

Financial Statements for the Year Ended 31 July 2010

Draft

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Perth College is a registered Scottish charity, number SC021209

Perth College

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Operating and Financial Review

Nature, Objectives and Strategies

The members present their report and the audited financial statements for the year ended 31 July 2010.

Legal Status

The Board of Management was established under the Further and Higher Education (Scotland) Act 1992 for the purposes of managing and conducting Perth College.

The College is registered as a charity with the Inland Revenue (Registered Charity Number - SC021209) and is not liable to corporation tax.

Our Vision for the Future

In June 2007, the Board of Management adopted a 10 year strategy to 2016 and vision for Perth College. Our vision is as follows:

- We will be internationally recognised and known for our ambition and achievements.
- We will be acknowledged for our inspirational staff and our highly successful learners, who move on to become associated with the best organisations.
- We will teach at all levels and across the widest range of learners.
- We will support our teaching by carrying out international quality research in specialist subject areas.
- Our staff will be leaders in innovative learning, expertly using new technology to develop the workforce of the future.
- We will create pride in our environment, and prepare for, anticipate and exceed the needs of all our learners.

Implementation of Strategic Plan

In August 2010 the College adopted its second strategic plan within the period of the vision with its strategic direction mapped up to 2013. The structure of the plan takes a student and stakeholder perspective and recognises the contribution of all areas of the college to the 5 underlying strategies of:

- Student Experience;
- Engagement;
- Curriculum and Research;
- Financial and Environmental Sustainability;
- Developing our Organisation.

Each underlying strategy articulates several aims with specific, aspirational targets to be achieved by July 2013.

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The Board monitors the performance of the College against these targets using a balanced scorecard. The balanced scorecard analyses the measures of the targets (the key performance indicators) into 4 perspectives:

- Financial and Environmental Sustainability;
- Student Experience, Curriculum and Research;
- Developing our Organisation and
- Engagement.

These perspectives are reviewed by the Board of Management who have also delegated the responsibility for more detailed review of them to the Finance Committee and the Academic Affairs Committee. The balanced scorecard records and reports past trends and thus includes performance, actual and forecast, over the period from 2010-11 until 2012-13.

The 09-10 performance measures relate to the previous strategic plan structure and are reviewed by the same Board of Management committees during the academic year 2010-11.

The overall goals for 2016 of the College are:

- To be a learning organisation.
- To make a greater contribution to economic success and business development.
- To grow.
- To be organisationally agile to meet this growth.
- To keep things simple.

Our key measures of these goals are:

- To be in the top ten establishments in the sector for customer success and satisfaction.
- Increased commercial and international income.
- Achievement of university title.
- Improved flexible remuneration for staff which exceeds the market average.
- Increased financial security with a minimum of 2% of turnover as operating surplus.

The College is making good progress towards achievement of these goals.

Specific progress in 2009-10 as reported in our balanced scorecard includes the following:

- The percentage of international students is over target at 14% against a 12% target.
- The number of active specialist areas is below target by one. At the outset of this strategic plan there was only one active centre of specialist research and now there are 4.
- The level of knowledge transfer has improved with a step change in this area to over £1m.
- Full time students are 31% of the population with a target of 19%. There was a sharp change in student profile in 09-10 and thus the inverse of this ratio is that the part time student measure is below target.
- Programmes aimed at those in employment exceeded the original target of 5% increase per year in 08-09, although declined in 09-10 caused by recessionary pressures on companies for training spend.

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- The target for reduction in Not in Education Employment or Training was met early in the plan. Further reductions were reversed in 09-10 due largely to rising unemployment and reduced bursary funding.
- The target percentage of students from low participation groups has been achieved.
- The percentage of staff that are research active has increased to 21% of permanent lecturing staff.
- The College has returned a 1.1% operating surplus as a percentage of turnover. Our goal is a minimum of 2%.
- Income to square meter of gross internal area has increased from £882 in 2008-09 to £930 in 2009-10.

Financial Objectives

Our goal is to optimise financial stability through innovative and careful management. Every effort will be made to maximise the efficient and effective use of funds to support the academic aims and objectives of the College. The consolidated historical cost surplus for the year is £539k.

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

Performance Indicators

The targets set for 2010 in the College Strategic Plan are set in the context of national, regional and local priorities. As explained earlier College performance against these targets is monitored using the balanced scorecard of key performance indicators.

The performance of the College is regularly reviewed by a range of external bodies and agencies. During 2009-10 these reviews have all been complimentary of the services that the College offers to its community and learners and include:

- QAA review visit on application for University Title.
- HMIE Aspect Report for Hospitality and Sport Provision.
- CMI (Chartered Management Institute).
- Contribution to two internal UHI Subject Reviews.

Financial Position

Financial Results

The College generated an operating surplus in the year of £211k (2008-09 surplus of £260k).

The College has accumulated reserves of £13,078k and cash balances of £4,423k. The College wishes to continue to accumulate reserves and cash balances as part of its objective to achieve continued financial security.

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The College has invested funds received from the Scottish Funding Council of £912k across a diverse range of projects:

	£k
▪ Academic Equipment	63
▪ ICT Hardware and software	306
▪ Goodlyburn Building Refurbishment	233
▪ Training Kitchen Refurbishment	44
▪ Environmental Sustainability	71
▪ Teaching Facilities	63
▪ Planned Building work	<u>132</u>
	<u>912</u>

The above expenditure has been funded from £454k of Capital Formula grants from SFC and £458k of Learning and Teaching Infrastructure grants received via the UHI Millennium Institute.

The college received funding for a second year from the Big Lottery to support its Youth Unlimited Project.

The College has a strong commitment to diversity and equality and issues of compliance with the Disability Discrimination Act 1995 amended by the Disability Discrimination Act 2005 are always incorporated in refurbishment and building works.

The College has a subsidiary company, AST Engineering Limited. The principal activity of AST Engineering Limited is the provision of aeronautical engineering courses for both the aviation industry worldwide and individual students. In the current year, AST Engineering made an operating loss of £23k after charging donations made to the College of £110k.

Treasury Policies and Objectives

The College has a separate treasury management policy in place and defines treasury management as the management of the organisation's cash flows, its banking and investment transactions; the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks. The College had short term borrowings at 31 July 2010 of £228k.

Cash Flows

The College maintained a positive cash flow during the year.

Liquidity

During the year the College had long term debt of £807k and at the year end the liquidity ratio stands at 1.1:1.

Payment Performance

The College has a policy of paying its suppliers within 30 days of invoice unless other separate terms are in place, and excluding invoices held in dispute. The level of creditors in terms of the year end creditors to the aggregated invoiced amounts during the year was 49 days reflecting the high value of creditors associated with the student residences capital build project (2008-09 40 days). No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

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Current and Future Development and Performance

Student Numbers

In 2009-10 the College has delivered activity that has produced £10,327k in SFC main grant allocation (2008-09 - £9,916k). The College had approximately 3,089 SFC funded (expressed as full time equivalents) and 1,416 non SFC funded students.

Student Achievements

Students continue to achieve and prosper at the College. Raising student achievement has been retained as one of our primary aims across the college curriculum and at all levels of study.

We also want to widen our formal recognition of the wide ranging nature of learner achievement to include: progression, attainment, completion, employment and core skills development. The current sector-wide measure focuses mainly on attainment and completion which does not fully recognise the individual goals of learners nor their success.

Our trends in the sector wide student achievement KPIs have dipped slightly in 2009-10 for our full time FE Students whilst those of HE overall have increased slightly. The academic session of 2009-10 was a challenging one in terms of responding to a late surge of applications for full time places and this eroded the number of part time opportunities that we were able to offer. This swing in demand has impacted on our performance trends. We understand these achievement results at course level and have taken positive action to strengthen the offer and the support that we provide for our students.

Curriculum Developments

The following have been new and successful implementations for 2009-10:

- A number of new NC courses ensuring that our students can achieve an SQA group award rather than a collection of modules (Music, Sound Engineering and Aircraft Engineering are examples of these).
- A number of new Skills for Work for delivery in partnership with local schools.
- A new SQA Professional Development Award in General Insurance to increase future employment chances for individuals in this sector.
- An increased number of degree opportunities using the UHI network of which we are the largest partner (examples include BA History and Politics and the BA Business and Management).
- Successful delivery of the BSc Audio Engineering for the first time.
- Successful validation in 2009-10 for future delivery at under graduate and post graduate levels (BA Literature, BSc Psychology, PG Certificate in Socio-Legal Issues of Childhood, PG Certificate Restorative Practice are examples).

Estates

During 2009-10 the College Estate was improved by a number of building projects throughout the campus. In addition 2010 saw the completion of our Student Residences.

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This major capital building project was completed on time and within budget. These residencies were fully occupied in late August/September 2010 by students from the UK and overseas.

Future Developments

The college continues to diversify its income through the development of greater specialist expertise leading to increased research funding, knowledge transfer, consultancy and international recruitment. New research activity in the areas of rural childhood and entrepreneurship came on stream in 2008-09 and both have flourished in 2009-10. Our relationship with local businesses is deepening which will serve to bring increased support to them for business growth as well as greater employment skills development and career opportunities for our students. Our international activity continues to be strong and new relationships are being developed which will further diversify our activity across curriculum areas and world geography.

The College will continue to implement an ongoing programme of improvement and maintenance of the physical estate and investment in ICT provision.

Resources

Tangible resources include the main College site consisting of three major buildings, two outreach centres, the nursery and three student residence buildings.

Financial

The College has £21.3 million of net assets after deducting long term liabilities of £807k.

People

The College employs 358 people (expressed as full time equivalents), of whom 141 are teaching staff.

Reputation

The College has a good reputation locally, nationally and internationally. Maintaining a quality brand is essential for the College's success in attracting students and developing and maintaining external relationships.

Principal Risks and Uncertainties

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 monitors key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness in operational planning. The senior management team and the Audit Committee also receive regular

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reports from internal audit and health, safety and environmental monitoring functions which include recommendations for improvement. The internal audit service concentrates on areas of key activities determined by a risk analysis and in accordance with the annual internal audit plan approved and amended by the Audit Committee. The internal auditors have direct access to the Chair of the Audit Committee and issue an annual report with an opinion of the adequacy, reliability and effectiveness of the College's internal control system.

The Audit Committee consider risk at each Committee Meeting and receive action log updates from management in relation to all significant risks.

The Board of Management receive reports thereon from the Audit Committee, the emphasis being on obtaining the relevant degree of assurance and not merely reporting by exception.

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 2010 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 the further education sector.

Outlined below is a description of the principal risk factors that may affect the College. Not all factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1 **Government Funding**

The College has considerable reliance on continued Government funding through the SFC and UHI. In 2009-10, 53% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

2 **Pension Liabilities**

The financial statements report the provision made for pension costs arising from past early retirements in line with the valuation carried out by an independent firm of actuaries.

3 **Overseas Students**

Our overseas student population is looked after by our experienced and dedicated international centre. The strategic and operational risks associated with overseas students are actively monitored by the international team.

The College has built up a network of overseas agents which is being supplemented by a growing number of partnerships of well established educational establishments abroad.

The College's subsidiary company, Air Service Training (Engineering) Limited, is acknowledged worldwide as a leading provider of aeronautical engineering training.

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Stakeholder Relationship

In line with other colleges and universities, Perth College has many stakeholders. These include:

- Students and alumni.
- Funding Council.
- Staff.
- Local, national and international employers.
- Local authorities.
- Government offices and agencies.
- The local community.
- Community planning partnership.
- Chamber of Commerce and other business organisations.
- Scotland's colleges, other FE and HE institutions.
- Partner institutions of UHI.
- Trade unions.
- Professional bodies.

Equal Opportunities and Employment of Disabled Persons

Perth College is committed to promoting equality and respecting diversity. We aim to ensure that our staff and students have equality of access to exciting and interesting employment, learning and training opportunities and to modern and attractive facilities. The College believes that everyone's talent deserves to be nurtured, regardless of gender, disability, ethnic background, age, sexual orientation or religion or belief.

The College's Equal Opportunities Strategy, Disability Equality Scheme and Annual Progress Reports, Gender Equality Scheme and Annual Progress Reports, and Race Equality Policy and Annual Progress Reports are published internally on the College's Intranet site (PerthNet) and externally on the College's website. Progress against our action plans to promote equality and eliminate discrimination is monitored through the Equality Diversity and Inclusion Team (EDIT).

In 2009 an independent equal pay audit concluded that there were no significant gender pay gaps and an analytical job evaluation scheme was launched to ensure jobs of equal value received equal pay. In 2010, we published our Equal Pay Statement 2010–2013 which sets out our commitments and plans to achieve equal pay.

Disability Equality

The College, in its Disability Equality Scheme and reported in its Disability Equality Scheme Annual Progress Report, makes clear its commitment to promoting equality of opportunity, eliminating unlawful discrimination, eliminating disability-related harassment, promoting positive attitudes towards people with disabilities, and taking steps to meet the needs of people with disabilities.

The College also makes clear its commitment to the provisions of the Special Educational Needs and Disability Act 2001, ensuring the appropriate engagement and support of students with disabilities. Information on sources of support is given in the student

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induction handbook, reinforced by appointed Student Advisers. An active Student Association is effective in engaging with disabled students to support College activities. A Student Disability Group was formed in 2009 to discuss and act on feedback from disabled students.

The College is recognised as being Positive about Disabled People by the award of the 'double tick' disability symbol. The College is committed to the five key requirements to help attract, work with and retain disabled staff, and retained the award following an external audit in 2010.

Disclosure of Information to Auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of the information.

Approved by order of the member of the Board of Management on 15 December 2010 and signed on its behalf by:

Penny Brodie
Chair

Perth College

Professional Advisers

External Auditors:

RSM Tenon Audit Limited
5 Kings Place
Perth
PH2 8AA

Internal Auditors:

Henderson Loggie
Royal Exchange
Panmure Street
Dundee
DD1 1DZ

Bankers:

Bank of Scotland
10-16 King Edward Street
Perth
PH1 5UT

Solicitors:

Commercial Legal Centre
36 Tay Street
Perth
PH1 5TR

Thornton Solicitors
17-21 George Street
Perth
PH1 5JY

Statement of Corporate Governance and Internal Control

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 2008. 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 ended 31 July 2010.

The Board of Management

The members who served on the Board of Management during the year and up to the date of signing the accounts were as follows:

		Date of Appointment	Date of Resignation	Status of Appointment	Committees Served
Jim Adamson	Managing Director, Speakeasy Productions Ltd	22 June 2004		Independent Member	Finance; Estates
Penny Brodie	Director of LEAD Scotland	21 September 2004		Independent Member	Chair: Board; Estates; Nominations; Remuneration
Jenny Brookes	Marketing Consultant	26 September 2007		Independent Member	Finance
James Calderhead	Vice Principal, University of Dundee	21 September 2004		Independent Member	Chair: Curriculum, Research and Student Experience; Engagement; Nominations; Remuneration
Bill Duncan	Retired Banker	27 September 2006		Independent Member	Chair: Engagement; Finance; Nominations; Remuneration
Mandy Exley			31 March 2010	Principal	
Donald Leitch		1 April 2010	30 June 2010	Principal Pro-Tem	
Dr Thomas Moore		1 July 2010		Principal	

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Donald Jarvie	Business Consultant	1 April 2003		Independent Member	Vice-Chair: Board; Chair: Finance Chair: Nominations; Chair: Remuneration; Chair: Strategy and Futures
Ian Marr	Chief Executive, YMCA Perth	27 September 2006		Independent Member	Finance; Engagement
Ian Mathers	Business Consultant	27 September 2006		Independent Member	Chair: Audit; Estates; Nominations; Remuneration
Alastair Napier	Partner, Commercial Legal Centre	21 September 2005		Independent Member	Chair: Estates; Audit; Nominations; Remuneration
Nathan Shield		1 September 2008	31 May 2010	Student Member	Curriculum, Research and Student Experience; Engagement; Strategy and Futures
Harry Clapham		1 June 2010		Student Member	Curriculum, Research and Student Experience; Engagement; Strategy and Futures
Jane Spiers	Chief Executive, Horsecross	26 September 2007		Independent Member	Audit; Curriculum, Research and Student Experience
June Wilson		1 February 2009		Support Staff Member	Engagement
Norman Wilson		1 April 2005		Lecturing Staff Member	Strategy and Futures
Derek Forgan	Retired Financial and Insurance Professional	10 March 2010		Independent Member	Audit; Strategy and Futures
Mark Bell	Leadership Coach	10 March 2010		Independent Member	Finance; Engagement
Kirstie Graham acts as Clerk to the Board					

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It is the Board of Management's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Board of Management complies with the internal control guidance published by the Turnbull Committee and the good practice in the Guide for College Board Members 2006 issued by the Association of Scotland's Colleges.

The Board of Management is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board of Management meets at least 4 times a year.

The Board conducts its business through a number of committees. Each committee has formally constituted terms of reference. These committees include: Finance Committee; Audit Committee; Curriculum, Research and Student Experience Committee; Engagement Committee; Strategy and Futures Committee; Search and Nominations Committee and a Remuneration Committee. In addition the Board of Management holds development planning days and training evenings during the course of the year for the purposes of training, self evaluation and development. The Board is supported by an Independent Clerk.

Full minutes of all meeting, except those deemed to be confidential by the Board, are available from the Clerk to the Board at:

Perth College
Crieff Road
Perth PH1 2NX

The Clerk to the Board maintains a register of financial and personal interests of the Board members. The Register is available for inspection at the above address or on the College website.

All Board members are able to take independent professional advice in furtherance of their duties at the College's expense and have access to an independent Clerk, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Board as a whole.

Formal agendas, papers and reports are supplied to Board members in a timely manner, prior to meetings. Briefings are also provided on an ad hoc basis.

The Board of Management has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board of Management considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of independent judgment.

Board members are required to self evaluate collectively as Board and as individually as Board members annually. The self evaluation process includes consideration of the collective effectiveness of the Board of Management, and individual reflection on their adherence to the Seven Principles' of Public Life.

There is a clear division of responsibility in that the roles of the Chairman and Principal are separate.

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Appointments to the Board of Management

Any new appointments to the Board of Management are a matter for the consideration of the Board of Management as a whole. The Board of Management has a Search and Nominations Committee, consisting of at least 3 non-executive members of the Board of Management, which is responsible for the selection and nomination of any new member for the Board of Management's consideration.

The Board of Management ensures that a process is in place to provide appropriate induction training to new Board of Management members and new Board members are expected to undertake induction training.

The Public Procedures for Appointing New Board members are available from the Clerk to the Board of Management or Perth College website.

Members of the Board of Management are appointed for an initial term of office not exceeding four years and may be reappointed.

Remuneration Committee

The Remuneration Committee comprises at least 3 non-executive members of the Board of Management. The committee is responsible for making recommendations to the Board on the remuneration and benefits of the Principal and such other senior staff whose remuneration and other terms are individually agreed with the Board of Management.

Details of the remuneration of senior post-holders for the year ended 31 July 2010 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises 4 non-executive members of the Board of Management (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Board of Management.

The Audit Committee meets 4 times a year and provides a forum for reporting by the College's external and internal auditors, who have access to the Committee for independent discussion, without the presence of College management.

The Audit Committee advises the College on the appointment of the internal auditors and the auditors' remuneration. The Audit Committee establishes the College's risk tolerance and monitors risk.

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 audit undertakes periodic follow-up reviews to the Audit Committee to ensure 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 from the Scottish Funding Council and Audit Scotland as they affect the College's business and monitors adherence to the regulatory requirements.

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Finance Committee

The Finance Committee comprises 6 non-executive members of the Board of Management and includes the Principal. The Committee operates in accordance with written terms of reference approved by the Board of Management.

The Finance Committee meets 5 times a year and, among other matters, recommends to the Board of Management the College's annual revenue and capital budgets and monitors performance in relation to approved budgets. It monitors the College's financial and business perspectives. It approves all key financial decisions, approves the annual budget, considers the annual accounts and recommends for approval, oversees the system of financial control and delegated authority. It also considers any other matters relevant to the financial duties of the Board.

Corporate Strategy

The Board of Management is responsible for the overall strategic development of the College and is the guardian of its vision and values. Strategic development takes place at an annual Board of Management away day, with the College's senior management team. This is supported by horizon scanning and futures work undertaken by the Strategy and Futures Committee. This led to the development of a 10 year strategic plan, underpinned by three year operational plans. Progress against the agreed strategic priorities in the plan is monitored through a balanced scorecard approach by the appropriate Board committees on a regular basis.

Risk Management and Internal Control

Scope of Responsibility

The Board of Management is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board of Management has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Perth College and the Scottish Funding Council. He is also responsible for reporting to the Board of Management any material weaknesses or breakdowns in internal control.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Perth College for the year ended 31 July 2010 and up to the date of approval of the annual report and accounts.

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Capacity to Handle Risk

The Board of Management has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate these risks. The Board of Management is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2010 and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Board of Management.

The Risk and Control Framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Management.
- Regular reviews by the Board of Management of periodic and annual financial reports which indicate financial performance against forecasts.
- Setting targets to measure financial and other performance.
- Clearly defined capital investment control guidelines.
- The adoption of formal project management disciplines, where appropriate.

Perth College appoints an Internal Audit service, which operates in accordance with the requirements of the Scottish Funding Council's Code of Audit Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board of Management on the recommendation of the Audit Committee. The Internal Auditors provide the Board of Management with a report on internal audit activity within the College. These reports include the Internal Auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of Effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditors.
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework.
- The comments made by the College's external auditors in their management letters and other reports.

The Board of Management has been advised on the implications of the review of the effectiveness of internal control by the Audit Committee, which oversees the work of the internal auditor.

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The internal audit service concentrates on areas of key activities determined by a risk analysis and in accordance with the annual internal report plan amended and approved and by the Audit Committee. The internal auditors have direct access to the Chair of the Audit Committee and issue an annual report with an opinion of the adequacy, reliability and effectiveness of the College's internal control system.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. 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 Audit Committee considers risk at each Committee meeting and receives action log updates from management in relation to all significant risks. The Board of Management receives reports thereon from the Audit Committee, the emphasis being on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2010 meeting, the Board of Management carried out the annual assessment for the year ended 31 July 2010 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2010.

Going Concern

The Board of Management confirms that the College is a going concern as described in the Code (section C.1.2) and that the financial statements have been prepared on this basis.

Approved by order of the members of the Board of Management on 15 December 2010 and signed on its behalf by:

Penny Brodie
Chair

Dr Thomas Moore
Principal

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Statement of Responsibilities of the Members of the Board of Management

The members of the Board of Management of the College are required to present audited financial statements for each financial year.

Within the terms and conditions of the financial memorandum agreed between The Scottish Funding Council (SFC) and the Board of Management of the College, the Board, through its Principal, is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements the Board is required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.
- Indicate how the College has complied with good practice in corporate governance.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements comply with the Further and Higher Education (Scotland) Act 1992 as well as with the Financial Memorandum and Accounts Direction issued from time to time by SFC.

It has general responsibility for taking such steps that are reasonably open to it to safeguard assets of the College and to prevent and detect fraud and other irregularities including any significant problems disclosed in the annual financial statements.

Members of the Board are responsible for ensuring that funds from SFC are used only in accordance with the financial memorandum with SFC and any other conditions which SFC may from time to time prescribe. Members of the Board must ensure that there are appropriate financial and management controls in place sufficient to safeguard public funds and ensure that they are used only in accordance with the conditions under which they have been made available.

In addition, members of the Board are responsible for securing the economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds by the Board are not put at risk.

Approved by order of the member of the Board of Management on 15 December 2010 and signed on its behalf by:

Penny Brodie
Chair

Independent Auditor's Report

To the members of the Board of Management of Perth College, the Auditor General for Scotland and the Scottish Parliament

We have audited the financial statements of Perth College for the year ended 31 July 2010 under the Further and Higher Education (Scotland) Act 1992. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Perth College and to the Auditor General for Scotland the parties in accordance with sections 21 and 22 of the Public Finance and Accountability (Scotland) Act 2000. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditor's report and for no other purpose. In accordance with the Code of Audit Practice approved by the Auditor General for Scotland, this report is also made to the Scottish Parliament, as a body. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than Perth College or the Auditor General for Scotland, for this report or the opinions we have formed.

Respective Responsibilities of the Board of Management, Principal and Auditor

The Board of Management and the Principal are responsible for preparing the Annual Report and the financial statements in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction issued thereunder by the Scottish Funding Council which requires compliance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. They are also responsible for ensuring the regularity of expenditure and income. These responsibilities are set out in the Statement of the Board of Management's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

We report our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction. We also report if, in our opinion, the Report of the Board of Management is not consistent with the financial statements, if the body has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit. We also report 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 Funding Council have been applied in accordance with the Financial Memorandum dated 1 January 2006 and any other terms and conditions attached to them for the year ended 31 July 2010; and

Perth College

- 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 reflects the college's compliance with the requirements of the Scottish Funding Council. We report if, in our opinion, it does not comply with these requirements or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the college's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Board of Management and the Statement of the Board of Management's Responsibilities for the Accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management and 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 which 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 error, and that 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. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Perth College

Opinion

Financial Statements

In our opinion:

- the financial statements give a true and fair view, in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction, of the state of affairs of the college as at 31 July 2010 and of its surplus, total recognised gains and losses and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction made thereunder.

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 Funding Council have been applied in accordance with the Financial Memorandum dated 1 January 2006 and any other terms and conditions attached to them for the year ended 31 July 2010; and
- funds from whatever source administered by the college for specific purposes have been properly applied for the intended purposes.

RSM Tenon Audit Limited

5 Kings Place
Perth
PH2 8AA

16 December 2010

Perth College**Consolidated Income and Expenditure Account for the year ended 31 July 2010**

	Notes	Year ended 31 July 2010	Year ended 31 July 2009
		£000	£000
Income			
Funding council grants	2	11,292	10,965
Tuition fees and education contracts	3	4,233	4,129
Research grants and contracts	4	37	122
Other income	5	3,898	3,123
Investment income	6	67	177
Total Income		<u>19,527</u>	<u>18,516</u>
Expenditure			
Staff costs	7	12,303	12,081
Exceptional restructuring costs	7	342	-
Other operating expenses	9	5,624	5,259
Depreciation	13	961	915
Interest payable	10	91	-
Total Expenditure		<u>19,321</u>	<u>18,255</u>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		206	261
Taxation	11	5	(1)
Surplus on continuing operations after depreciation of assets at valuation and tax	12	<u>211</u>	<u>260</u>

The income and expenditure account is in respect of continuing activities. There were no operations that were acquired or discontinued by Perth College during the year.

Perth College
Consolidated Statement of Historical Cost Surpluses and Deficits for
the year ended 31 July 2010

	Notes	Year ended 31 July 2010	Year ended 31 July 2009
		£000	£000
Surplus on continuing operations before taxation		206	261
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	22	328	328
Historical cost surplus for the year before taxation		<u><u>534</u></u>	<u><u>589</u></u>
Historical cost surplus for the year after taxation		<u><u>539</u></u>	<u><u>588</u></u>

Consolidated Statement of Total Recognised Gains and Losses for the Year ended 31 July 2010

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Surplus on continuing operations for the year	211	260
Unrealised deficit on disposal of fixed assets	<u>0</u>	<u>0</u>
Total recognised gains/(losses) related to the year	211	260
Prior year adjustment	<u>0</u>	2,115
	<u>211</u>	<u>2,375</u>
Reconciliation		
Opening reserves	12,867	12,607
Total recognised gains/(losses) for the year	<u>211</u>	<u>260</u>
Closing reserves	<u><u>13,078</u></u>	<u><u>12,867</u></u>

Perth College
Balance Sheets as at 31 July 2010

	Notes	Group 2010	College 2010	Group 2009	College 2009
		£000	£000	£000	£000
Fixed assets					
Tangible assets	13	22,737	22,636	20,629	20,510
Investments	14	-	20	-	20
		<u>22,737</u>	<u>22,656</u>	<u>20,629</u>	<u>20,530</u>
Current assets					
Stock		11	7	11	8
Debtors	15	1,455	1,257	1,449	1,138
Cash at bank and in hand		4,423	4,264	4,096	3,925
		<u>5,889</u>	<u>5,528</u>	<u>5,556</u>	<u>5,071</u>
Creditors: amounts falling due within one year	17	5,202	4,759	3,584	3,026
Net current assets/(liabilities)		<u>687</u>	<u>769</u>	<u>1,972</u>	<u>2,045</u>
Total assets less current liabilities		23,424	23,425	22,601	22,575
Creditors: amounts falling due after more than one year	18	807	807	69	61
Provisions for liabilities and charges	20	1,313	1,313	1,336	1,336
NET ASSETS		<u>21,304</u>	<u>21,305</u>	<u>21,196</u>	<u>21,178</u>
Deferred capital grants	21	8,226	8,226	8,329	8,329
Revaluation reserve	22	8,624	8,624	8,952	8,952
Designated reserve	23	500	500	500	500
Income and Expenditure reserve	24	3,954	3,955	3,415	3,397
Total Reserves		<u>13,078</u>	<u>13,079</u>	<u>12,867</u>	<u>12,849</u>
TOTAL		<u>21,304</u>	<u>21,305</u>	<u>21,196</u>	<u>21,178</u>

The financial statements on pages 22 to 46 were approved by the Board of Management on 15 December 2010 and were signed on its behalf by:

P Brodie - Chairman

Dr.Thomas Moore - Principal

Perth College

Consolidated Cash Flow Statement for the year ended 31 July 2010

	Notes	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Cash Flow from Operating Activities	25	2,228	18
Returns on investments and servicing of finance	26	84	125
Taxation	11	5	(1)
Capital expenditure and financial investment	27	(2,728)	(556)
Financing	28	807	69
Increase in cash in the year	29	<u><u>396</u></u>	<u><u>(345)</u></u>
 Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		396	(345)
Change in net debt resulting from cash flows	28	<u>(807)</u>	<u>(69)</u>
Movement in net funds in year	29	(411)	(414)
Net funds at 1 August	29	4,027	4,441
Net funds at 31 July	29	<u><u>3,616</u></u>	<u><u>4,027</u></u>

Notes to the Accounts

1 Statement of Principal Accounting Policies

a Basis of Preparation

The financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Directions issued thereunder by the Scottish Funding Council which requires compliance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2007).

b Basis of Accounting

The financial statements have been prepared under the historic cost convention as modified by the revaluation of certain fixed assets.

c Basis of Consolidation

The consolidated accounts include the financial statements of the College and its subsidiary undertaking made up to 31 July 2010. Intra group sales and profits are eliminated fully on consolidation.

d Tangible Fixed Assets

Land and Buildings

Land and buildings inherited from Tayside Regional Council are stated in the balance sheet at a value based on the depreciated replacement cost basis. Land and Buildings acquired since incorporation are included in the balance sheet at cost. Feuhold land associated with the buildings and undeveloped feuhold land is not depreciated. Buildings are depreciated over their economic life on a straight line basis to the College of between 20 to 50 years.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the Income and Expenditure Account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

On adoption of FRS15, the College followed the transitional provision to retain the book value of land and buildings which were revalued in 1995 but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS11.

Notes to the Accounts

1 Statement of Principal Accounting Policies (continued)

Equipment

Equipment purchased as part of a capital building project is capitalised and depreciated over its useful economic life. Individual items of equipment purchased with values greater than £1,000 are capitalised at cost if deemed to have a minimum economic useful life of 3 years and not regarded as a repair to existing assets. Capitalised equipment is depreciated on a straight line basis over its useful economic life as follows:

Motor vehicles and general equipment	10%, 25% and 33% per year
Computer equipment	20% and 25% per year

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.

e Subsequent Expenditure on Existing Fixed Assets

Where significant expenditure is incurred on tangible fixed assets, it is charged to the Income and Expenditure Account in the period in which it is incurred, unless it meets one of the following criteria in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved.
- Asset capacity increases.
- Substantial improvement in the quality of output or reduction in operating costs.
- Significant extension of the asset's life beyond that conferred by repairs and maintenance.

f Leased Assets

Rental costs in respect of operating leases are charged to expenditure at the cost incurred during the year. Leasing arrangements 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 equivalent owned assets. Assets held under hire purchase contracts, which have the characteristics of finance leases, are depreciated over their useful economic lives.

Notes to the Accounts

1 Statement of Principal Accounting Policies (continued)

g Investments

Fixed asset investments are carried at historical cost less any provision for a permanent diminution in their value.

h Recognition of Income

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Income from tuition fees is recognised in the period for which it is received. Income from donations is included to the extent of the relevant expenditure incurred during the year. Recurrent grants from the SFC are recognised in the period in which they are receivable. Non-recurrent grants from SFC 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. Categories of income have been re-grouped in accordance with the 2007 Statement of Recommended Practice.

i Pension Schemes

The College participates in 2 multi-employer defined benefit pension schemes.

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA). Perth College is unable to identify its share of the underlying assets and liabilities of the STSS on a consistent and reasonable basis and therefore, as required by FRS 17 "retirement benefits", accounts for its participation in the STSS as if it were a defined contribution scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations and are recognised in the accounting periods in which they arise.

Administrative and support staff may join the Local Government Pension Scheme (LGPS) which is administered by Dundee City Council. The fund is a defined benefit scheme, providing benefits based on final pensionable pay, which is contracted out of the State Earnings-Related Pension Fund. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method.

Perth College is unable to identify its share of the underlying assets and liabilities of the LGPS on a consistent and reasonable basis and therefore as required by FRS17 "retirement benefits", account for its participation in the LGPS as if it were a defined contribution scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method.

Notes to the Accounts

1 Statement of Principal Accounting Policies (continued)

j Stocks

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

k Taxation

The College has been granted charitable status by the Inland Revenue. Non-recoverable Value Added Tax arising from expenditure is charged to the Income and Expenditure Account. Air Service Training (Engineering) Ltd, a wholly owned subsidiary, is subject to Corporation Tax and VAT in the same way as any other commercial organisation.

l Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

m Provisions

Provisions are recognised when the institution 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. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the discount rate prescribed by the Scottish Funding Council.

Unfunded pensions are accounted for under FRS 12 as required by the Accounts Direction issued by the Scottish Funding Council.

n Revaluation Reserve

Surpluses arising on the revaluation of the College's properties are transferred to the revaluation reserve. Additional depreciation charged on the revalued amount of these assets is transferred from revaluation reserve to the Income and Expenditure Account together with any surplus or deficit on disposal.

Notes to the Accounts

1 Statement of Principal Accounting Policies (continued)

o Recognition of Income and Expenditure

The accounts have been prepared on an accruals basis, that is income and expenditure are recognised as they are earned or incurred, not as money is received or paid. All material sums payable to or due by the College as at the end of the financial year are brought into account.

p Buildings Under Construction

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

q Agency Arrangements

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the Income and Expenditure Account, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, and these funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College Income and Expenditure Account.

r Foreign Currency Translation

Transactions denominated in foreign currencies are recorded at the exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the year.

Perth College
Notes to the Accounts

2 Funding Council Grants

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
SFC FE recurrent grant (including fee waiver)	7,163	6,869
Funding for increased STSS contributions	-	48
UHI Millennium Institute recurrent grant	3,164	3,047
Financial security funding	-	-
FE Childcare funds (note 38)	93	93
Release of deferred capital grants (note 21)	36	36
Other SFC grants	610	709
Other UHI Millennium Institute grants	226	163
	<u>11,292</u>	<u>10,965</u>

3 Tuition Fees and Education Contracts

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
UK Higher Education students	1,486	1,274
Non-EU students	-	-
UK Further Education students	475	518
	<u>1,961</u>	<u>1,792</u>
Management of Local Enterprise Company projects	279	396
Other contracts	96	123
Tuition fees of subsidiary	1 897	1 818
	<u>4,233</u>	<u>4,129</u>

4 Research Grants and Contracts

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Research grants	9	65
European Commission	28	57
	<u>37</u>	<u>122</u>

Perth College
Notes to the Accounts

5 Other Income

	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Residences and catering	633	622
Other income generating activities	2,389	1,727
Releases from deferred capital grants (non Funding Council) (note 21)	408	324
Other income	468	450
	<u><u>3,898</u></u>	<u><u>3,123</u></u>

6 Investment Income

	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Interest receivable	67	177
	<u><u>67</u></u>	<u><u>177</u></u>
		40,390

7 Staff Costs

	Year ended 31 July 2010	Year ended 31 July 2009
The average monthly number of persons (including senior post-holders) employed by the College during the year, expressed as full-time equivalents, was:		
	Number	Number
Teaching departments - teaching staff	141	150
Teaching departments - other staff	81	80
Teaching support services	35	35
Administration and central services	34	43
Premises	24	25
Subsidiary (AST) staff	31	29
Other	12	15
	<u><u>358</u></u>	<u><u>377</u></u>
Analysed as:		
Staff on indefinite contracts	324	340
Staff on temporary contracts	34	37
	<u><u>358</u></u>	<u><u>377</u></u>

Perth College
Notes to the Accounts

7 Staff Costs (continued)

Staff costs for these persons:

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Wages and salaries	10,297	10,098
Social security costs	748	745
Other pension costs	1,258	1,238
Exceptional restructuring costs	342	0
	<u>12,645</u>	<u>12,081</u>
Teaching departments - teaching staff	5,563	5,657
Teaching departments - other staff	1,199	1,366
Teaching departments - AST staff	950	800
Teaching support services	927	967
Administration and central services	1,667	1,660
Premises	469	449
Other income generating activities	1,528	1,182
Exceptional restructuring costs	342	0
	<u>12,645</u>	<u>12,081</u>
Analysed as:		
Staff on indefinite contracts	11,257	11,089
Staff on temporary contracts	1,046	992
Exceptional restructuring costs	342	0
	<u>12,645</u>	<u>12,081</u>

The number of staff, including senior post-holders and the principal, who received emoluments in the following ranges was:

	Year ended 31 July 2010	Year ended 31 July 2009
	Number Senior post- holders	Number Senior post- holders
	Number Other Staff	Number Other Staff
£60,001 to £70,000	2	3
£70,001 to £80,000	1	1
£80,001 to £90,000	1	-
£90,001 to £100,000	-	1
	<u>4</u>	<u>5</u>
	<u>1</u>	<u>-</u>

During the year ended 31st July 2010 there were 3 changes of Principal covering the months August to March, April to June and July. For disclosure purposes as above and in Note 8 these 3 appointments are counted as 1.

An unconsolidated pay award of 1% or £100 whichever was the greater was made to academic staff, to management and to support staff during 2009-10.

A pay award was made by the subsidiary company to academic staff, to management and to support staff from August 2009 of 5%.

Perth College
Notes to the Accounts

8 Senior Post-holders' Emoluments

	Number 2010	Number 2009
The number of senior post-holders including the 3 principals counting as 1 was:	8	8
Senior post-holders' emoluments are made up as follows:	£000	£000
Salaries	490	521
Benefits in kind	3	3
Pension contributions	73	74
	<u>566</u>	<u>598</u>

The above emoluments include amounts payable to the 3 Principals (and therefore in total the highest paid senior post-holder) of:

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Salary	89	99
Benefits in kind	<u>1</u>	<u>1</u>
	<u>90</u>	<u>100</u>
Pension contributions	<u>11</u>	<u>13</u>

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Scottish Teachers Superannuation Scheme or Tayside Superannuation Scheme and are paid at the same rate as for other employees.

The members of the Board of Management other than the principal and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Senior post-holders, including the Principal and other higher paid staff received an unconsolidated pay award of 1% or a £100 whichever was the greater during 2009-10. No bonuses were paid to senior post-holders during 2009-10.

Perth College
Notes to the Accounts

9 Other Operating Expenses

	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Teaching departments	929	1 071
Teaching support services	521	472
Administration and central services	1,116	901
Premises costs	1 722	1 643
Other income generating activities	665	492
Catering and residence operations	579	587
Other expenses - Childcare Grant	92	93
	<u><u>5,624</u></u>	<u><u>5,259</u></u>

Other operating expenses include:

	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Auditors' remuneration:		
external audit	19	20
internal audit	12	12
other services from external or internal audit	6	6
Hire of plant and machinery - operating leases	96	91
Hire of other assets - operating leases	<u>316</u>	<u>302</u>

10 Interest Payable

	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	<u>11</u>	<u>-</u>

11 Taxation

The College is not liable for any corporation tax arising out of its activities during the year (2009 - £nil),
There is a taxation credit arising in its subsidiary of £5k. (2009 £-1k) (note 16).

12 Surplus on continuing operations for the year

The surplus on continuing operations for the year is made up as follows:

	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
College's Surplus/(Deficit) for the year	229	259
Surplus generated by subsidiary undertaking	(18)	1
	<u><u>211</u></u>	<u><u>260</u></u>

Perth College
Notes to the Accounts

13 Tangible Fixed Assets (Group)

	Freehold Land and Buildings £000	Equipment £000	Total £000
Cost or Valuation			
At 1 August 2009	27,089	5,081	32,170
Additions	2,629	440	3,069
Disposals	-	-	-
At 31 July 2010	<u>29,718</u>	<u>5,521</u>	<u>35,239</u>
Depreciation			
At 1 August 2009	7,245	4,296	11,541
Charge for year	608	353	961
Eliminated in respect of disposals	-	-	-
At 31 July 2010	<u>7,853</u>	<u>4,649</u>	<u>12,502</u>
Net book value At 31 July 2010	<u><u>21,865</u></u>	<u><u>872</u></u>	<u><u>22,737</u></u>
Net book value At 1 August 2009	<u><u>19,844</u></u>	<u><u>785</u></u>	<u><u>20,629</u></u>
Inherited	8,471	-	8,471
Financed by capital grant	7,636	590	8,226
Other	5,758	282	6,040
Net book value At 31 July 2010	<u><u>21,865</u></u>	<u><u>872</u></u>	<u><u>22,737</u></u>

Perth College
Notes to the Accounts

13 Tangible Fixed Assets (College only)

	Freehold Land and Buildings £000	40 390 £000	Total £000
Cost or Valuation			
At 1 August 2009	27,089	4,791	31,880
Additions	2,629	418	3,047
Disposals	-	-	-
At 31 July 2010	<u>29,718</u>	<u>5,209</u>	<u>34,927</u>
Depreciation			
At 1 August 2009	7,245	4,125	11,370
Charge for year	608	313	921
Eliminated in respect of disposals	-	-	-
At 31 July 2010	<u>7,853</u>	<u>4,438</u>	<u>12,291</u>
Net book value At 31 July 2010	<u>21,865</u>	<u>771</u>	<u>22,636</u>
Net book value At 1 August 2009	<u>19,844</u>	<u>666</u>	<u>20,510</u>
Inherited	8,471	-	8,471
Financed by capital grant	7,636	590	8,226
Other	5,758	181	5,939
Net book value At 31 July 2010	<u>21,865</u>	<u>771</u>	<u>22,636</u>

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

Land and buildings were valued in 1995 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the Local authority at incorporation have not been valued.

Inherited Land and buildings with a net book value of £10m have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council to surrender the proceeds.

Perth College
Notes to the Accounts

13 Tangible Fixed Assets (College only) (continued)

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

	£000
Cost	-
Aggregate depreciation based on cost	-
Net book value based on cost	<u>-</u>

14 Investments

	College Year ended 31 July 2010 £000	College Year ended 31 July 2009 £000
Investments in subsidiary company	<u>20</u>	<u>20</u>

The college owns 100% of the issued ordinary £1 shares of Air Service Training (Engineering) Limited, a company incorporated in Great Britain and registered in Scotland.

The principal business activity of Air Service Training (Engineering) Limited is the provision of training and education in the field of aeronautical engineering. The College has provided a guarantee to cover bank borrowings of the company up to a limit of £400,000.

15 Debtors

	Group Year ended 31 July 2010 £000	College Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	College Year ended 31 July 2009 £000
Amounts falling due within one year				
Trade Debtors	834	558	848	404
Other Debtors	2	2	17	-
Other Taxation	-	-	-	-
Deferred Taxation (note 16)	-	-	-	-
Amounts owed by group undertakings:				
Subsidiary undertaking	-	111	-	177
Prepayments and accrued income	619	586	584	557
	<u>1,455</u>	<u>1,257</u>	<u>1,449</u>	<u>1,138</u>

Perth College
Notes to the Accounts

16 Deferred Taxation

	Group Year ended 31 July 2010 £000	College Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	College Year ended 31 July 2009 £000
The deferred tax included in the Balance Sheet is as follows:				
Included in creditors / debtors (Note 17)	<u>-</u>	<u>-</u>	<u>5</u>	<u>-</u>
The movement in the deferred taxation account during the year was:				
At 1 August 2009	<u>5</u>	-	<u>5</u>	-
Profit and loss account movement arising during the year	<u>(5)</u>	<u>-</u>	<u>0</u>	<u>-</u>
At 31 July 2010	<u>-</u>	<u>-</u>	<u>5</u>	<u>-</u>
The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:				
Other timing differences	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>-</u>

17 Creditors: Amounts Falling Due Within One Year

	Group Year ended 31 July 2010 £000	College Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	College Year ended 31 July 2009 £000
Bank loans and overdrafts	200	200	-	-
Trade creditors	1,136	1,072	666	588
Amounts owed to group undertakings:				
Subsidiary undertaking	-	-	-	2
Other creditors	198	169	205	156
Deferred Taxation	-	-	5	-
Other taxation and social security	246	220	266	227
Accruals	3,217	2,893	2,390	2,001
Unspent student support funds	205	205	52	52
	<u>5,202</u>	<u>4,759</u>	<u>3,584</u>	<u>3,026</u>

18 Creditors: Amounts Falling Due After More Than One Year

	Group Year ended 31 July 2010 £000	College Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	College Year ended 31 July 2009 £000
Repayable Loans	<u>807</u>	<u>807</u>	<u>69</u>	<u>61</u>

19 Borrowings

	Group Year ended 31 July 2010 £000	College Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	College Year ended 31 July 2009 £000
--	---	---	---	---

Repayable Loans

The Repayable loans are repayable as follows:

In one year or less	228	220	28	20
Between one and two years	220	220	28	20
Between two and five years	587	587	41	41
In five years or more	-	-	-	-
	<u>1,035</u>	<u>1,027</u>	<u>97</u>	<u>81</u>

The Salix loan taken out to improve energy efficiency within the college is unsecured, repayable over 4 years, and carries a zero interest rate.

The term loan taken out with the Bank of Scotland is secured over the property known within the Standard Security as the Student Accommodation, Perth College, Brahan Campus, Crieff Road, Perth. The loan is repayable over 5 years and carries an interest rate of 6.21% pa.

Perth College
Notes to the Accounts

20 Provisions for Liabilities and Charges

	Group and College	
	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
At 1 August	1,336	1,507
Expenditure in the period	(103)	(99)
Interest charged	80	91
Transferred from Income and Expenditure Account	-	(163)
At 31 July	<u>1,313</u>	<u>1,336</u>

The provision is solely for Pension costs arising from early retirement. A valuation of the existing pension provision was carried out by Barnett Waddingham, an independent firm of actuaries at 31 July 2009. Interest is charged at 6% per annum.

21 Deferred Capital Grants

	Group and College		
	Funding Council £000	Other grants £000	Total £000
At 1 August			
Land and buildings	837	6,952	7,789
Equipment	84	456	540
Cash received (Note 27)			
Land and buildings	-	50	50
Equipment	-	291	291
Released to income and expenditure account			
Land and buildings	(31)	(171)	(202)
Equipment	(5)	(237)	(242)
At 31 July			
Land and buildings	806	6,831	7,637
Equipment	79	510	589
	<u>885</u>	<u>7,341</u>	<u>8,226</u>

22 Revaluation Reserve

	Group and College	
	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
At 1 August	8,952	9,280
Transfer from revaluation reserve to general reserve in respect of		
Depreciation on revalued assets	(328)	(328)
Disposal from revaluation reserve	-	-
At 31 July	<u>8,624</u>	<u>8,952</u>

This reserve was created by the revaluation of Land and Buildings in 1995 and is being reduced by the excess of depreciation on revalued assets over the depreciation of the assets at cost.

Perth College
Notes to the Accounts

23 Designated Reserve

	Group and College	
	Year Ended 31 July 2010 £000	Year Ended 31 July 2009 £000
At 1 August	500	500
Transfer to/from designated reserve to general reserve	-	-
At 31 July	<u>500</u>	<u>500</u>

This reserve represents funds earmarked for future use in respect of long term estates management and student support.

24 Movement on General Reserves

	College	College
	Total Year Ended 31 July 2010 £000	Total Year Ended 31 July 2009 £000
Income and Expenditure Account Reserve		
At 1 August	3,397	2,810
Surplus on continuing operations after deprecation of assets at valuation, disposal of assets and tax	230	259
Transfer from revaluation reserve	328	328
At 31 July	<u>3,955</u>	<u>3,397</u>

	Group	Group
	Total Year Ended 31 July 2010	Total Year Ended 31 July 2009
Income and Expenditure Account Reserve		
At 1 August	3 415	2 827
Surplus on continuing operations after deprecation of assets at valuation, disposal of assets and tax	211	260
Transfer from revaluation reserve	328	328
At 31 July	<u>3,954</u>	<u>3,415</u>

25 Reconciliation of Consolidated Operating Surplus to Net cash inflow/(outflow) from operating activities

	Year Ended 31 July 2010 £000	Year ended 31 July 2009 £000
Surplus on continuing operations after depreciation of assets at valuation	206	261
Depreciation (note 13)	961	915
Deferred capital grants released to income (note 2 and 5)	(444)	(360)
Interest payable (note 10)	11	-
(Increase)/Decrease in stocks	-	(3)
(increase)/Decrease in debtors	(34)	(305)
Increase/(Decrease) in creditors	1 618	(142)
Increase/(Decrease) in provisions	(23)	(171)
Interest receivable (note 6)	(67)	(177)
Net cash inflow/(outflow) from operating activities	<u>2 228</u>	<u>18</u>

Perth College
Notes to the Accounts

26 Returns on Investments and Servicing of Finance

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Interest received	95	125
Interest paid	(11)	-
Net cash inflow from returns on investment and servicing of finance	<u><u>84</u></u>	<u><u>125</u></u>

27 Capital Expenditure and Financial Investment

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Purchase of tangible fixed assets	(3,069)	(876)
Deferred capital grants received (note 21)	341	320
Net cash inflow/(outflow) from capital expenditure and financial investment	<u><u>(2 728)</u></u>	<u><u>(556)</u></u>

28 Financing

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Debt due beyond a year:		
Repayment of amounts borrowed	-	(8)
Repayment of Term Loan	(767)	
Repayment of new Loan	(40)	(61)
Net cash Inflow (outflow) from financing	<u><u>(807)</u></u>	<u><u>(69)</u></u>

29 Analysis of changes in Net Funds

	31 July 2009	Cashflows	Other changes	31 July 2010
	£000	£000	£000	£000
Cash in hand, and at bank	4,096	396	(69)	4,423
Debt due within 1 year	-		-	-
Debt due after 1 year	(8)	8	-	-
New Loan	(61)	21	-	(40)
Term Loan	-		(767)	(767)
Total	<u><u>4,027</u></u>	<u><u>425</u></u>	<u><u>(836)</u></u>	<u><u>3,616</u></u>

30 Major non-cash transactions

During the year the institution reduced the provision by (£23k) (2008/9 171k) for future pension costs following the valuation at 31 July 2009 carried out by Barnett Waddingham.

31 Pension and similar obligations

The College's employees belong to 2 principal pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) and Tayside Superannuation Scheme, the Local Government Pension Scheme (LGPS). The total pension cost for the year was £1,257k (2009 - £1,238k).

Scottish Teachers' Superannuation Scheme

The STSS, in common with most other public service superannuation schemes, has no real fund and is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purposes of determining contribution rates.

Under the definitions set out in Financial Reporting Standard 17: Retirement Benefits, the STSS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has accounted for its contributions as if it were a defined contribution scheme.

The current contributions are:

Employees	6.4%
Employers	14.9%

Local Government Pension Scheme (Tayside Superannuation Fund)

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out as at 31 July 2008.

In view of the fact that contributions to the scheme are currently established on a scheme-wide basis and that the College's share of the scheme assets is only derived on a notional basis and has no impact on the College's contribution rates as an employer, the Board of Management is of the view that the scheme should be accounted for as if it was a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account is equal to the contributions payable to the scheme for the year.

The most recent actuarial valuation was carried out at 31 March 2008. The value of the fund was £1,550m, and there was a deficiency of £37.6m. The funding level was 97.6% and an average required contribution rate was 18.5% of the pensionable pay. The contribution rate for the next 3 years 2010 to 2012 was agreed at 18.5%. The funding objective is to achieve and maintain a funding level of 100%. The contribution rates paid by Perth College over the accounting periods are as follows:

April 2009 to March 2010	18.5% of pensionable pay
April 2010 to March 2011	18.5% of pensionable pay
April 2011 to March 2012	18.5% of pensionable pay

These figures include the part service element of the contribution rate.

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment. The total LGPS pension cost for the College was £638,000 (2008/09 £642,000).

In preparing the Annual Report for the year ended 31 July 2009, the Board of Management took advice in relation to the applicability of the accounting provisions of Financial Reporting Standard 17 (Retirement Benefits) ("FRS17") to the College's participation in the Tayside Superannuation Fund. FRS17 provides that where an entity participates in a multi-employer retirement benefit scheme, that entity should apply the accounting provisions, and recognise its share of the actuarial surplus or deficit on its balance sheet, only where the entity's share of scheme assets and liabilities has been tracked on a consistent and reasonable basis.

Having made enquires of the scheme actuary, the Board of Management have reached the conclusion that the scheme assets have not been tracked on a consistent and reasonable basis and that there is therefore scope within the administration of the scheme for a significant level of cross-subsidisation between participating employers. On that basis, the Board of Management have assessed that the accounting provisions of FRS17 should not be applied in respect of the College's participation in the Tayside Superannuation Fund and that the charge to the income and Expenditure for the year should represent only the value of the contributions made.

Perth College
Notes to the Accounts

32 Post Balance Sheet Events

There are no Post Balance Sheet Events to report.

33 Capital Commitments

	Group and College	
	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Commitments contracted for at 31 July	<u>378</u>	<u>3,118</u>
Authorised but not contracted for at 31 July	<u>-</u>	<u>-</u>

34 Financial Commitments

At 31 July had annual commitments under non-cancellable operating leases as follows:

	Group Year ended 31 July 2010 £000	College Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	College Year ended 31 July 2009 £000
Land and Buildings				
Expiring within one year	7	-	7	-
Expiring within two and five years inclusive	296	40	296	40
Expiring in over five years	-	-	-	-
Equipment				
Expiring within two and five years inclusive	4	-	4	-
	<u>307</u>	<u>40</u>	<u>307</u>	<u>40</u>

The annual commitments are all Land and Buildings. There are no other commitments as was shown in the previous year.

35 Contingent Liability

The College has provided a guarantee to cover bank borrowings of Air Service Training (Engineering) Limited to a limit of £400,000, although if the company were to discontinue trading then the College's contingent liability would extend to redundancy costs and any other costs associated with cessation.

Perth College
Notes to the Accounts

36 Related Party Transactions

Due to the nature of the College's operations and the composition of the Board of Management (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Management may have an interest. All transactions involving organisation in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. Transactions during the year with non-public bodies in which a member of the Board of Management may have a material interest and which in aggregate exceeded £5,000 are noted below:

Company	Member(s)	Contract	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
UHI Millenium Institute	Dr T Moore	Supply	146	128
		Sales	86	113
Commercial Legal Centre	A Napier	Supply	6	12
Perth College Development Trust 2004	P Brodie Dr T Moore	*		

*The Perth College Development Trust 2004 was established to provide financial and other assistance for Perth College and its students. There are therefore transactions between the two entities. Perth College nominates Trustees to the board of the Trust and administers the Trust on a day to day basis.

During the year the Trust paid support costs of £34k to the College covering the year to 31 July 2010 and donated £80k towards the Sustainable Estates Project, £257k towards the Centre for Rural Child projects and £13k towards student scholarships.

38 Bursaries and Other Student Support Funds

					Year ended 31-Jul-10	Year ended 31-Jul-09
	Bursary £000	FE H'ship £000	EMAs £000	Other £000	Total £000	Total £000
Balance brought forward	-	-	3	15	18	71
Allocation received in year	1,542	110	241	148	2,041	1,721
College contribution to funds	-	-	-	-	0	43
Expenditure	(1,405)	(161)	(243)	(137)	(1,946)	(1,787)
Repaid to SFC/SAAS (Clawback)	-	-	-	(15)	(15)	(51)
Virements	-	51	-	-	51	21
Balance carried forward	<u>137</u>	<u>-</u>	<u>1</u>	<u>11</u>	<u>149</u>	<u>18</u>
Represented by:						
Repayable to SFC/UHI as clawback	137	-	-	11		
Retained by College for students	-	-	1	-		

Bursary funds, Higher Education Hardship, Further Education Hardship, Education Maintenance Allowances (EMAs) and Higher Education Childcare are available solely for students; the college acts only as a paying agent. The income and related disbursements are therefore excluded from the Income and Expenditure Account.

39 FE Childcare Funds

		Year ended 31-Jul-10	Year ended 31-Jul-09
		Total £000	Total Re-stated £000
Balance brought forward		32	41
Allocation received in year		169	131
College contribution to funds		-	-
Expenditure		(93)	(93)
Repaid to SFC (Clawback)		0	(26)
Virements		(51)	(21)
Balance carried forward		<u>57</u>	<u>32</u>
Represented by:			
Repayable to SFC as clawback		57	
Retained by College for students		0	

The income and related disbursements are included in the Income and Expenditure Account.