

Association of Scotland's Colleges
(t/a *Scotland's Colleges*)

Financial Statements
for the Year Ended
31 July 2012

**Association of Scotland's Colleges
(t/a *Scotland's Colleges*)
Financial Statements for
the Year Ended
31 July 2012**

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



Contents

	Page
Trustees' and Directors' Report	2-7
Statement of Directors' Responsibilities	7
Corporate Governance Statement	8
Auditors' Report	9-10
Statement of Financial Activities	11
Balance Sheet	12
Notes to the Accounts	13-20

Report of the Directors/Trustees for the year ended 31 July 2012

The Directors/Trustees present their report and audited financial statements for the year ended 31 July 2012.

Reference and Administrative Information

Company Number:	SC143210
Registered Charity Number:	SC023848
Registered Office:	Argyll Court Castle Business Park Stirling FK9 4TY
External Auditors:	Scott Moncrieff Exchange Place 3 Semple Street Edinburgh EH3 8BL
Internal Auditors:	BDO LLP 4 Atlantic Quay 70 York Street Glasgow G2 8JX
Solicitors:	Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA
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:

Graham Johnstone (Resigned 27 January 2012)	Chair of Chairs' Congress
John Spencer	Convenor of the Principals' Convention
Peter Finch (Chair)	Vice Chair of the Board of Management, City of Glasgow College
John Henderson (Ex officio)	Chief Executive, <i>Scotland's Colleges</i>
John Russell (Appointed 5 March 2012)	Chair of Chairs' Congress
Gayle Watson	Company Secretary

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

Committees of the Board of Management

As a wholly-owned subsidiary of Scottish Further Education Unit (SFEU) the Board operates without any committees in place. All Board business is handled through the main Board which meets at least twice a year.

Structure, Governance and Management

The ASC is a wholly owned subsidiary of SFEU, together operating as a single-umbrella agency for the sector branded as '*Scotland's Colleges*'.

Governing Document

ASC 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. ASC is wholly-owned by the SFEU.

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 a minimum of three directors appointed by the Board of the holding company and is currently comprised of the Convenor of the Principals' Convention, the Chair of the Chairs' Congress, the Chief Executive and an independent member. All Board Members hold equal status on the Board and all appointments are ratified by the company members at the Annual General Meeting.

Under the requirements of the Memorandum and Articles of Association, with the exception of the Chief Executive who holds office until termination of appointment, the Board of Directors hold office until resignation or removal by the Board of the Holding Company.

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 *Scotland's Colleges*; including the Memorandum and Articles, financial performance, relevant policies and procedures and future plans and objectives. The Board are also given opportunities to meet *Scotland's Colleges*' staff and are encouraged to attend training events where these will facilitate the undertaking of their role. Members of the Board are also asked to provide a list of their skills and training needs analysis on an annual basis.

Organisation

The Board of Directors of a minimum of three directors, including the Chief Executive, will meet at least twice a year to administer the company. At present there are four members including the Chief Executive and a scheme of delegation is in place. The Chief Executive is appointed by the Board of Directors to manage the day-to-day operations of the company.

Early in 2012 the Board commissioned a governance review to assess the current governance arrangements, the future role and purpose of *Scotland's Colleges* and make recommendations to improve the organisation's effectiveness. The review was conducted against the background of the Scottish Government's proposals to reform the FE sector, specifically the plans to create 13 Regional Boards and move some of the activities of the SFEU to Education Scotland. The Board agreed to implement a number of the key recommendations made in the review and, at the same time, to invert the group structure making SFEU the wholly-owned subsidiary company and ASC the parent company.

Post Balance Sheet Events

In implementing the governance review and group inversion a number of key changes will be made by December 2012. These changes will be:

- Group Name: the umbrella name '*Scotland's Colleges*' will be dropped and replaced by College Development Network for SFEU and Colleges Scotland for ASC
- College members will be required to resign as members of SFEU and re-join as members of Colleges Scotland. Colleges Scotland will then become the sole member of College Development Network
- The composition of the Board will change so that there are a maximum eighteen members and a minimum of eight, three of which will be the two Ex-Officio Directors (the Convenor of the Principals' Convention and the Convenor of the Chairs' Congress) and the Chief Executive. Up to twelve others members will be appointed through a selection process and the Board may appoint up to three co-opted directors.
- The Articles of Association of both SFEU and ASC will be revised to reflect these key changes together with any other changes as required.

Related Parties

Related party transactions are disclosed in note 13.

Risk Management

A review of the major strategic, business and operational risks to which ASC is exposed is conducted on an annual basis and reported to the Board. Risk management policy and procedures have been established to support this process and mitigate risks identified.

A review of the major strategic, business and operational risks to which SFEU is exposed is conducted formally on a twice-yearly basis. There is a standing agenda item in relation to risk and regulatory updates at all Board meetings and the Board participates in an annual risk workshop wherever possible. 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 ASC during the year were in relation to:

- The implications on ASC of Education Scotland potentially taking over activities currently carried out by *Scotland's Colleges*
- The potential for future funding cuts to effect the sustainability of *Scotland's Colleges*
- A failure to implement an effective and timely response to the Governance Review
- Sector structural change impacting the future of *Scotland's Colleges* and its sustainability going forward.

These risks have been mitigated by: considerable investment in maintaining and managing key relationships; ensuring effective financial management; modelling future subscriptions on a regional basis

and the creation of a transition plan to ensure the recommendations of the Governance Review are implemented as planned.

Objectives and Activities

The company's objects and principal activities remain to promote the advancement of further education for the public benefit.

The company operates as a wholly owned subsidiary of the SFEU under the brand *Scotland's Colleges*. *Scotland's Colleges* exists to support, represent and promote Scotland's college sector.

Through its work it:

- assist colleges to deliver their vital contribution to the economic and social needs of Scotland
- serves the ambitions of Scotland's learners and the needs of Scotland's employers
- enhances colleges national and international reputation.

Scotland's Colleges works with its member colleges and key stakeholders to make a contribution to achievement of the following outcomes:

Successful college learners

Modern, relevant and vital college curriculum

Strong management, leadership and governance

Confident contribution to the nation's economic and social life

Excellent support agency.

The specific contribution of the Association of Scotland's Colleges is related to the outcome '*Confident contribution to the nation's economic and social life*' and the support given to work of the Principals' Convention and Chairs' Congress as they work to advance sector interests. It fulfils this role by informing and advising government, the Scottish Parliament and key audiences about the work of the colleges, informing the development of sector policy and strategy, and providing information and advice to colleges on a range of issues.

Specific support activities include:

- supporting the Principals' Convention and Chairs' Congress meetings, and their subgroups. The Convention and the Congress were formed to oversee sector business whilst the work groups are formed to take more substantial policy matters forward.
- providing a range of briefing papers on various issues impacting upon the sector and formal responses to consultations on behalf of the sector.
- arranging liaison meetings with key external groups (eg. Scottish Funding Council, Education Scotland, Skills Development Scotland).
- providing Lead Principals with background papers in support of their work on behalf of the college sector in Scotland.

Achievements and Performance

The Griggs Review on College Governance and the policy paper '*Putting Learners at the Centre*' signalled the Governments plans to reform the structure of colleges along regional lines. Much work has been done to enable the college sector to respond positively and to contribute to the debate these documents stimulated. *Scotland's Colleges* itself, commenced a review of its own governance arrangements by John McCormick, and the recommendations will strengthen the work of the organisation. These have been accepted and will be implemented.

Financial Review

ASC has continued to deliver against its objectives and activities during the year. During 2011-12 we achieved an operational surplus of £63k which was ahead of the £19k budgeted. However, at the end of 2010-11 the Board agreed to create a £100k designated Innovation and Resilience Reserve from the excess surplus over that budgeted to help fund the delivery of our strategic priorities going forward. The

spend against this fund during the year amounted to £57k, largely in support of the sector response to the "Putting Learners at the Centre" Post-16 Education paper, taking the overall surplus down to £6k at the year end.

In addition, the net pension liability under FRS17 increased by £350k over the year which, when recognised in the SOFA, resulted in a net deficit of £344k for the year to 31 July 2012.

Principal Funding Sources

ASC 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 ASC 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. The performance of investments is reviewed informally on at least a monthly basis and formally on a bi-annual basis by the Board.

Scotland's Colleges 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 ASC. 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 2011-12 the main risks and potential liabilities faced are 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 and to create a short-term designated reserve from excess surpluses created over that planned wherever possible. This reserve, the Innovation and Resilience Fund, will be used to both contribute to the delivery of our strategic priorities going forward and to create some financial 'headroom' to support any unexpected key sector issues arising in the future. Planned spend against this reserve for 2012-13 is £38k which will leave £5k in this fund going forward.

As a result of FRS17 pension adjustment of £350k the present level of reserves available at 31 July 2012 has reduced to £(54)k.

Plans for Future Periods

The main task over the coming period will be the implementation of the McCormick recommendations to enable the organisation to go forward under the brand Colleges Scotland, with a stronger single voice.

Directors' Responsibilities in Relation to the Financial Statements

The directors, who are also trustees 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 Standards (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 charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable 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 keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its 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 charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to Auditors

In so far as the directors are aware:

- there is no relevant information of which the charitable company's auditors are unaware
- the directors themselves have taken all the steps that they ought to have in order to make the directors themselves aware of any relevant audit information, and to establish that the charitable company's auditor is aware of the information.

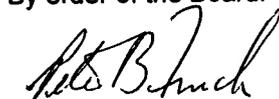
The directors are responsible for the maintenance and integrity of the corporate and financial information included in the charitable company's website. Legislation in the United Kingdom governing the preparation as dissemination of financial statement may differ from legislation in other jurisdictions.

Auditors

In accordance with Company's Articles a resolution proposing that Scott-Moncrieff be reappointed as auditors of the company will be put at a General Meeting.

This report has been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by charities (issued March 2005) and the Companies Act 2006.

By order of the Board:



Peter Finch
Chair of the Board

Date: 23 October 2012

Corporate Governance Statement

ASC 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. An internal control checklist is therefore completed annually by the Board. 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 ASC and that this process has been in place during the reporting period. This process is reviewed bi-annually by the Board of Directors.

The Board of Directors will meet at least bi-annually and operates without delegated committees in place, all Board business being handled through the main board.

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

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

We have audited the financial statements of Association of Scotland's Colleges for the year ended 31 July 2012 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 auditors

As explained more fully in the Directors' Responsibilities in Relation to the Financial Statements set out on page 6, 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.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2012 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 regulation 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 2012 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.

Signature:



**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**

23 October 2012

**Statement of Financial Activities (SOFA)
(including Income & Expenditure Account)
for the year ended 31 July 2012**

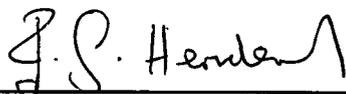
		£'000	Year Ended 2012 £'000	Year ended 2011 £'000
	Notes	Unrestricted Funds	Total Funds	Total Funds
Incoming Resources				
From generated funds:				
Voluntary Income				
Grants		-	-	90
Subscriptions		450	450	500
Investment Income	3	1	1	4
Charitable Activities:				
Contracts and support services	4	4	4	-
Other Incoming Resources		5	5	-
Total Incoming Resources		460	460	594
Resources Expended				
Charitable activities	5	459	459	502
Governance costs	5	4	4	7
Total Resource Expended		463	463	509
Net (outgoing)/incoming resources before transfers		(3)	(3)	85
Net (outgoing)/incoming resources before other recognised losses		(3)	(3)	85
Other recognised gains				
(Losses)/Gains on defined benefit pension scheme		(341)	(341)	64
Net (outgoing)/incoming resources		(344)	(344)	149
Total Funds - Brought forward	12	290	290	141
Total Funds - Carried forward		(54)	(54)	290

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 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible fixed assets		-	-
Current assets			
Cash at bank and in hand		835	783
		835	783
Current liabilities			
Creditors:			
Amounts falling due within one year	9	(86)	(40)
Net current assets		749	743
Total assets less current liabilities		749	743
Pension liability		(803)	(453)
Net assets		(54)	290
Represented by:			
Unrestricted funds			
General Funds	12	706	643
Designated Funds:			
Pension Liability		(803)	(453)
Innovation & Resilience Reserve		43	100
Total Funds		(54)	290

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



John Henderson, Chief Executive



Peter Finch, Director

23 October 2012

Date

Association of Scotland's Colleges
 Charity Number: SC023848
 Company Number: SC143210

Notes to the Financial Statements for the Year Ended 31 July 2012

1. Legal Status of ASC

The Association of Scotland's Colleges (ASC) is a charitable company limited by guarantee in terms of the Companies Act 2006 and is a wholly-owned subsidiary of the Scottish Further Education Unit (SFEU). The liability of SFEU 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 ASC will continue to operate for the foreseeable future and, accordingly, the financial statements have been prepared on the going concern basis.

(b) Fund Accounting

All of ASC's funds are classified as unrestricted with the exception of the Restructuring funds which are classed as restricted.

- Unrestricted funds are available for use at the discretion of the Board of Directors in furtherance of the general objectives of ASC.
- Designated funds are unrestricted funds earmarked by the Board of Directors for particular purposes.
- Restricted funds are subjected to restrictions on their expenditure imposed by the funder.

(c) Incoming Resources

All incoming resources are included in the statement of financial activities when ASC 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.

- Costs of generating funds comprise the costs associated with attracting voluntary income.
- Charitable expenditure comprises those costs incurred by ASC 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 ASC 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.

(f) Fixed Assets

Fixed assets are shown in the balance sheet at cost, less amounts written off by way of depreciation. Tangible fixed assets are capitalised for non project items at £1,000 dependant on the nature of the acquisition along with any incidental expenses of the acquisition.

(g) Depreciation

Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Computer equipment	33.3%
Office furniture	20.0%
Tenant's improvements	6.7%

A full year's depreciation charge is made in the year of asset acquisition.

(h) Taxation

ASC is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the Taxes Act 1988 or Section 256 of Taxation of Chargeable Gains Act 1992 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.

(i) Pensions

Retirement benefits to the employees of ASC are provided by the Falkirk Council Pension Fund (FCPF). This is a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with ASC 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.

3. Investment Income

Investment income of £790 (2011: £3,804) is generated from interest bearing bank accounts.

4. Incoming Resources from Charitable Activities

	2012 £'000	2012 £'000	2011 £'000
	Unrestricted	Total	Total
Projects & Consultancy	4	4	-
Total	4	4	-

5. Total Resources Expended

	Basis of allocation £'000	Charitable activities £'000	Governance £'000	2012 Total £'000	2011 Total £'000
Costs directly allocated to activities					
Staffing costs	Direct	373	-	373	381
Other costs associated with support to colleges	Direct	60	-	60	91
Legal and professional fees	Direct	5	-	5	10
Support costs allocated to activities					
General	Direct	21	-	21	20
Audit Fees	Direct	-	4	4	7
Total Resources Expended		459	4	463	509

6. Board Remuneration

The emoluments of the Chief Executive are disclosed in note 7. No other member of the Board either received or waived any emoluments during the year (2011: £nil).

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

	2012 No.	2011 No.	2012 £'000	2011 £'000
Travel	-	-	-	-

7. Staff Costs

	2012 £'000	2011 £'000
Core Staff		
Wages and salaries	190	197
Social security costs	16	13
Other pension costs	26	51
FRS17 adjustments	(3)	20
Short-term and temporary staff		
Seconded	25	8
Consultants	119	92
Total	373	381

The average number of full-time equivalent employees during the year was 4 (2011: 4).

Consultants are used for specific on-going activities supplementing the in-house knowledge and expertise.

There were no employees with emoluments above £60,000 during the year (2011: £nil). The Chief Executive is employed by ASC's parent company, SFEU, and therefore emoluments for the year were nil (2011: £nil).

8. Net Incoming Resources for the Year

	2012 £'000	2011 £'000
This is stated after charging:		
External Auditors' remuneration	4	7
	4	7

9. Creditors

	2012 £'000	2011 £'000
Trade creditors	16	6
Taxes and social security costs	3	3
Accruals and other creditors	67	27
Deferred income	-	4
Total	86	40

10. Deferred Income

	2012 £'000	2011 £'000
Deferred income at 1 August 2011	4	4
Applied during year	(456)	(413)
Deferred during year	452	413
Deferred income at 31 July 2012	-	4

	2012 £'000	2011 £'000
Analysis of Deferred Income		
Project funding	-	4
Total	-	4

11. Pension Costs

ASC operate one pension scheme, the Falkirk Council Pension Fund (FCPF). The total employer's pension cost for the period was as follows:

	2012 £'000	2011 £'000
Contribution to FCPF	26	51
Total pension cost	26	51

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 staff.

ASC paid contributions of 21.9% for the period from 1 April 2011 to 31 July 2012.

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

From 1 April 2011	21.9%
From 1 April 2012	21.9%
From 1 April 2013	21.9%

Anticipated employer contributions to the scheme for the year ended 31 July 2013 will be approximately £25,000.

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 2008 updated to 31 July 2012 by a qualified independent actuary, Hymans Robertson LLP

Financial Assumptions

	At 31 July 2012	At 31 July 2011
Inflation	2.9%	3.5%
Rate of increase on salaries	4.5%	5.0%
Rate of increase on pensions	2.2%	2.7%
Discount rate for liabilities	4.1%	5.3%

Breakdown of expected return on assets by category

	At 31 July 2012	At 31 July 2011
Equities	5.5%	7.0%
Bonds	3.1%	4.6%
Property	3.7%	5.1%
Cash	2.8%	4.0%

Mortality

	Males	Females
Current Pensioners	23.0 years	25.8 years
Future Pensioners	24.9 years	27.7 years

The fair value of scheme assets attributed to ASC, 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 ASC which are derived from cash flow projections over a long period and thus inherently uncertain, were:

	Value at 31 July 2012 £'000	Value at 31 July 2011 £'000
Total Fair Value of assets	1,011	1,104
Present Value of scheme liabilities	(1,814)	(1,577)
Net liabilities	(803)	(453)

Analysis of amount charged to other financial income

	2012 £'000	2011 £'000
Service cost	23	29
Past service cost	-	43
Total operating charge	23	72

Analysis of net return on pension scheme

	2012 £'000	2011 £'000
Expected return on pension scheme assets	70	66
Interest on pension liabilities	(82)	(80)
Net return	(12)	(14)

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

	2012 £'000	2011 £'000
Actual return less expected return on pension scheme assets	(341)	64
Actuarial (loss)/gain recognised in STRGL	(341)	64
Cumulative Actuarial gains and losses	(680)	(339)

Movement in deficit during the year

	2012 £'000	2011 £'000
(Deficit) in scheme at beginning of year	(453)	(483)
Current service cost	(23)	(29)
Contributions paid	26	52
Past service costs*	-	(43)
Actuarial (loss)/gain	(341)	64
Net return on assets	(12)	(14)
Deficit in the scheme at end of year	(803)	(453)

*The Past Service Cost figure includes 2012: £nil (2011: £nil) in respect of efficiency and other early retirements and 2012: £nil (2011: £nil) in respect of the changes to pension increases introduced in the Chancellor's budget statement.

Reconciliation of defined benefit obligation

	2012 £'000	2011 £'000
Opening Defined Benefit Obligation	1,557	1,466
Current service cost	23	29
Interest cost	82	80
Contributions by members	8	11
Actuarial losses/(gains)	201	(9)
Past service cost/(credit)	-	43
Estimated unfunded benefits paid	(57)	(63)
Closing Defined Benefit Obligation	1,814	1,557

Reconciliation of Fair Value of Employer Assets

	2012 £'000	2011 £'000
Opening Fair Value of Employer Assets	1,104	983
Expected return on assets	70	66
Contributions by members	8	11
Contributions by employers	26	52
Actuarial (losses)/gains	(140)	55
Benefits paid	(57)	(63)
Closing Fair Value of Employer Assets	1,011	1,104

Fair Value of employer assets

	At 31 July 2012 £000	At 31 July 2011 £000
Equities	688	817
Bonds	202	155
Property	101	88
Cash	20	44
Total	1,011	1,014

Amounts for current and previous accounting periods

	At 31 July 2012 £000	At 31 July 2011 £000	At 31 July 2010 £000	At 31 July 2009 £000	At 31 July 2008 £000
Fair Value of Employer Assets	1,011	1,104	983	796	860
Present Value of Defined Benefit Obligation	(1,814)	(1,557)	(1,466)	(1,368)	(1,034)
Surplus/(Deficit)	(803)	(453)	(483)	(572)	(174)
Experience Gains/(Losses) on Assets	(140)	55	86	(165)	(57)
Experience Gains/(Losses) on Liabilities	17	-	-	(60)	-

12. Analysis of Unrestricted Funds

	Balance at 01 August 2011 £'000	Incoming Resources (inc. gains) £'000	Resources Expended £'000	Recognised Losses £'000	Balance at 31 July 2012 £'000
General funds	643	460	(397)	-	706
Designated funds:					
Innovation & Resilience Fund	100	-	(57)	-	43
Pension liability	(453)	-	(9)	(341)	(803)
Total	290	460	(463)	(341)	(54)

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

The Innovation & Resilience Reserve will continue to be used to both contribute to the delivery of our strategic priorities going forward and to create some financial 'headroom' to support the impact of the key issues facing the sector.

13. Related Party Transactions

Due to the nature of the organisation and the composition of the board it is inevitable that transactions will take place with the organisation in which a member of the Board may have an interest. Also it is inevitable that transactions will take place with the parent company.

All transactions involving companies 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.

Exemption has been taken under Financial Reporting Standard 8 from disclosing transactions with the parent company.

14. Controlling Party

ASC is a wholly owned subsidiary of SFEU, the directors consider this to be the ultimate parent company and Consolidated Financial Statements are available from Companies House.



Scotland's Colleges is a trading name of both the Scottish

Scottish Further Education Unit | Company Limited By Guarantee | Registered
Association of Scotland's Colleges | Company Limited By Guarantee

Tel: 01786 892000

E-mail: info@scotlandscollages.co.uk