

**Colleges Scotland
Financial Statements for the Year Ended
31 July 2015**

**Charity Number: SC023848
Company Number: SC143210**

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Report of the Directors/Trustees for the year ended 31 July 2015

The Directors/Trustees present their report and audited financial statements for the year ended 31 July 2015.

Reference and Administrative Information

Company Number:	SC143210
Registered Charity Number:	SC023848
Registered Office:	Argyll Court Castle Business Park Stirling FK9 4TY
External Auditor:	Scott Moncrieff Exchange Place 3 Semple Street Edinburgh EH3 8BL
Internal Auditor:	BDO LLP 4 Atlantic Quay 70 York Street Glasgow G2 8JX
Solicitors:	Thorntons LLP Whitehall House 33 Yeaman Shore Dundee DD1 4BJ
Bankers:	Bank of Scotland plc 1 Munro Road Springkerse Stirling FK7 7SY

Directors and Trustees

The Directors/Trustees of the Company during the year were:

Hugh Hall (Chair)	Regional Chair, Forth Valley College
Willie Mackie	Regional Chair, Ayrshire College
Michael Foxley	Chair of the Highlands & Islands Further Education Regional Board
Tony Jakimciw	Regional Chair, Borders College
Brian Johnstone	Regional Chair, Dumfries & Galloway College
Stephen Magee	Regional Chair, Fife College
Janie McCusker (Resigned 31 July 2015)	Regional Chair, West Lothian College
Ian McKay	Regional Chair, Edinburgh College
Keith McKellar	Regional Chair, West of Scotland College
Linda McTavish	Chair of the Lanarkshire Board
Ken Milroy	Regional Chair, North East Scotland College
Angela McCusker	Regional Chair, Dundee & Angus College
Henry McLeish (Chair) (Resigned 1 May 2015)	Regional Chair, Glasgow Colleges Regional Board
Alison Jarvis (Appointed 1 May 2015)	Interim Chair, Glasgow Colleges Regional Board
Liz McIntyre (Vice Chair)	Principal, Borders College
Christina Potter (Resigned 31 July 2015)	Principal, Dundee & Angus College
Audrey Cumberland	Principal, West of Scotland College
Rob Wallen	Principal, North East Scotland College
Lydia Rohmer (Appointed 7 September 2015)	Principal, West Highland College, UHI
Shona Struthers (Appointed 18 August 2014)	Chief Executive
Gayle Watson	Company Secretary

No directors held any shares in the company at any time during the year.

Committees of the Board of Management

The Board has the following formally constituted committees in place which act with delegated authority from the full Board:

Audit Committee:	Brian Johnstone (Chair), Janie McCusker (resigned 31 July 2015), Liz McIntyre, Willie Mackie
Corporate Affairs Committee:	Ken Milroy (Chair), Janie McCusker (resigned 31 July 2015), Keith McKellar, Hugh Hall, Stephen Magee, Audrey Cumberland, Angela McCusker, Shona Struthers (from 18 August 2014)
Funding & Finance Committee:	Tony Jakimciw (Chair), Willie Mackie, Christina Potter (resigned 31 July 2015)
Learning, Skills & Quality Committee:	Linda McTavish (Chair), Rob Wallen, Tony Jakimciw, Ken Milroy, Michael Foxley, Hugh Hall, Brian Johnstone
Employment Relations Committee:	Keith McKellar (Chair), Ian McKay, Rob Wallen, Audrey Cumberland, Liz McIntyre

Structure, Governance and Management

Governing Document

Colleges Scotland is a charitable company limited by guarantee and registered as a charity in July 1995. The company was established under a Memorandum of Association which establishes the objects and powers of the charitable company and is governed under its Articles of Association. In the event of the company being wound up members are required to contribute an amount not exceeding £1. Colleges Scotland is owned by the Regional Colleges and Regional Strategic Bodies.

Recruitment and Appointment of the Board of Directors

The Board of Directors are also charity trustees for the purposes of charity law.

The Board consists of up to eighteen Board members; the Ministerially-appointed Regional Chair of each regional member, the Chair of the College Principals Group, the CEO and up to three Principals drawn from company members.

Under the requirements of the Memorandum and Articles of Association, with the exception of the Chief Executive who continues to hold office until termination of appointment, the Board of Directors are elected to serve for a period of not more than four years after which they may be re-appointed for a further four years provided that no member holds office for more than eight years in aggregate.

Director Induction and Training

New directors are provided with an induction pack briefing them on their legal obligations; their duties as Board Members; the main documents which set out the operational framework for Colleges Scotland; including the Memorandum and Articles, financial performance, relevant policies and procedures and future plans and objectives. The Board are also given opportunities to meet staff and are encouraged to attend training events where these will facilitate the undertaking of their role.

The Board currently has an evaluation framework in place and intends to hold a Board evaluation event to develop a new, improved framework.

Organisation

The Board meets at least quarterly and formally constituted sub-committees are in place covering Audit, Corporate Affairs, Learning, Skills and Quality, Funding and Finance and Employment Relations with terms of reference approved by the Board. A Corporate Governance Code is also in place.

At present there are eighteen members including the Chief Executive. The Chief Executive is appointed by the Board of Directors to manage the day-to-day operations of the company.

Related Parties

Due to the nature of the organisation, its membership and the composition of the Board it is inevitable that transactions will take place with company members, including organisations in which a member of the Board may have an interest. However, all transactions involving company members or organisations in which a member of the Board may have an interest are conducted at arm's length and in accordance with the organisation's financial regulations. Board members are not permitted to participate in discussions, decisions or transactions involving their related business.

Risk Management

A review of the major strategic, business and operational risks to which the company is exposed is conducted on a quarterly basis at a minimum and reported to the Board. There is a standing agenda item in relation to risk and regulatory updates at quarterly Board meetings. Risk management policy and procedures are in place to support the risk management process and mitigate risks identified and internal control procedures are in place to minimise internal risks.

The key risks faced by Colleges Scotland during the year were in relation to:

- managing member expectations and subscription uncertainty;
- ineffective relationships with key stakeholders e.g. Scottish Government and SFC;
- retention, motivation, and recruitment of staff in transitional period post-demergers;
- vision and therefore strategic plan not agreed and in place for the start of the year.

These risks have been mitigated by effective engagement with the sector and key stakeholders; a robust staff recruitment process; and a vision and strategic plan developed and agreed with the Colleges Scotland Board.

Objectives and Activities

The Company's objectives and principal activities remained throughout 2014-15 to promote the advancement of further education for the public benefit.

The demerger of Colleges Scotland and College Development Network officially took place on Friday 1 August 2014. A Board, of all 13 regional chairs, the Chief Executive and four principals, who were elected by their peers, and a Board committee structure is in place. A new staffing structure and operational framework is now also in place.

New vision mission and values statements for the organisation have been set. These are as follows:

Vision

Colleges Scotland aims to be at the heart of a world class college sector that is recognised, valued and available to all.

Mission

Colleges Scotland is the collective voice of the college sector in Scotland; striving to create cohesive and sustainable partnerships, demonstrate positive impact, acting as representatives, and campaigning for the sector.

Values

Do the Right Thing

- We will act with integrity, openness and honesty, promoting ethical standards.
- We will never put self-interest ahead of sector interests and will always respect others in any decision making process.
- We will challenge each other, and openly invite challenge, but when debate concludes and decisions are made, these will be fully respected and supported.

Provide Exceptional Services

- We will strive for excellence, provide effective leadership, understand and respond to members' needs.
- We will not promise what we cannot deliver - but we will deliver what we promise, always being helpful, contributing and seizing opportunities.
- We will make good practice our standard practice and through collaboration improve services.

Build and Sustain Relationships

- We will listen, respect, and value others.
- We will have the right discussions with the right people in the right place, removing barriers for effective collaboration.

Always be Attentive

- We will harness ambition and release potential.
- We will be an advocate for diversity, equality and equity.

A new [Strategic Plan](#) for Colleges Scotland has been developed which sets out our key aims and targets over the period 1 August 2015 – 31 July 2018. It provides the means by which we secure Colleges Scotland's vision and mission.

Colleges Scotland's key objectives are:

- Representing the sector;
- Supporting members' needs and representing member interests;
- Promoting the sector; and
- Engaging and influencing.

Specific activities include:

- Supporting the Colleges Scotland Board committees and developing policy positions;
- Supporting the College Principals Group. These arrangements ensure collective consideration of substantial policy issues;
- Providing a range of briefing papers on various issues impacting upon the sector and formal responses to consultations on behalf of the sector; and
- Arranging liaison meetings with key external groups e.g. the Scottish Funding Council and Scottish Government.

Achievements and Performance

Colleges Scotland has focused over the last twelve months on building relationships with key stakeholders and ensuring it is a key influencer on issues affecting the sector. Key achievements include:

- Working closely with key stakeholders and members to provide clarity on complex governance and financial issues facing the sector
- Building relationships with key stakeholders e.g. Scottish Government, Scottish Funding Council, Universities Scotland, Scottish Qualifications Authority, Education Scotland, Universities Scotland etc;
- Regular engagement with Ministers and MSPs
- Submitting evidence papers on legislation that may affect the sector to the Scottish Parliament's committees
- Contributing to Ministerial initiatives and speeches e.g. the refresh of the Government's Economic Strategy, Parliamentary Debate on Partnership Action for Continuing Employment (PACE)
- Securing representation on key groups e.g. Scottish Teachers' Pension Scheme Advisory Board, Scottish Teachers' Pension Board, PACE, Developing the Young Workforce Vocational Pathways Early Adopter Reference Group;

- Working with Audit Scotland during the development of the Auditor General's Scotland's College 2015 report;
- Enhancing understanding of National Bargaining amongst the Scottish Government and trade unions, resulting in the sector being more informed and in a stronger position;
- £17.7m being retained within the college sector as a result of detailed work and influence around student support funding and net depreciation; and
- Developing and presenting a credible business case to the Scottish Government for colleges to retain commercial business insurance, saving c. £450k for two colleges which suffered major damage.

Financial Review

Colleges Scotland has continued to deliver against its objectives and activities during the year. During 2014-15 an operational surplus of £13k was incurred.

In addition, the net pension liability under FRS17 increased by £148k over the year which, when recognised in the SOFA, resulted in an overall deficit of £135k for the year to 31 July 2015.

Principal Funding Sources

Colleges Scotland continued to be funded through college subscriptions during the year at a level sufficient to meet the budgetary requirements agreed by the Board.

Investment Policy

Under the Memorandum and Articles of Association Colleges Scotland has the power to invest in any way the directors think fit. Having regard to the operational liquidity requirements the directors operate a policy of keeping funds required in the short to medium term in interest bearing deposit accounts whilst funds not so required are invested in higher interest bank accounts with average returns in excess of the Bank of England base rate. In all cases risk is minimised to ensure that capital sums invested are not affected by market fluctuations. Treasury management is reviewed informally on at least a monthly basis and formally on a quarterly basis by the Board.

Colleges Scotland investment criteria is set out in a treasury management policy approved by the Board of Directors which adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Codes of Practice (the code), as described in section four of that code.

Reserves Policy

The Board of Directors have established a policy to build unrestricted funds to a level sufficient to cover any unexpected liabilities which cannot be met out of operational income in the year. The level of reserves has therefore been set giving cognisance to the main risks and potential liabilities faced by the group. This lends a degree of financial stability to the business in the event that income sources are lost or reduced to ensure continuity of service provision. This policy will be revisited by the charity's directors in future periods to ensure that an appropriate level of reserves continues to be maintained.

For 2014-15 the main risks and potential liabilities faced are as set out in the risk management section of this report together with fluctuations in pensions liabilities arising under FRS17. The strategy is therefore to maintain reserves at a level sufficient to cover any potential liabilities arising.

Although operationally reserves are sitting at £680k, as a result of FRS17 pension adjustments the reserves position at 31 July 2015 is a net liability of £398k.

Plans for Future Periods

The key objective for Colleges Scotland for 2015-16 will be to drive activity forward on behalf of the sector as part of the strategic plan. This will include:

- Building deeper relationships with Ministers, parliamentarians and other key stakeholders
- Ensuring members are kept abreast of key issues and well informed
- Working with key stakeholders to fully realise the benefits of National Bargaining
- Liaising with College Development Network to ensure that policy and practice are aligned for the benefit of the sector.

By order of the Board:



Hugh Hall
Chair of the Board

Date: 18 November 2015

Directors' Responsibilities in Relation to the Financial Statements

The directors (who are also trustees of Colleges Scotland for the purpose of charity law) are responsible for preparing the Trustees' and Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standard (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the incoming resources and application of resources, including the income and expenditure, of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue its activities.

The directors are responsible for maintaining adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the company and hence to take reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditor

In so far as the directors are aware:

- there is no relevant information of which the company's auditor is unaware; and
- they have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company website. Legislation in the United Kingdom governing the preparation as dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

In accordance with the Company's Articles, the auditor of the company will be appointed at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by charities (issued March 2005) and in accordance with the provisions applicable to companies subject to small companies' regime of the Companies Act 2006.

Corporate Governance Statement

Colleges Scotland is committed to exhibiting best practice in all aspects of corporate governance.

The Board of Directors is responsible for the systems of internal control and for reviewing their effectiveness. Such systems are 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 Board of Directors is of the view that there is an ongoing process for identifying, evaluating and managing significant risks faced by Colleges Scotland and that this process has been in place during the reporting period. This process is reviewed at least quarterly by the Board of Directors.

The Board of Directors meets at least quarterly and has delegated authority to the following committees with terms of reference:

- Audit Committee
- Corporate Affairs Committee;
- Funding and Finance Committee
- Learning, Skills and Quality Committee; and
- Employment Relations Committee.

All committees comprise mainly lay members of the Board of Directors, one of whom is the Chair.

In respect of its strategic and development responsibilities, the Board of Directors receives recommendations and advice from the Chief Executive.

The Corporate Affairs Committee *inter alia* recommends to the Board of Directors the annual budget and monitors performance in relation to approved budgets on a quarterly basis. In an HR capacity it ensures that Health & Safety policies and procedures and HR strategies, policies and processes are in place and are managed effectively. The Committee also has a remit to develop and propose profile raising activities for Colleges Scotland and to research availability and seek access to sector level funding.

The Audit Committee meets, as a minimum, twice a year but may meet up to four times a year, with the external or internal auditors in attendance if requested. The committee considers detailed reports together with recommendations for the improvement of the systems of internal control and management's responses and implementation plans. An Annual Report is presented to the Board by the Audit Committee expressing an opinion on whether it believes that the company has effective systems and processes in place regarding risk management, governance and financial control.

The Funding and Finance, Learning, Skills and Quality and Employment Relations Committees are sector-facing Committees established to consider issues impacting the sector and help shape the policy agenda in these areas.

The CEO receives reports setting out information on key performance and risk management and considers possible control issues therein. The Board of Directors receives reports from the CEO and the Audit Committee regarding risk and control issues and how it is planned to address these issues. The Audit Committee's role is confined to a high level review of arrangements for internal control. The overall emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Independent Auditor's Report to the Directors/Trustees and Members of Colleges Scotland

We have audited the financial statements of Colleges Scotland for the year ended 31 July 2015 which comprise the Statement of Financial Activities, Balance Sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made exclusively to the members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the members and the charitable company's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Directors' Responsibilities in Relation to the Financial Statements set out on page 9, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors, including "APB Ethical Standard – Provisions Available for Smaller Entities (Revised)", in the circumstances set out in note 15 to the financial statements.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2015 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' and Directors' Report for the financial year 31 July 2015 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 Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the charitable company has not kept proper and adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies exemption in preparing the Trustee's and Directors' Report; or
- the trustees were not exempt from the requirement to prepare a strategic report.

Signature:

Michael Harkness

**Senior Statutory Auditor:
Michael Harkness**

**For and on behalf of Scott-Moncrieff, Statutory Auditor
Chartered Accountants
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL**

18 November 2015

**Statement of Financial Activities (SOFA)
(including Income & Expenditure Account)
for the year ended 31 July 2015**

	Notes	2015 £'000 Unrestricted Funds	2015 £'000 Total Funds	2014 £'000 Total Funds
Incoming Resources				
From generated funds:				
Voluntary Income				
Subscriptions		771	771	344
Restructuring		6	6	19
Investment Income	3	-	-	1
Charitable Activities:				
Contracts and support services	4	62	62	17
Other Incoming Resources		6	6	31
Total Incoming Resources		845	845	412
Resources Expended				
	5			
Charitable activities		847	847	445
Governance costs		11	11	10
Total Resource Expended		858	858	455
Net outgoing resources before other recognised losses		(13)	(13)	(43)
Other recognised losses				
Loss on defined benefit pension scheme	13	(122)	(122)	(196)
Net outgoing resources	9	(135)	(135)	(239)
Total Funds - Brought forward	14	(263)	(263)	(24)
Total Funds - Carried forward	14	(398)	(398)	(263)

The statement of financial activities includes all gains and losses recognised in the year. All incoming resources and resources expended derive from continuing activities in the above two periods.

Balance Sheet as at 31 July 2015

	Notes	2015 £'000	2014 £'000
Current assets			
Debtors	10	813	837
Cash at bank and in hand		761	671
		1,574	1,508
Current liabilities			
Creditors:			
Amounts falling due within one year	11	(894)	(841)
Net current assets		680	667
Total assets less current liabilities		680	667
Creditors:			
Pension liabilities	13	(1,078)	(930)
Net Liabilities		(398)	(263)
Represented by:			
Unrestricted funds	14		
General Funds		680	667
Designated Funds:			
Pension Liability		(1,078)	(930)
Total Funds		(398)	(263)

These financial statements are prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for the Smaller Entities (effective April 2008).

Approved and authorised for issue by the Board of Directors and signed on its behalf by:

Shona Struthers

Shona Struthers, Chief Executive

Hugh Hall

Hugh Hall, Director

18 November 2015

Date

Colleges Scotland
Company Number: SC143210
Charity Number: SC023848

Notes to the Financial Statements for the Year Ended 31 July 2015

1. Legal Status of Colleges Scotland

Colleges Scotland is a charitable company limited by guarantee in terms of the Companies Act 2006. There are 13 members – all of the regional colleges and regional strategic bodies in Scotland. The liability of each member is limited to £1.

2. Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with the requirements of the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005), the Companies Act 2006 and applicable accounting standards.

The Board is of the view that it would be reasonable to assume that Colleges Scotland will continue to operate for the foreseeable future and, accordingly, the financial statements have been prepared on the going concern basis. The directors are aware of the net liability balance at the year end, this relates to the FRS 17 accounting for the FCPF pension scheme. Colleges Scotland is able to meet all cash obligations using its current working capital.

(b) Fund Accounting

All funds are classified as unrestricted.

- Unrestricted funds are available for use at the discretion of the Board of Directors in furtherance of the general objectives of the company.
- Designated funds are unrestricted funds earmarked by the Board of Directors for particular purposes.

(c) Incoming Resources

All incoming resources are included in the Statement of Financial Activities when the company is entitled to the income and the amount can be quantified with reasonable accuracy.

- Incoming resources from charitable trading activities are accounted for when earned.
- Incoming resources from grants, where related to performance and specific deliverables, are accounted for as the charity earns the right to consideration by its performance.

(d) Resources Expended

Resources expended are included in the statement of financial activities (SOFA) on an accruals basis and are recognised when there is a legal or constructive obligation to pay for expenditure. All costs have been directly attributed to one of the functional categories of resources expended in the SOFA and include any VAT which cannot be recovered.

- Costs of generating funds comprise the costs associated with attracting voluntary income.
- Charitable expenditure comprises those costs incurred by Colleges Scotland in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those of an indirect nature necessary to support them.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of Colleges Scotland and include costs linked with strategic management.
- Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources.

(e) Taxation

The company is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 466 to 493 of Corporation Tax Act 2010 to the extent that such income or gains are applied to exclusively charitable purposes.

Non-recoverable Value Added Tax arising from expenditure on activities is charged to the income and expenditure account in the year in which it is incurred.

(f) Pensions

Retirement benefits to the employees of the company are provided by Falkirk Council (FCPF). This is a defined benefit scheme which is 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 Group in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations every three years using the Projected Unit method. Liability for benefits is a charge on the FCPF.

The company also participates in a defined contribution scheme with Scottish Equitable. The assets of the scheme are held separately from those of the company in an independently administered fund. Pension costs charged to the income and expenditure account represent the contributions payable by the company in the year.

The company also contributes to the personal pension schemes of senior staff members not included in the above pension schemes.

3. Investment Income

Investment income of £444 (2014: £584) is generated from interest bearing bank accounts.

4. Incoming Resources from Charitable Activities

	2015 £'000	2015 £'000	2014 £'000
	Unrestricted	Total	Total
Projects & Consultancy	62	62	17
Total	62	62	17

5. Total Resources Expended

	Basis of allocation £'000	Charitable activities £'000	Governance £'000	2015 Total £'000	2014 Total £'000
Costs directly allocated to activities					
Staffing costs	Direct	496	-	496	318
Other costs associated with support to colleges	Direct	80	-	80	85
Legal and professional fees	Direct	33	-	33	14
Board Meeting Costs	Direct	-	4	4	-
Support costs allocated to activities					
SLA support costs	Direct	232	-	232	-
General	Direct	2	-	2	28
Audit Fees	Direct	-	11	11	10
Total Resources Expended		843	15	858	455

6. Board Remuneration

The emoluments of the Chief Executive are disclosed in note 8. No other member of the Board either received or waived any emoluments during the year (2014: £nil).

Out of pocket expenses reimbursed to Board members were as follows:

	2015 No.	2014 No.	2015 £'000	2014 £'000
Travel	4	2	3	1

7. Indemnity Insurance

Professional Indemnity and Directors' and Officers' Liability insurance is now included within a 'Combined Liability Insurance' together with Entity Defence. It is no longer possible to separately identify the amounts relating to Professional Indemnity and Directors' and Officers' Liability insurance.

8. Staff Costs

	2015 £'000	2014 £'000
Core Staff		
Wages and salaries	243	117
Social security costs	24	11
Other pension costs	41	25
FRS17 adjustments	26	(1)
Short-term and temporary staff		
Consultants	153	155
Agency staffing	9	11
Total	496	318

The average number of full-time equivalent employees including consultants, during the year was 9.4 (2014: 5.8).

The number of staff including the Chief Executive and senior post-holders who received emoluments within the following ranges was:

	2015	2014
£80,001 - £90,000	1	0

The emoluments of senior post-holders, including the Chief Executive, are made up as follows:

	2015 £'000	2014 £'000
Salary	80	47
Benefits in Kind	1	-
Pension Contributions	16	11
Total Emoluments	97	58

The above emoluments include amounts payable to the Chief Executive of £79,782 (2014: £nil). Contributions to pension schemes on behalf of the Chief Executive were £15,932 (2014: £nil).

9. Net Outgoing Resources for the Year

	2015 £'000	2014 £'000
This is stated after charging:		
External Auditor's remuneration		
- Audit	5	8
- Non-audit	1	2
Internal Auditor's remuneration	5	-
	11	10

10. Debtors

	2015 £'000	2014 £'000
Trade debtors	789	801
Prepayments and accrued income	24	36
Total	813	837

11. Creditors

	2015 £'000	2014 £'000
Trade creditors	87	19
Taxes and social security costs	-	4
Accruals and other creditors	36	47
Deferred income (note 12)	771	771
Total	894	841

12. Deferred Income

	2015 £'000	2014 £'000
Deferred income at 1 August 2014	771	-
Applied during year	(771)	(344)
Deferred during year	771	1,115
Deferred income at 31 July 2015	771	771

	2015 £'000	2014 £'000
Analysis of Deferred Income		
Contractual income	771	771
Total	771	771

13. Pension costs

Colleges Scotland is a member of the Falkirk Council Pension Fund (FCPF) and operates the Scottish Equitable scheme (SE). The total employer's pension cost for the period was as follows:

	2015 £'000	2014 £'000
Contribution to FCPF	34	15
Contribution to SE scheme	5	-
Contribution to personal scheme	2	10
Total pension cost	41	25

Contributions outstanding at the year-end were £888 (2014: £3,128).

The Scottish Equitable Scheme

The Scottish Equitable scheme is a defined contribution scheme, open to all staff in Colleges Scotland. Pension costs charged to the income and expenditure account represent the contributions payable by the company in the year and are based upon a fixed percentage of employee salary aligned to salary band.

Falkirk Council Pension Fund (FCPF)

The FCPF is an unfunded defined benefit scheme where the assets are held in a separate, trustee-administered fund. The fund is open to all Colleges Scotland staff.

Colleges Scotland paid contributions of 21.9% for the period from 1 April 2014 to 31 March 2015 and 10% of pensionable pay plus £4,900 for the period from 1 April 2015 to 31 July 2015.

Actuarial valuations determine the level of employer contribution to the scheme and are as follows:

From 1 April 2014	21.9%
From 1 April 2015	10% of pensionable pay plus £4,900
From 1 April 2016	10% of pensionable pay plus £5,100

Anticipated employer contributions to the scheme for the year ended 31 July 2016 will be approximately £27,000.

Employees' contribution rate is calculated on a tiered contribution basis dependant on pensionable salary.

The following information is based upon a full actuarial valuation of the Fund at 31 March 2014 updated to 31 July 2015 by a qualified independent actuary, Hymans Robertson LLP.

Financial Assumptions

	At 31 July 2015	At 31 July 2014
Expected return on assets	3.6%	5.7%
Rate of increase on salaries	4.0%	5.0%
Rate of increase on pensions	2.6%	2.7%
Discount rate for liabilities	3.6%	4.1%

Breakdown of expected return on assets by category

	At 31 July 2015	At 31 July 2014
Equities	3.6%	6.6%
Bonds	3.6%	3.6%
Property	3.6%	4.7%
Cash	3.6%	3.6%

Mortality

	At 31 July 2015 Males	At 31 July 2015 Females	At 31 July 2014 Males	At 31 July 2014 Females
Current Pensioners	22.1 years	23.8 years	23.0 years	25.8 years
Future Pensioners	24.4 years	26.3 years	24.9 years	27.7 years

The fair value of scheme assets attributed to Colleges Scotland, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of scheme liabilities attributed to Colleges Scotland which are derived from cash flow projections over a long period and thus inherently uncertain, were:

	Value at 31 July 2015 £'000	Value at 31 July 2014 £'000
Total Fair Value of assets	1,110	1,208
Present Value of scheme liabilities	(2,188)	(2,138)
Net liabilities	(1,078)	(930)

Analysis of amount charged to other financial income

	2015 £'000	2014 £'000
Service cost	42	14
Total operating charge	42	14

Analysis of net return on pension scheme

	2015 £'000	2014 £'000
Expected return on pension scheme assets	68	66
Interest on pension liabilities	(85)	(86)
Net return	(17)	(20)

Analysis of amount recognised in statement of total recognised gains and losses

	2015 £'000	2014 £'000
Actual return less expected return on pension scheme assets	(122)	(196)
Actuarial gain/(loss) recognised in STRGL	(122)	(196)
Cumulative Actuarial gains and losses	(887)	(765)

Movement in deficit during the year

	2015 £'000	2014 £'000
Deficit in scheme at beginning of year	(930)	(715)
Current service cost	(42)	(14)
Contributions paid	33	15
Actuarial gain/(loss)	(122)	(196)
Net return on assets	(17)	(20)
Deficit in the scheme at end of year	(1,078)	(930)

Reconciliation of defined benefit obligation

	2015 £'000	2014 £'000
Opening Defined Benefit Obligation	2,138	1,890
Current service cost	42	14
Interest cost	85	86
Contributions by members	13	5
Actuarial losses	(33)	202
Estimated unfunded benefits paid	(57)	(59)
Closing Defined Benefit Obligation	2,188	2,138

Reconciliation of Fair Value of Employer Assets

	2015 £'000	2014 £'000
Opening Fair Value of Employer Assets	1,208	1,175
Expected return on assets	68	66
Contributions by members	13	5
Contributions by employers	33	15
Actuarial gains/(losses)	(155)	6
Benefits paid	(57)	(59)
Closing Fair Value of Employer Assets	1,110	1,208

Fair Value of employer assets

	At 31 July 2015 £000	At 31 July 2014 £000
Equities	699	797
Bonds	266	278
Property	89	85
Cash	56	48
Total	1,110	1,208

Amounts for current and previous accounting periods

	At 31 July 2015 £000	At 31 July 2014 £000	At 31 July 2013 £000	At 31 July 2012 £000	At 31 July 2011 £000
Fair Value of Employer Assets	1,110	1,208	1,175	1,011	1,104
Present Value of Defined Benefit Obligation	(2,188)	(2,138)	(1,890)	(1,814)	(1,557)
Deficits	(1,078)	(930)	(715)	(803)	(453)
Experience Gains/(Losses) on Assets	(155)	6	151	(140)	55
Experience Gains/(Losses) on Liabilities	66	1	-	17	-

14. Analysis of Unrestricted Funds

	Balance at 01 August 2014 £'000	Incoming Resources (inc. gains) £'000	Resources Expended £'000	Recognised gain/(loss) £'000	Balance at 31 July 2015 £'000
General funds	667	845	(832)	-	680
Designated funds:					
Pension liability	(930)	-	(26)	(122)	(1,078)
Total	(263)	845	(858)	(122)	(398)

The Pension Liability Fund is designed to meet potential pension liabilities under FRS17.

15. Other professional services provided by auditor

In common with many other entities of its size and nature, the company uses its auditor to assist with the preparation of the financial statements.