Edinburgh and Lothians *(from 1 April 2005)* |
| George Anderson | Former Director of School of Horticulture, Royal Botanic Garden (*to 31 March 2005)* |
| Alistair Bowen (Vice Chairman) | Chairman, James Bowen & Sons |
| Robert Brechin (Chairman) | Retired Veterinary Surgeon, Mackie & Brechin |
| Alex Brown | Partner, John Brown & Son *(to 31 March 2005)* |
| John Burnett | Cardon Farm (*to 31 March 2005)* |
| Gordon Ford | Education and Cultural Services, West Lothian Council *(from 1 April 2005)* |
| William Gourlay | Head Teacher, West Calder High School *(to 31 March 2005)* |
| David James | Principal, Oatridge College |
| David Jamieson | Director, British Trust for Conservation Volunteers Scotland |
| Linda Jamieson-Cowan | Inspector of Approved Centres, British Horse Society |
| Julie-Anne Kitt | Teaching Staff, Oatridge College |
| Julia Lorrain-Smith | Partner, A Lorrain-Smith & Partner |
| Ellinor Mackay | Student, Oatridge College |
| Wilson Marshall | Retired Director, Marshalls *(from 1 April 2005)* |
| David Millar | Support Staff, Oatridge College |
| Andrew Robb | Scottish Executive Environment and Rural Affairs Department *(from 1 April 2005)* |
| Stephen Robinson | Team Leader, Scottish Enterprise Edinburgh & Lothians *(to 31 March 2005)* |
| Malcolm Snowie | Managing Director, Snowie Holdings Ltd |
| James Swan | Councillor, West Lothian Council |

**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 which

enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education 2003 and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between The Scottish Further Education Funding Council (SFEFC) and the Board of Management of the College, the Board, through the Principal as Accounting Officer, 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 cashflows for that year.

In preparing the financial statements the Board 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: 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 Scottish Further Education 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.

## CORPORATE GOVERNANCE STATEMENT

### Introduction

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in Section 1 of the Combined Code of Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the Board of Management the College complies with all the provisions of the Combined Code in so far as they apply to the further education sector and it has complied throughout the year to 31 July 2005.

**Board of Management**

The College's Board of Management meets three times a year and has the following committees, Finance and Resources Committee, Staffing and Education Committee, Nomination Committee, Remuneration Committee and Audit Committee. All of these Committees are formally constituted with terms of reference.

The Finance and Resources Committee recommends to the Board of Management the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The Staffing and Education Committee determines the academic provision of the College, and overall staffing levels. The Remuneration Committee determines salary levels including the remuneration of the senior staff and the Principal. The Nomination Committee considers nominations for vacancies in the membership of the Board of Management.

The Audit Committee meets three times a year with the College's external and internal auditors in attendance as required. The Audit Committee advises the college on the appointment of the internal auditors and the auditors' remuneration. The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input, and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit 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 and circulars from the Scottish Further Education Funding Council as they affect the College's business and monitors adherence to the regulatory requirements.

While senior staff attend meetings of the Audit Committee as necessary, they are not members of the Committee.

**Corporate Strategy**

In respect of its strategic and development responsibilities, the Board of Management receives recommendations and advice from all relevant committees. A Board of Management Planning Day is held at least once a year to determine strategic development.

**BOARD OF MANAGEMENT'S STATEMENT ON INTERNAL CONTROL**

The College's Board of Management is ultimately 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 senior management team receives reports setting out key performance and risk indicators and considers possible issues brought to their attention by early warning mechanisms which are embedded within the operational units. The senior management team and the Audit Committee also receive regular reports from internal audit which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control.

The Board of Management's agenda includes a regular report from the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2005 meeting the Board of Management carried out the annual assessment for the year ended 31 July 2005 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2004.

The Board of Management is of a view that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place throughout the year ended 31 July 2005 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Management and accords with the Turnbull guidance on internal control, as applicable to colleges.

**Going Concern**

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

**Robert Brechin**
**CHAIRMAN**

**12 December 2005**

## Independent Auditor's Report
## To the members of the Board of Management of Oatridge College, the Scottish Parliament and the Auditor General For Scotland.

We have audited the financial statements on pages 12 to 27 under the Further and Higher Education (Scotland) Act 1992. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with the accounting policies set out on pages 9 to 11.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

**Respective Responsibilities of the Board of Management, Accounting Officer and Auditors**

As described on page 5 the Board of Management and the Accounting Officer are responsible for the preparation of the financial statements in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction issued by the Scottish Further Education Funding Council, which requires compliance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions, and for ensuring the regularity of expenditure and income. Our responsibilities, as independent auditors, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.

We report our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with statute and the Accounts Direction. We also report if, in our opinion, the Board of Management has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We are also required to report our opinion as to whether, in all material respects :

- the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers;
- funds provided by the Scottish Further Education Funding Council have been applied in accordance with the Financial Memorandum issued by the Council; and
- funds from whatever source administered by the College for specific purposes have been properly applied for the intended purposes.

We review whether the Corporate Governance Statement on page 4 complies with the requirements of the Scottish Further Education Funding Council. We report if, in our opinion, the statement does not meet these requirements or if the statement is misleading or inconsistent with other information we are aware of from our audit. We are not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the College's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**Basis of audit opinions**

We conducted our audit in accordance with the Public Finance and Accountability (Scotland Act) 2000 and the Code of Audit Practice, which requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and the regularity of the expenditure and income shown in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management and the Accountable Officer in the preparation of the financial statements and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and on the regularity of the expenditure and income included in the financial statements. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinions**

**Financial statements**

In our opinion the financial statements give a true and fair view of the state of affairs of the College at 31 July 2005 and of its surplus of income over expenditure and cash flows for the year then ended and have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction issued by the Scottish Further Education Funding Council.

We would draw your attention to the Statement of Accounting Policies and the comment regarding FRS17 included within the Basis of Preparation section. Our opinion is not qualified in this respect.

**Regularity**

In our opinion, in all material respects:

- the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers;
- funds provided by the Scottish Further Education Funding Council have been applied in accordance with the Financial Memorandum dated 1st August 2000 and any other terms and conditions attached to them for the year ended 31 July 2005; and
- funds from whatever source administered by the College for specific purposes have been properly applied for the intended purposes.

**Wylie & Bisset**
**Chartered Accountants and**
**Registered Auditor**
**168 Bath Street**
**Glasgow G2 4TP**

**December, 2005**

## STATEMENT OF ACCOUNTING POLICIES

### Basis of preparation

These financial statements have been prepared in accordance with the statement of recommended practice (SORP): Accounting in Further and Higher Education Institutions and in accordance with applicable Accounting Standards. They conform to guidance published by the funding council.

### Basis of accounting

These financial statements have been prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

### Recognition of income

Income from grants, contracts and other services rendered is recognised in the income and expenditure account in proportion to the extent of 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 to overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.
The main annual recurrent allocation from SFEFC, which is intended to meet recurrent costs, is credited direct to the income and expenditure account during the period in which it is receivable. Non-recurrent grants from Funding Councils 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.

### Pension schemes

Retirement benefits for employees of the College are provided by the Teachers' Superannuation Scheme (Scotland) (STSS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension is a substantially level percentage of present and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method.

To comply fully with accounting regulations more detailed disclosure with regard to FRS17 would be required at note 21. However these accounts have been prepared on the basis that both STSS and LGPS are disclosed as defined contribution schemes. The Board of Management has taken advantage of the exemption available under FRS17 Paragraph 9 (b) to disclose not only the STSS but also the LGPS scheme as a defined contribution scheme due to the uncertainty as to whether or not an individual institution's share of the underlying assets and liabilities of a local government pension scheme fund can be identified on a consistent and reasonable basis.

### Tangible fixed assets

#### a) Land and buildings

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly book values have been retained.

Land and buildings inherited from Lothian Regional Council were stated in the balance sheet at the following valuations:

- The gardens, farm and residential houses outwith the campus have been valued on the basis of open market value for existing use as there is adequate market evidence to support this approach.

- The remaining specialised properties in the main complex of the College for which there is no market evidence have been valued on the depreciated replacement cost basis.

Land and buildings acquired since incorporation are included in the balance sheet at cost.

Feuhold Buildings are depreciated over their expected useful life to the College of 50 years. Major alterations to buildings, where no new floor space is created, are depreciated over 10 years. Feuhold Land associated with the buildings and undeveloped land is not depreciated.

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 useful economic life of the related asset on a basis consistent with the depreciation policy.

**b) Equipment**

Equipment costing less than £10,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All equipment is depreciated over its useful economic life as follows:

| | |
|---|---|
| Plant & Equipment | 25% per year straight line |
| Computers | 33% per year straight line |
| Motor Vehicles | 16.6% per year straight line |
| Fixtures & Fittings | 16.6% per year straight line |

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. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of the equivalent owned assets. Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

**Stock**

Stocks are stated at the lower of cost and estimated net realisable value.

**Maintenance of premises**

The cost of maintenance is charged to the income and expenditure account in the period in which it is incurred.

**Liquid Resources**

Liquid resources include sums on short-term deposits with recognised banks and building societies.

**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.

**Taxation**

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 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.

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2005

| | | **2005** | **2004** |
|---|---|---|---|
| | | *£000* | *£000* |
| **Income** | *Notes* | | |
| SFEFC Grants | 1 | 2743 | 2545 |
| Education contracts | 2 | 551 | 611 |
| Tuition fees and charges | 3 | 295 | 358 |
| Other grant income | 4 | 269 | 193 |
| Other income | 5 | 1429 | 1444 |
| Investment income | 6 | 70 | 69 |
| | | --- | --- |
| **Total Income** | | **5357** | **5220** |
| | | --- | --- |
| **Expenditure** | | | |
| Staff costs | 7 | 2895 | 2801 |
| Other operating expenses | 9 | 2065 | 2015 |
| Depreciation | 13 | 315 | 291 |
| Interest payable | 10 | 30 | 69 |
| | | --- | --- |
| **Total Expenditure** | | **5305** | **5176** |
| | | --- | --- |
| Surplus/(deficit) on continuing operations after depreciation of assets at valuation and before tax | 12 | 52 | 44 |
| Gain on sale of assets | 13 | 11 | 364 |
| | | --- | --- |
| Surplus/(deficit) on continuing operations after depreciation of assets at valuation and disposal of assets but before tax | | 63 | 408 |
| Taxation | 11 | 0 | 0 |
| **Surplus/(deficit) on continuing operations after depreciation of assets at valuation and disposal of assets and tax** | 12 | --- **63** --- | --- **408** --- |

The Income and Expenditure account is in respect of Continuing Activities.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2005

| | *Notes* | **2005** *£000* | **2004** *£000* |
|---|---|---|---|
| Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, gain on sale of assets, and tax | 12,20 | 63 | 408 |
| Prior year adjustment | | 0 | 0 |
| **Total recognised gains/(losses) relating to period** | | **63** | **408** |

## STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31ST JULY 2005

| | *Notes* | **2005** *£000* | **2004** *£000* |
|---|---|---|---|
| Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, gain on sale of assets, and tax | | 63 | 408 |
| Difference between historical cost depreciation and the actual charge for the period calculated on re-valued amount | 20 | 128 | 128 |
| **Historical cost surplus/(deficit) for the year** | | **191** | **536** |

**BALANCE SHEET AS AT 31 JULY 2005**

| | Notes | 2005 £000 | 2004 £000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Tangible Assets | 13 | 7387 | 7336 |
| **Current Assets** | | | |
| Stocks | 14 | 186 | 201 |
| Debtors | 15 | 151 | 150 |
| Cash at Bank and in Hand | | 1471 | 1461 |
| | | 1808 | 1812 |
| **Creditors:** | | | |
| **Amounts falling due within one year** | 16 | (504) | (483) |
| **Net Current Assets** | | 1304 | 1329 |
| **Total assets less current liabilities** | | **8691** | **8665** |
| **Creditors:** | | | |
| **Amounts falling due after more than one year** | 17 | (491) | (526) |
| **NET ASSETS** | | **8200** | **8139** |
| **Deferred capital grants** | 19 | 843 | 848 |
| **Reserves** | | | |
| Capital reserve | 20 | 364 | 364 |
| Revaluation reserve | 20 | 5067 | 5195 |
| Restricted/Designated reserve | 20 | 64 | 61 |
| Income and Expenditure account | 20 | 1862 | 1671 |
| **Total Reserves** | | **7357** | **7291** |
| **TOTAL** | | **8200** | **8139** |

The financial statements on pages 10 to 27 were approved by the Board of Management on 12 December 2005 and signed on its behalf by:

**Robert Brechin**
**Chairman**

**David James**
**Principal**

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2005

| | *Notes* | **2005** *£000* | **2004** *£000* |
|---|---|---|---|
| **Net cash inflow from operating activities** | 22 | 299 | 355 |
| Returns on investment and servicing of finance | 23 | 40 | 0 |
| Capital expenditure | 23 | (305) | 286 |
| Financing | 23 | (24) | (393) |
| **Increase in cash in the period** | | **10** | **248** |

| | **2005** *£000* | **2004** *£000* |
|---|---|---|
| **Reconciliation of net cash flow to movement in net (debt)/funds** | | |
| **Increase in cash in the period** | **10** | **248** |
| Cash outflow from changes in debt and lease finance | 61 | 434 |
| Changes in net (debt)/funds resulting from cash flows | 71 | 682 |
| New finance leases | (36) | (41) |
| **Movement in net (debt)/funds in the period** | **35** | **641** |
| **Net (debt)/funds at 1 August 2004** 24 | **1002** | **361** |
| **Net (debt)/funds at 31 July 2005** 24 | **1037** | **1002** |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2005**

| | | 2005 | 2004 |
|---|---|---|---|
| **1.** | **SFEFC GRANTS** | *£000* | *£000* |
| | Recurrent grant | 2414 | 2219 |
| | Financial Security Funding | 0 | 71 |
| | Childcare | 19 | 19 |
| | Other grants | 164 | 152 |
| | Grant for capital projects treated as revenue | 129 | 0 |
| | Release of deferred capital grants (SFEFC) | 5 | 72 |
| | Release of deferred capital grants (SOEID) | 12 | 12 |
| | | --- | --- |
| | Total | 2743 | 2545 |
| | | --- | --- |

| | | 2005 | 2004 |
|---|---|---|---|
| **2.** | **EDUCATION CONTRACTS** | *£000* | *£000* |
| | Management income for LEC programmes | 474 | 547 |
| | Other non-SFEFC funded tuition | 77 | 64 |
| | | --- | --- |
| | Total | 551 | 611 |
| | | --- | --- |

| | | 2005 | 2004 |
|---|---|---|---|
| **3.** | **TUITION FEES AND CHARGES** | *£000* | *£000* |
| | Higher Education – Home and EU | 175 | 189 |
| | Further Education – Home and EU | 120 | 169 |
| | Other SFEFC fundable tuition | 0 | 0 |
| | | --- | --- |
| | Total | 295 | 358 |
| | | --- | --- |

| | | 2005 | 2004 |
|---|---|---|---|
| **4.** | **OTHER GRANT INCOME** | *£000* | *£000* |
| | European Funds | 230 | 154 |
| | Release of Other Deferred Funds | 39 | 39 |
| | | --- | --- |
| | Total | 269 | 193 |
| | | --- | --- |

| | | 2005 | 2004 |
|---|---|---|---|
| **5.** | **OTHER INCOME** | *£000* | *£000* |
| | Residences and catering | 637 | 585 |
| | Other income generating activities | 559 | 552 |
| | Other income | 233 | 307 |
| | | --- | --- |
| | Total | 1429 | 1444 |
| | | --- | --- |

| | | 2005 | 2004 |
|---|---|---|---|
| **6.** | **INVESTMENT INCOME** | *£000* | *£000* |
| | Other interest receivable | 70 | 69 |
| | | --- | --- |
| | Total | 70 | 69 |
| | | --- | --- |

| | | 2005 | 2004 |
|---|---|---|---|
| **7.** | **STAFF COSTS** | *£000* | *£000* |
| | Recurring Staff Costs: | | |
| | Wages and salaries | 2480 | 2382 |
| | Social security costs | 154 | 144 |
| | Other pension costs | 261 | 275 |
| | | --- | --- |
| | Total | 2895 | 2801 |
| | | --- | --- |

| | 2005 | 2004 |
|---|---|---|
| Salaries and related staff costs: | *£000* | *£000* |
| Senior Management | 184 | 247 |
| Teaching staff | 1462 | 1513 |
| Teaching Support | 37 | 49 |
| Administration and Central Services | 358 | 234 |
| Premises | 93 | 99 |
| Other Income Generating Activities | 617 | 550 |
| Catering and Residences | 144 | 109 |
| | --- | --- |
| Total | 2895 | 2801 |
| | --- | --- |
| Analysed as : | | |
| Staff on permanent contracts | 2300 | 2212 |
| Staff on temporary contracts | 261 | 248 |
| Skillseeker trainees | 334 | 341 |
| | --- | --- |
| Total | 2895 | 2801 |
| | --- | --- |

Note: Staff Costs include allowance, travel and subsistence payments to Skillseeker Trainees.

| **Staff Numbers:** | **2005** | **2004** |
|---|---|---|
| Senior Management | 3 | 3 |
| Teaching staff | 41 | 40 |
| Teaching Support | 3 | 3 |
| Administration and Central Services | 15 | 13 |
| Premises | 8 | 8 |
| Other Income Generating Activities | 19 | 18 |
| Catering and Residences | 8 | 8 |
| | --- | --- |
| Total | 97 | 93 |
| | --- | --- |
| Analysed as : | | |
| Staff on permanent contracts | 85 | 83 |
| Staff on temporary contracts | 12 | 10 |
| | --- | --- |
| Total | 97 | 93 |
| | --- | --- |

## 8. EMOLUMENTS OF BOARD MEMBERS AND HIGHER PAID STAFF

The Board of Management, other than employee Board members, received no remuneration during the year from the college. Travel and subsistence payments amounted to less than £2,000.

| | **2005** | **2004** |
|---|---|---|
| | *£000* | *£000* |
| **Emoluments of the Principal** | | |
| Remuneration including taxable expenses | 60 | 57 |
| Employers pension contribution | 7 | 4 |
| | --- | --- |
| | 67 | 61 |
| | --- | --- |

The Principal is an ordinary member of the Scottish Teacher's Superannuation Scheme. The College's contribution to the scheme is paid at the same rate as for other members of academic staff.

**Emoluments of higher paid Staff**

The number of higher paid staff, including the Principal, who received emoluments including taxable benefits and excluding employer's pension contributions, in the following ranges, was:

| | **2005** | **2004** |
|---|---|---|
| | *Number* | *Number* |
| £50,000 to £60,000 | 1 | 1 |
| greater than £60,000 | 0 | 0 |

All higher paid staff are ordinary members of the appropriate pension scheme and contributions were paid at the same rates as other members of staff.

## 9. ANALYSIS OF EXPENDITURE

| | ***Staff Costs £000*** | ***Other Operating Expenses £000*** | ***Deprec-iation £000*** | ***Interest Payable £000*** | ***2005 Total £000*** | ***2004 Total £000*** |
|---|---|---|---|---|---|---|
| Teaching activities | 1499 | 308 | 14 | 0 | 1821 | 1893 |
| Residences and catering | 145 | 377 | 0 | 30 | 552 | 564 |
| Other income generating expenses | 617 | 775 | 38 | 0 | 1430 | 1266 |
| Premises | 93 | 337 | 263 | 0 | 693 | 605 |
| Administration & academic services | 541 | 268 | 0 | 0 | 809 | 848 |
| | --- | --- | --- | --- | --- | --- |
| Total | 2895 | 2065 | 315 | 30 | 5305 | 5176 |
| | --- | --- | --- | --- | --- | --- |

| | 2005 | 2004 |
|---|---|---|
| | *£000* | *£000* |
| Other Operating Expenses include: | | |
| Auditors' remuneration | | |
| - Internal audit | 6 | 7 |
| - External audit | 13 | 9 |
| Other services provided by: | | |
| - Internal auditors | 0 | 0 |
| - External auditors | 0 | 0 |
| Hire of plant and machinery – operating leases | 36 | 23 |
| Hire of other assets – operating leases | 1 | 1 |

## 10. INTEREST PAYABLE

| | 2005 | 2004 |
|---|---|---|
| | *£000* | *£000* |
| On bank loans, overdrafts and other loans: | | |
| Repayable within 5 years, not by instalments | 0 | 0 |
| Repayable within 5 years, by instalments | 0 | 0 |
| Repayable wholly or partly in more than 5 years | 30 | 69 |
| On finance leases | 0 | 0 |
| | --- | --- |
| Total | 30 | 69 |
| | --- | --- |

## 11. TAXATION

As an exempt charity, the college benefits by being broadly exempt from corporation tax on income it receives for the services it provides.

## 12. SURPLUS/(DEFICIT) ON CONTINUING OPERATIONS FOR THE PERIOD

The deficit on continuing operations for the period is made up as follows:

| | 2005 | 2004 |
|---|---|---|
| | *£000* | *£000* |
| College's surplus/(deficit) for the period | 63 | 408 |
| | --- | --- |
| | 63 | 408 |
| | --- | --- |

## 13. TANGIBLE FIXED ASSETS

| | *Land & Buildings Feuhold £000* | *Plant & Equipment £000* | *Computers £000* | *Motor Vehicles £000* | *Total £000* |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 August 2004 | 8900 | 278 | 34 | 74 | 9286 |
| Additions | 329 | 37 | 0 | 0 | 366 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| **At 31 July 2005** | **9229** | **315** | **34** | **74** | **9652** |
| **Depreciation** | | | | | |
| At 1 August 2004 | 1682 | 176 | 29 | 63 | 1950 |
| Charge for year | 263 | 42 | 5 | 5 | 315 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| **At 31 July 2005** | **1945** | **218** | **34** | **68** | **2265** |
| **Net Book Value** | | | | | |
| **At 31 July 2005** | **7284** | **97** | **0** | **6** | **7387** |
| Net Book Value | | | | | |
| At 31 July 2004 | 7218 | 102 | 5 | 11 | 7336 |
| Inherited | 4996 | 0 | 0 | 0 | 4996 |
| Financed by Capital Grant | 752 | 0 | 0 | 0 | 752 |
| Other | 1536 | 97 | 0 | 6 | 1639 |
| **At 31 July 2005** | **7284** | **97** | **0** | **6** | **7387** |

Inherited land and buildings were valued on 31st March 1995, by Chesterton plc RICS. The basis of valuation used was open market value for existing use or depreciated replacement cost, depending on the nature of the asset being valued.

Other tangible fixed assets inherited from Lothian Regional council at incorporation were valued by the College on a depreciated replacement cost basis, using independent professional advice where appropriate.

In the Board of Management's opinion there has been no material change to the valuations noted at that time. The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly book values have been retained.

If inherited land and buildings had not been valued they would have been included at the following amounts.

| | **2005** | **2004** |
|---|---|---|
| | *£000* | *£000* |
| Cost | 2180 | 2180 |
| Aggregate depreciation based on cost | (652) | (531) |
| | 1528 | 1649 |

Land and buildings with a net book value of £5,678,000 have been funded from local authority sources. Assets with a value greater than £500,000 may not be disposed of without

the prior approval of the Scottish Further Education Funding Council. Should publicly funded assets be sold, the College may be liable to surrender the proceeds, under the terms of the Financial Memorandum with the Council.

The depreciation charge for the year is analysed as follows:

| | **2005** | **2004** |
|---|---|---|
| | *£000* | *£000* |
| Depreciation based on cost | 187 | 163 |
| Depreciation based on valuation | 128 | 128 |
| | --- | --- |
| | 315 | 291 |
| | --- | --- |
| Owned assets | 279 | 258 |
| Assets held under finance leases and hire purchase agreements | 36 | 33 |
| | --- | --- |
| | 315 | 291 |
| | --- | --- |

**14. STOCKS**

| | **2005** | **2004** |
|---|---|---|
| | *£000* | *£000* |
| Farm Stocks | 186 | 201 |
| | --- | --- |

**15. DEBTORS:Amounts falling due within one year**

| | **2005** | **2004** |
|---|---|---|
| | *£000* | *£000* |
| Trade debtors | 72 | 85 |
| Prepayments and accrued income | 79 | 65 |
| | --- | --- |
| Total | 151 | 150 |
| | --- | --- |

**16. CREDITORS: Amounts falling due within one year**

| | **2005** | **2004** |
|---|---|---|
| | *£000* | *£000* |
| Bank loans and overdrafts | 23 | 25 |
| Local authority loan | 1 | 1 |
| Obligations under finance leases | 23 | 23 |
| Trade creditors | 242 | 235 |
| Other taxation and social security costs | 51 | 50 |
| Accruals | 113 | 143 |
| Pension fund contributions | 31 | 6 |
| Pension Provision | 8 | 0 |
| Bursary and other funds | 12 | 0 |
| | --- | --- |
| Total | 504 | 483 |
| | --- | --- |

## 17. CREDITORS: Amounts falling due after more than one year

| | **2005** | **2004** |
|---|---|---|
| | *£000* | *£000* |
| Bank loans | 334 | 356 |
| Local authority loan | 7 | 8 |
| Pension Provision | 111 | 116 |
| Obligations under finance leases | 39 | 46 |
| Total | 491 | 526 |

## 18. BORROWINGS

| **a) Bank Loans and Overdrafts (including Local Authority Loan)** | **2005** | **2004** |
|---|---|---|
| | *£000* | *£000* |
| Bank loans and overdrafts are repayable as follows: | | |
| In one year or less | 24 | 26 |
| Between one and two years | 28 | 24 |
| Between two and five years | 76 | 79 |
| In five years or more | 237 | 261 |
| Total | 365 | 390 |

| **b) Finance Leases** | | |
|---|---|---|
| The net finance lease obligations to which the College is committed are: | | |
| In one year or less | 23 | 23 |
| Between one and two years | 39 | 46 |
| Between two and five years | 0 | 0 |
| Total | 62 | 69 |

## 19. DEFERRED CAPITAL GRANTS

| | *SOEID £000* | *SFEFC £000* | *Other Grants £000* | *Total £000* |
|---|---|---|---|---|
| ***August* 2004** | | | | |
| Land and buildings | 415 | 49 | 350 | 814 |
| Equipment | - | 34 | - | 34 |
| | --- | --- | --- | --- |
| | 415 | 83 | 350 | 848 |
| | --- | --- | --- | --- |
| **Cash received** | | | | |
| Land and buildings | - | - | 50 | 50 |
| Equipment | - | - | - | - |
| | --- | --- | --- | --- |
| | - | - | 50 | 50 |
| | --- | --- | --- | --- |
| **Released to income and expenditure account** | | | | |
| Land and buildings | 12 | 4 | 39 | 55 |
| Equipment | - | 0 | - | - |
| | --- | --- | --- | --- |
| | 12 | 4 | 39 | 55 |
| | --- | --- | --- | --- |
| **At 31 July 2005** | | | | |
| Land and buildings | 403 | 45 | 361 | 809 |
| Equipment | - | 34 | 0 | 34 |
| | --- | --- | --- | --- |
| | 403 | 79 | 361 | 843 |
| | --- | --- | --- | --- |

## 20. RESERVES

| | *Revaluation Reserve £000* | *Capital Reserve* £000* | *Restricted Reserve** £000* | *Income & Expenditure Account £000* | *Total £000* |
|---|---|---|---|---|---|
| At 1 August 2004 | 5195 | 364 | 61 | 1671 | 7291 |
| Prior year adjustment | - | - | - | - | - |
| Revaluation in the year | - | - | - | - | - |
| Funds received in year | - | - | 3 | - | 3 |
| Surplus/(Deficit) on continuing operations | - | - | - | 63 | 63 |
| Transfer from Revaluation Reserve | (128) | - | - | 128 | - |
| | --- | --- | --- | --- | --- |
| **At 31 July 2005** | **5067** | **364** | **64** | **1862** | **7357** |
| | --- | --- | --- | --- | --- |

****The gain on sale of assets in 2004 was placed in a capital reserve fund to facilitate financing of the College capital programme***

***This reserve comprises two Trust funds*

## 21. PENSION COMMITMENTS

The College's employees belong to one of two principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS) and the Local Government Pension Scheme (Scotland). STSS is managed by Scottish Public Pensions Agency (SPPA). The Local Government Pension Scheme (Scotland) (LGPS) to which the College is an admitted body is Lothian Pensions Fund (LPF). Both STSS and LGPS which are pension schemes of the defined benefit type. The assets of the LPF scheme are held in a separate, trustee-administered fund. The STSS scheme is a notional fund and there are specific regulations regarding the basis on which the actuarial valuation should be carried out. These regulations include the requirement that any deficit should be funded by a supplementary contribution over a 40-year period.

The total pension cost was £261,000 (2004 £225,000). The pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The latest actuarial valuations of the schemes were at 31 March 2001 (STSS) and 31 July 2005 (LPF).

The assumptions, which have the most significant effect on the valuations and other relevant data, are as follows :

| | **STSS** | **LPF** |
|---|---|---|
| Rate of return on investments in excess of rate of increase in salaries | 2.0% | 2.6% |
| Rate of return on investments in excess of rate of increase in pensions | 3.5% | 4.1% |
| Market value at last valuation | £4,370,000,000 | £2,227,213,000 |

The actuarial valuation of the STSS scheme showed a deficiency of £230,000,000, which requires a supplementary provision by employers of 0.75 % per annum for a period of 40 years.

The actuarial value of the LPF scheme was sufficient to cover all of the benefits that had accrued to members after allowing for future increases in earnings.

An amount of £119,000 is included in provisions (Notes 16 and 17) which represents future pension costs arising from early retirements.

Each of the above schemes is a defined benefit multi-employer scheme.

The College is unable to identify or recognise its share of the underlying assets and liabilities in both the STSS and LPF schemes. Consequently, in line with the requirements of Financial Reporting Standard 17 – Retirement Benefits, the College accounts for contributions to these schemes as if they were defined contribution schemes.

Based on the data provided and other factors such as improvements to benefits actuaries have advised the following contribution rates:

| | STSS | LPF |
|---|---|---|
| 2004/2005 | | |
| 1 August 2004 – 31 March 2005 | 12.5% | 18.0% |
| 1 April 2005 – 31 July 2005 | 12.5% | 18.9% |

| | | |
|---|---|---|
| 2005/2006 | | |
| 1 August 2005 – 31 March 2006 | 12.5% | 18.9% |
| 1 April 2006 – 31 July 2006 | 12.5% | 19.8%* |

* To be confirmed

Pension contributions for current employees are charged to the income and expenditure account in the year in which they are incurred. The total pension cost for the year was:

| | | **2005** | **2004** |
|---|---|---|---|
| | | *£000* | *£000* |
| Contributions to STSS | | 129 | 124 |
| Contributions to LPF | | 132 | 101 |
| Total | Note 7 | 261 | 225 |

## 22. RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | **2005** | **2004** |
|---|---|---|
| | *£000* | *£000* |
| (Deficit)/surplus on continuing operations after depreciation of assets and tax | 63 | 408 |
| Gain on Sale of Assets | (11) | (364) |
| Depreciation (Note 13) | 315 | 291 |
| Deferred capital grants released to income (Note 1) | (55) | (123) |
| (Increase)/decrease in stocks (Note 14) | 15 | (16) |
| Decrease/(increase) in debtors (Note 15) | (1) | 42 |
| Increase/(decrease) in creditors and provisions (Notes 16/17) | 13 | 117 |
| Interest receivable (Note 6) | (70) | (69) |
| Interest payable | 30 | 69 |
| **Net Cash inflow/(outflow) from Operating Activities** | **299** | **355** |

## 23. ANALYSIS OF GROSS CASH FLOWS

| | **2005** | **2004** |
|---|---|---|
| | *£000* | *£000* |
| **Returns on investment and servicing of finance** | | |
| Interest received | 70 | 69 |
| Interest paid | (30) | (69) |
| | 40 | 0 |
| **Capital expenditure** | | |
| Payments to acquire tangible fixed assets | (366) | (401) |
| Receipts from sale of tangible fixed assets | 11 | 482 |
| Capital grants received | 50 | 205 |
| | (305) | 286 |
| **Financing** | | |
| Repayment of loans | (25) | (434) |
| Increase in Finance Leasing | 36 | 48 |
| Capital element of finance lease rental payments | (35) | (7) |
| | (24) | (393) |

## 24. ANALYSIS OF CHANGES IN NET (DEBT)/FUNDS

| | *At 1 August 2004 £000* | *Cash Flows £000* | *Other Changes £000* | *At 31 July 2005 £000* |
|---|---|---|---|---|
| Cash | 1461 | 10 | 0 | 1471 |
| | --- | --- | --- | --- |
| | 1461 | 10 | 0 | 1471 |
| Debt due within 1 year | (26) | 2 | 0 | (24) |
| Debt due after 1 year | (364) | 23 | 0 | (341) |
| Finance leases | (69) | 7 | 0 | (62) |
| | --- | --- | --- | --- |
| **Total** | **1002** | **42** | **0** | **1044** |
| | --- | --- | --- | --- |

## 25. LOSSES AND SPECIAL PAYMENTS

The total value of amounts written off during the year in respect of losses and special payments either under a delegated authority from SFEFC or on specific authority are summarised as follows: -

| | *Under delegated authority £000* | *With specific authority £000* |
|---|---|---|
| Claims waived or abandoned | 0 | 0 |
| | --- | --- |
| | 0 | 0 |
| | --- | --- |

## 26. POST BALANCE SHEET EVENTS

The College has received funding from Scottish Further Education Funding Council to enable it to proceed with a £6m capital development programme. The campus redevelopment project includes a new 1550m$^2$ to replace portacabin classrooms which are more than 20 years old, and a new forge and workshop development. A contractor was appointed in August 2005 to undertake the construction of the new teaching accommodation.

## 27. CONTINGENT LIABILITY

There are no known matters of contingent liability and consequently no financial provision has been made in these financial statements.

## 28. CAPITAL AND FINANCIAL COMMITMENTS

| | **2005** *£000* | **2004** *£000* |
|---|---|---|
| Contracted for at 31 July 2005 | 343 | 0 |
| Authorised but not contracted for at 31 July 2005 | 5575 | 0 |
| Commitment under finance leases entered into but not yet provided for in the financial statements | 0 | 0 |

## 29. BURSARY AND HARDSHIP FUNDS

### Bursaries and other student support funds

| | Year ended 31 July 2005 | Year ended 31 July 2005 | Year ended 31 July 2005 | Year ended 31 July 2005 | Year ended 31 July 2005 | Year ended 31 July 2004 |
|---|---|---|---|---|---|---|
| | FE Bursary £000 | FE Hardship £000 | EMAs £000 | Other £000 | Total £000 | Total £000 |
| Balance b/fwd | 0 | 0 | 0 | 0 | 0 | 23 |
| Allocation received in year (prior to clawback) | 349 | 20 | 15 | 13 | 397 | 287 |
| Expenditure | (360) | (18) | (15) | (13) | (406) | (344) |
| Repayable to Funding Council/funding body (clawback) | 0 | 0 | 0 | 0 | 0 | 0 |
| Virements | 11 | 0 | 0 | 0 | 11 | 34 |
| Balance c/fwd | 0 | 2 | 0 | 0 | 2 | 0 |

### Childcare funds

| | Year ended 31 July 2005 £000 | Year ended 31 July 2004 £000 |
|---|---|---|
| Balance b/fwd | 0 | 0 |
| Allocation received in year | 30 | 19 |
| Expenditure | 19 | 19 |
| Repayable to Funding Council/funding body (clawback) | 0 | 0 |
| Virements | 0 | 0 |
| Balance c/fwd | 11 | 0 |