

Stow College

Financial Statements for the Year Ended 31 July 2012

**Scottish Charity
SC021212**

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Professional Advisors

External auditors:	Scott Moncrieff Exchange Place 3 Semple Street EDINBURGH EH3 8BL
Internal auditors:	Wylie & Bisset LLP 168 Bath Street Glasgow G2 4TP
Bankers:	Royal Bank of Scotland plc Commercial Banking 2nd Floor Kirkstane House 139 St Vincent Street Glasgow G2 5JF
Legal:	Brodies LLP 2 Blythswood Square Glasgow G2 4AD Creideasach Inglewood House Inglewood Alloa FK10 2HU BTO Solicitors 48 St Vincent Street Glasgow G2 5HS

Operating and Financial Review

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

NATURE, OBJECTIVES AND STRATEGIES

Stow College has been providing education and training since 26th September 1934 and has had a long and successful association with the social and economic development of Glasgow and the West of Scotland. The college operates from two main campuses. The City Campus is situated in the Cowcaddens area of Glasgow and Stow West Campus in Maryhill.

Legal Status

The college was established under The Further and Higher Education (Scotland) Act 1992 for the purpose of conducting the business of Stow College. The College is a registered charity (Scottish Charity Number SC 021212) and is recognised by HM Revenue & Customs as a charity for the purposes of section 505, Income and Corporation Taxes Act 1988 and as such is exempt from corporation tax on its charitable activities.

Scope of the Financial Statements

The Financial Statements cover all activities of the College.

Mission Statement

The College's mission, as approved by the Board of Management, is:

Mission statement: "Provide user driven services to satisfy the lifelong learning needs of all our customers and communities."

Vision statement: "A centre of world class learning excellence measured against international standards providing innovative and diverse solutions."

Implementation of Strategic Plan

The strategic plan is reviewed annually as part of the planning cycle. The plan contains four key strategic themes that were developed from the Mission and Vision statements.

Each theme has a specific aim and set of objectives attached to it. The key strategic themes and aims are as follows:

Theme 1: Learning & Teaching

Aim: To deliver excellence in learning and teaching.

Theme 2: People and Performance

Aim: To ensure the College attracts, maintains and develops a highly skilled and motivated workforce to deliver excellence in all areas of the College's operations.

Theme 3: Collaboration and Partnership

Aim: To develop excellence in collaborative and partnership working to contribute to local, national and international initiatives and priorities.

Theme 4: Governance & Leadership

Aim: To develop excellence in governance and leadership through transparent, responsive and accountable approaches and practices securing effective and sustainable outcomes.

Operating and Financial Review (continued)

The College sets annually a number of operational objectives which form an operational plan linked to the objectives contained within the above themes. Following an organisational review in April 2011 the college introduced a revised organisational structure effective 1st August 2011. This new structure saw the creation of five faculties and integrated a number of cross college support functions within the faculty structure.

Education Scotland

Education Scotland was created on the 1st July 2011 and inherited the full range of functions formerly undertaken by Her Majesty's Inspectorate of Education (HMIE)

The most recent external review took place in May 2010 this was followed by annual engagement visits in May 2011 and April 2012 to review progress. The report from April 2012 states that *"Overall, the college has now responded satisfactorily to the main point for action from the last external review. Senior managers and Board members will continue to monitor progress"*

The next full review will take place in April 2013

Financial Objectives

In order to achieve the College's mission and strategic aims the financial objectives are:

- to achieve an annual operating surplus;
- to maintain an adequate ratio of net current assets to liabilities;
- to maintain sufficient cash reserves to meet the working capital needs of the college;
- to generate funds for capital investment;
- to continue to develop new sources of funding that contribute to the overall finances of the college and are consistent with the strategic aims of the college;
- to manage risk in the deployment of college resources; and
- to ensure value for money is achieved.

FINANCIAL POSITION**Financial Results**

The College achieved a surplus of £60,991 and after adjusting for the effect of depreciation on revalued fixed assets, the historical cost surplus was £219,568.

In November 2008 the Scottish Funding Council (SFC) carried out a review of fundability of certain programmes. As a result of that decision the College made a provision in the financial statements for the year ended 31 July 2009 of £2,885K in respect of clawback of past funding. A repayment profile was agreed in November 2009. Repayment is over a 7 year period. The College has made 3 annual repayments and the current balance due to be repaid within 4 years is £1,097K.

In addition to repayment of past funding SFC also reduced the activity funding of the College in 2009/10 from 53,978 WSUMs to 45,391. This change requires the College to reduce its cost base and the SFC agreed in November 2009 to provide strategic change funding to allow the pace of this change to be managed over a five year period.

This is the end of the third year of strategic change funding and the College has utilised £2,353K of the total five year funding of £2,950K. Recurrent funding for the year from SFC fell by £874K (10.45%)

The College remains on course to achieve a sustainable position by the end of the 5 year Strategic Grant funding period.

The accounts include £279,871 of restructuring costs (see note 7) achieved through a voluntary severance process.

Operating and Financial Review (continued)**Fixed Assets**

The College received £376,586 of capital grant funding for 2011/12. The prime purpose of the capital grant as set out in the main grant circular SFC/09/2011 of 18th March 2011 is as follows:

“Annual capital grant must be used for estates build/maintenance and debt servicing associated with capital developments. All spend must be aligned to each institution’s estate plan”.

The Income & Expenditure includes a charge of £261,030 for estates maintenance funded by capital grant. The remaining capital grant of £115,556 was used for estates works which were capitalised.

Balance Sheet

Cash reserves at 31 July 2012 were £2,236,658. This includes £173,181 of student support funds which will either be retained for disbursement in 2012/13 or repaid in accordance with the funding rules for each specific fund. The College maintains sufficient cash reserves to meet its working capital requirements and to meet its obligations for the repayment of past funding.

Treasury Management

Working capital funds are held in high interest bearing accounts and any excess funds not required in the short term are placed on fixed term deposit. These generally do not exceed a period of 1 month.

The Finance Committee and General Purposes Committee has approved a Treasury Management Policy that requires funds to be deposited with a UK clearing bank to avoid any exposure where funds might be at risk in international markets.

Creditor Payment Policy

The College complies with the CBI Prompt Payment Code and has a policy of paying its suppliers within 30 days of receipt of invoice unless the invoice is contested. Payments in this year’s accounts have been made on average within 30 days. All disputes and complaints are handled as quickly as possible.

Taxation Status

The College has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue & Customs as a charity for the purposes of section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE

The Scottish Funding Council provides the main funding for the College’s student activity. This funding is based on the College achieving a level of funded activity determined by weighted student units of measure (WSUMs). The College was funded in 2011/12 to deliver 43,510 WSUMs. The College has an additional allocation of 785 Wsums as part of the ESF priority 1 project, “Investing in skills for economic recovery” managed by SFC. This additional activity is provided for students aged between 16 and 24 residing in the Glasgow local authority area. This provides a combined target of 44,295 WSUMs. The College has delivered 45,190 WSUMs which is 102.02% of the combined target.

Operating and Financial Review (continued)

The table below shows the number of funded WSUMs delivered against each programme group:

Programme Group	WSUMs 2011/12	WSUMs 2010/11	+/(-)
Business Management	4,996	4,105	891
Computing	3,297	3,948	(651)
Construction	4,926	5,162	(236)
Art & Design	8,567	7,626	941
Engineering	6,685	6,874	(189)
Health	2,811	3,674	(863)
Minerals & Materials	14	13	1
Personal Development	278	96	182
Science & Maths	4,782	5,965	(1,183)
Social Studies	1,897	2,192	(295)
Social Work	1,100	567	533
Special Programmes	519	1,001	(482)
Extended Learning Support(ELS)	5,318	5,018	300
Total	45,190	46,241	(1,051)

The number of WSUMs delivered has fallen due to a reduction in funded activity from SFC. The College carries out an annual review of courses and adjusts the portfolio based on the level of funding, demand for individual courses and overall performance of each programme.

The number of students enrolled on programmes is:

Student Enrolments

	2011/12	2010/11	+/(-)
Full Time	2,177	2,195	-18
Part Time Student Numbers	3,151	3,090	61
Total Student Numbers	5,328	5,285	43

The overall number of enrolments has risen slightly.

The College maintains a range of key performance indicators, these are organised into four key groupings.

Financial

The operating surplus of £60K for the year was broadly in-line with the budget set for the year.

Non SFC income increased in the year and this included a £254K increase in International fees income.

The number of day's cash held (67 days) and the current ratio (1.16) both indicate the college has sufficient funds to meet its obligations.

Human Resources

The restructuring programme has continued during the year and turnover of staff is due mainly to the voluntary severance programme. The fall in staff numbers has improved the WSUMs per FTE ratio.

Operating and Financial Review (continued)**Buildings & Infrastructure**

Energy consumption increased marginally by 0.03%.

Learning & Teaching

Early retention and retention have both improved and this is due to a number of initiatives. The overall student outcome is broadly unchanged. These numbers are taken from the data returns submitted to SFC and final performance indicators are published annually by SFC.

Individual programmes are monitored closely to ensure the College meets its targets in each of these three areas.

KPI	2011/12	2010/11	+/(-)
Financial			
Operating Surplus (£K)	60	49	11
WSUMs delivered as a % of target	102.02	99.38	2.64
Non SFC Income as a % of total income	26.28	24.95	1.33
International fee income	623	369	254
Staff Cost as % of total expenditure	64.61	66.70	(2.09)
Days cash to total expenditure (excluding depreciation)	67	86	(19)
Current ratio: current assets to current liabilities	1.16	1.18	(0.02)
Human Resources			
Staff turnover % (on permanent contracts)	9.23	9.11	0.12
Working days lost through Absence per FTE	6.25	3.00	3.25
% of staff holding TQFE qualification	57.04	57.72	(0.68)
WSUMs per staff FTE	221.51	200.08	21.43
Buildings & Infrastructure			
Electricity and Gas consumption (kwh)	4,343,672	4,342,236	1,436
Learning & Teaching			
Early student retention %	91.6	91.1	0.5
Student retention %	85.5	83.8	1.7
Student achievement %	82.9	83.0	(-0.1)
Client satisfaction %	87	87	-

PRINCIPAL RISKS AND UNCERTAINTIES**Post - 16 Education Review**

The Scottish Government published in September 2011 a consultative document "Putting Learners at the Centre: Delivering our Ambitions for Post -16 Education". On the 14th November 2011 the Scottish Government and the Scottish Funding Council issued a consultation paper with specific proposals on planning, funding and delivering college learning on a regional basis. In June 2011 an independent review was commissioned to consider college governance. Professor Griggs OBE concluded this review and his report was submitted to Scottish Ministers on 20th January 2012 and on the 28th of June 2012 the Scottish Government published "Reinvigorating College Governance: The Scottish Government Response to the Report of the Review of Further Education Governance in Scotland."

These documents can be found at <http://www.scotland.gov.uk/Topics/Education/post16reform/college-regionalisation>.

The Scottish Government's Bill on Post-16 Education Reform was published on the 28th November 2012. This Bill proposes "to make provision about the support for, and the governance of, further and higher

Operating and Financial Review (continued)

education institutions, including provision for the regionalisation of colleges; to make provision for reviews of how further and higher education is provided; to make provision for sharing information about young people's involvement in education and training; and for connected purposes".

The Post-16 Education Bill, Policy Memorandum and Explanatory Notes are available at the following link: <http://www.scottish.parliament.uk/parliamentarybusiness/Bills/56717.aspx>

Whilst there are a number of uncertainties concerning the future governance arrangements for further education the main impact of the above are the introduction of regional funding and regional outcome agreements for 2012/13.

- Regional Funding

There are 13 regions in total and Anniesland, Cardonald, City of Glasgow, John Wheatley, Langside, North Glasgow and Stow College are the Colleges contained within the Glasgow Region. Funding for 2012/13 has been awarded to each individual College and the combined funding for all seven Colleges is the regional funding allocation for Glasgow. Funding is conditional on the Colleges agreeing with the Scottish Funding Council a regional outcome agreement.

Funding for 2013/14 will be allocated on a regional basis. Where a region contains more than one college there is no further information on how allocations will be made to individual colleges within that region.

- Regional Outcome Agreement (ROA)

The seven colleges working under the Glasgow Colleges Strategic Partnership (GCSP) prepared a ROA for the Glasgow region and this was endorsed by the Scottish Funding Council and the chairs of each Board of management on behalf of the seven colleges.

The ROA has five outcome areas;

1. Efficient regional structures
2. Right learning in the right place
3. High quality and efficient learning
4. A developed workforce
5. Sustainable institutions

Each of the above outcomes has a number of objectives and activities linked to it.

Delivery of these outcomes by GCSP will seek to support the achievement of the following four Glasgow region priority impacts which are:

1. An efficient, regional college structure that meets the needs of Glasgow and Scotland
2. Fewer young people in Glasgow and Scotland not in employment, education or training
3. More learners develop the appropriate skills needed to get a job, keep a job or get a better job
4. More learners achieve qualifications and progress to further study

As part of the efficient regional structure Anniesland, Cardonald and Langside have announced that they are progressing to merger. The Boards of management of Stow College, John Wheatley and North Glasgow College have announced their intention to proceed with merger. The Board of management issued the following statement *"At its meeting on 12 September 2012, the Board decided to proceed with a merger process with North Glasgow College and John Wheatley College. The Board looks forward to building a distinctive new college that leads the way in enterprise and innovation, science and engineering and social inclusion."* Due diligence was completed on the 21st January 2013 and the Colleges continue to work towards concluding the merger process with a tentative vesting day of 1st August 2013

Operating and Financial Review (continued)**Future Funding**

Funding for 2012/13 was announced in February 2012 this included a reduction in activity funding of 8.47% a reduction of £771K. This reduction is partially offset by the introduction of a new college learning programme funded through Skills Development Scotland. The contract value is £226K and is outcome based. The net reduction in funding is £545K. This reduction coupled with the reductions made in 2010/11 represents a significant challenge for 2012/13.

EQUALITY, DIVERSITY AND INCLUSIVENESS

The college pursues practices designed to promote equality and eliminate discrimination of any kind whilst offering equality of opportunity and access to all.

DISCLOSURE OF INFORMATION TO AUDITORS

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

Approved by order of the members of the Board on 15th February 2013 and signed on its behalf by:

K A J McKellar
Chairman

R McGrory
Chief Executive & Principal

Statement of Corporate Governance and Internal Control**Introduction**

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in Section 1 of the UK Corporate Governance Code 2010. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

Statement of full UK Corporate Governance Code 2010 compliance

In the opinion of the College's Board of Management, the College complies with all the provisions of the UK Corporate Governance Code 2010, in so far as they apply to the further education sector, and it has complied throughout the year ended 31 July 2012.

Board of Management

The College's Board of Management met five times during the year. The Board of Management has five committees. All of these Committees are formally constituted with terms of reference which were reviewed and updated during the year and their membership comprises mainly of lay members of the Board of Management. The Board of Management also has representation on the Performance Monitoring Committee and Learning and Teaching Council. These are College operational committees.

The Human Resource Management Committee ensures that the College follows best practice on employment and employee development issues.

The Finance and General Purposes Committee, inter alia, recommends to the Board of Management the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Governance and Audit Committee is scheduled to meet at least four times a year with the College's external and internal auditors in attendance. The Governance and Audit Committee advises the College on the appointment of the internal auditors and the auditors' remuneration.

The above committees met four times per year.

The Search Committee considers nominations for vacancies in the Board of Management under the terms of the Further and Higher Education (Scotland) Act 1992.

The Remuneration Committee determines the remuneration of the Chief Executive & Principal and members of the senior management team.

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 Governance and Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Scottish Funding Council as they affect the College's business and monitors adherence to the regulatory requirements.

Whilst senior managers attend meetings of the Governance and Audit Committee, they are not members of the Committee and the Committee meets the external auditors on their own for independent discussions as and when required.

Statement of Corporate Governance and Internal Control (continued)

Board members

The members of the Board of Management of the College at 31 July 2012, all of whom have been members for the whole of the year ended on that date unless otherwise stated, were:

Board Member	Committees Served	Status / Organisation	Date of Appointment	Date of Retiral
Mr I Baxter	Finance and General Purpose; Remuneration; Search and Nomination	Self employed	23 March 2005	
Dr R McGrory	Finance and General Purpose; Human Resource Management	Chief Executive and Principal	7 June 2000	
Dr J Rieck	Governance & Business Development	College of Holistic Medicine	2 October 2003	14 September 2011
Mr D Sibbald	Finance and General Purpose	Sibbald Ltd	2 October 2003	14 September 2011
Mr D Stark	Governance and Audit ; Human Resource Management	Retired	2 October 2003	14 September 2011
Mr R Wilson		Teaching Staff Representative	23 February 2007	14 September 2011
Mr G Hunt	Governance and Audit	University of the West of Scotland	16 September 2009	
Ms A Peters	Human Resource Management	Halo Hotels Ltd	16 September 2009	
Mr R Rose	Governance and Audit ; Human Resource Management	NHS Greater Glasgow & Clyde	16 September 2009	
Mr P Lord ¹	Finance and General Purpose; Remuneration; Search and Nomination	Rolls Royce PLC	25 November 2009	
Mr K Ramsay (Chair) ²	Remuneration; Search and Nomination	Self employed	25 November 2009	Resigned 13 th November 2012
Mr H Robertson	Human Resource Management	Support Staff Representative	2 July 2010	
Mr J Barbour ³	Finance and General Purpose	Retired	16 March 2011	
Mr S Pirie	Governance and Audit; Search and Nomination	NVT Group	16 March 2011	
Mr I Hume	Governance and Audit; Remuneration	Retired	16 March 2011	
Mr K McKellar (Acting Chair) ⁴	Governance and Audit; Search and Nomination	Hannah Research Institute	3 October 2011	
Mr N Cameron		Teaching Staff Representative	7 December 2011	13 June 2012
Mr D Martin	Human Resource Management	DMA Associates	3 October 2011	
Ms C O'Connor	Finance and General Purpose	Concept Property Development	3 October 2011	
Mr S Roney		Student Representative	7 December 2011	13 June 2012

¹ Vice Chair until 14th March 2012

² Appointed Chair 28 September 2010

³ Appointed Vice Chair on 7th December 2012.

⁴ From 14th March 2012 to 13th November 2012 Vice Chair; Appointed Acting Chair on 13th November 2012 and appointed Chair on 5th December 2012.

Statement of Corporate Governance and Internal Control (continued)

Brian Schoular was appointed as Clerk to the Board on 31st October 2009 and resigned on 31 May 2012.
Mrs Lisa Clark was appointed as Clerk to the Board on 1st June 2012.

The members of the committees of the Board of Management of the College during the year ended 31 July 2012, all of whom have been members for the whole of the year unless otherwise stated, were:

Governance and Audit Committee:

Mr L Greenock**	South Lanarkshire Council (last meeting 15 th November 2011)
Mrs K Henry**	Job Centre Plus
Mr G Hunt (Chair)	Board of Management
Mr I Hume	Board of Management (joined 23 rd August 2011)
Mr K McKellar	Board of Management (joined 15 th November 2011)
Mr S Pirie	Board of Management (joined 23 rd August 2011)
Mr R Rose	Board of Management
Mr D Stark	Board of Management (last meeting 15 th November 2011)

** Co-opted member

Finance and General Purpose Committee:

Mr J Barbour	Board of Management (joined 23 rd August 2011)
Mr I Baxter (Chair)	Board of Management
Mr P Lord	Board of Management
Dr R McGrory	Chief Executive & Principal
Ms C O'Connor	Board of Management (joined 15 th November 2011)
Mr D Sibbald	Board of Management (last meeting 23 rd August 2011)

Human Resource Management Committee:

Mrs K Henry**	Job Centre Plus
Ms A Miller	Assistant Principal
Mr D Martin	Board of Management (joined 16 th November 2011)
Dr R McGrory	Chief Executive & Principal
Ms A Peters	Board of Management
Mr H Robertson	Board of Management
Mr R Rose	Board of Management (joined 16 th November 2011)

**co-opted member

Remuneration Committee:

Mr Ian Baxter	Board of Management
Mr I Hume	Board of Management
Mr P Lord (Chair)	Board of Management
Mr K Ramsay	Board of Management

Search Committee:

Mr Ian Baxter	Board of Management
Mr P Lord	Board of Management
Mr K McKellar	Board of Management
Mr S Pirie	Board of Management
Mr K Ramsay (Chair)	Board of Management

Statement of Corporate Governance and Internal Control (continued)**Corporate strategy**

In respect of its strategic and development responsibilities, the Board of Management receives recommendations and advice from all Board of Management Committees in accordance with their terms of reference. The membership of these committees includes lay members appointed by the Board of Management from amongst its members.

Board's statement on internal control

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

The 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 operational units and reinforced by risk awareness training. The senior management team and the Governance and Audit Committee also receive regular reports from the internal audit and 'health, safety and environmental monitoring' functions which include recommendations for improvement.

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

The Board of Management's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Governance and Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The risk register is reviewed by the Governance and Audit Committee and the Board of Management each quarter by considering documentation from the senior management team and internal audit, and taking account of events since the last review.

The Board of Management is of the view that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Management and it accords with the internal control guidance published by the Turnbull Committee.

Going concern

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

Keith A J McKellar
Chair of the Board of Management
15th February 2013

Statement of Responsibilities of the Board of Management

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

In accordance with the Further and Higher Education (Scotland) Act 1992, the Board of Management is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Management, the Board of Management, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

The financial statements are prepared in accordance with the Accounts Direction issued by the Scottish Funding Council, which brings together the provisions of the Financial Memorandum with other formal disclosures that the Scottish Funding Council require the Board of Management to make in the financial statements and related notes.

In preparing the financial statements, the Board of Management is required to:

- Select suitable accounting policies and 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; and
- Prepare financial statements on the going concern basis, unless it is inappropriate to presume that the College will continue in operation. The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

Financial statements of the College may be published on the College's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the College's website is the responsibility of the Board. The Board's responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Board of Management has taken reasonable steps to:

- Ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- Safeguard the assets of the College and prevent and detect fraud; and
- Secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.

Statement of Responsibilities of the Board of Management (continued)

- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management;
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Governance and Audit Committee and the Finance and General Purposes Committee; and
- Professional internal audit team whose annual programme is approved by the Governance and Audit Committee and endorsed by the Board of Management and whose head provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

Approved by order of the members of the Board on 15th February 2013 and signed on its behalf by:

Keith A J McKellar
Chair of the Board of Management

Independent auditors' report to the members of the Board of Management of Stow College, the Auditor General for Scotland and the Scottish Parliament

We have audited the financial statements of Stow College for the year ended 31 July 2012 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Income and Expenditure Account, the Statement of Historical Cost Surpluses and Deficits, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the 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 solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Board of Management and auditor

As explained more fully in the Statement of Responsibilities of the Board of Management, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and income in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. 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 in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the body's affairs as at 31 July 2012 and of its surplus 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 requirements of the Further and Higher Education (Scotland) Acts 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006.

Independent auditors' report to the members of the Board of Management of Stow College, the Auditor General for Scotland and the Scottish Parliament (continued)

Opinion on regularity

In our opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers;
- 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 2012; and
- funds from whatever source administered by the body for specific purposes have been properly applied for the intended purposes.

Opinion on other prescribed matters

In our opinion the information given in the Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

We have nothing to report in respect of these matters.

Scott-Moncrieff
Chartered Accountants
Registered Auditor
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Eligible to act as an auditor under Section 21 of the Public Finance and Accountability (Scotland) Act 2000.

15th February 2013

Income and Expenditure Account for the Year Ended 31 July 2012

	Note	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Income			
SFC grants	2	9,702	10,031
Tuition fees and education contracts	3	3,088	2,722
Other grant income	4	77	174
Other operating income	5	283	432
Endowment and investment income	6	10	6
TOTAL INCOME		13,160	13,365
Expenditure			
Staff costs	7	8,464	8,882
Other operating expenses	9	3,782	3,486
Depreciation	12	829	931
Interest payable	10	25	17
TOTAL EXPENDITURE		13,100	13,316
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and before tax		60	49
Taxation	11	-	-
Surplus on continuing operations after depreciation of assets at valuation and after tax		60	49

Statement of Historical Cost Surpluses and Deficits for the Year Ended 31 July 2012

	Note	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Surplus on continuing operations for the year		60	49
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	17	159	154
Historical cost surplus for the year		219	203

The notes on pages 22 to 39 form part of these financial statements.

Statement of Total Recognised Gains and Losses for the Year Ended 31 July 2012

	Note	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Surplus on continuing operations for the year after depreciation of assets and valuation and tax		60	49
Unrealised surplus on revaluation of tangible fixed assets		0	720
Actuarial gain/(loss) in respect of pension scheme	18 & 23	(422)	(267)
Total gain /(loss) recognised since last annual Report		(362)	502
RECONCILIATION			
Opening reserves		3,918	3,416
Total recognised gains for the year		(362)	502
Closing reserves		3,556	3,918

The notes on pages 22 to 39 form part of these financial statements.

Balance Sheet as at 31 July 2012

	Note	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Fixed assets			
Tangible fixed assets	12	<u>7,919</u>	<u>8,633</u>
Current assets			
Stocks		-	6
Debtors	13	465	460
Cash at bank and in hand		<u>2,237</u>	<u>2,902</u>
		<u>2,702</u>	<u>3,368</u>
Creditors: amounts falling due within one year	14	<u>(2,334)</u>	<u>(2,861)</u>
Net current assets		<u>368</u>	<u>507</u>
Total assets less current liabilities		<u>8,287</u>	<u>9,140</u>
Creditors due after one year	15	<u>(774)</u>	<u>(1,097)</u>
Net Assets excluding pension (liability)		<u>7,513</u>	<u>8,043</u>
Pension (liability)	23	<u>(2,519)</u>	<u>(2,127)</u>
NET ASSETS INCLUDING PENSION (LIABILITY)		<u>4,994</u>	<u>5,916</u>
Deferred capital grants	16	<u>1,438</u>	<u>1,998</u>
Reserves			
Income and expenditure reserve excluding pension reserve	18	617	428
Pension reserve	18 &23	<u>(2,519)</u>	<u>(2,127)</u>
Income and expenditure account including pension reserve		<u>(1,902)</u>	<u>(1,699)</u>
Revaluation reserve	17	<u>5,458</u>	<u>5,617</u>
Total Reserves		<u>3,556</u>	<u>3,918</u>
TOTAL		<u>4,994</u>	<u>5,916</u>

The financial statements on pages 18 to 39 were approved by the Board of Management and authorised for issue on 15th February 2013 and signed on its behalf by:

K A J McKellar
Chairman

R McGrory
Chief Executive & Principal

Cash Flow Statement for the Year Ended 31 July 2012

	Note	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
CASH FLOW STATEMENT			
Net cash inflow/(outflow) from operating activities	19	(545)	1,114
Returns on investments and servicing of finance	20	10	6
Capital expenditure	20	(130)	(177)
Financing	20	-	-
Increase /(Decrease) in cash in the period		<u>(665)</u>	<u>943</u>
Reconciliation of net cash flow to movement in net funds/(debt)			
Increase/(Decrease) in cash in the period		(665)	943
Cash outflow from decrease in debt and lease financing		-	-
Movement in net funds in the period		<u>(665)</u>	<u>943</u>
Net funds at 1 August 2011	21	2,902	1,959
Net funds at 31 July 2012	21	<u>2,237</u>	<u>2,902</u>

The notes on pages 22 to 39 form part of these financial statements.

Notes to the financial statements**1. Principal accounting policies****Basis of preparation**

The financial statements are prepared 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: Accounting for Further and Higher Education (2007).

Basis of accounting

The accounts have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets.

Recognition of income

Income from tuition fees is recognised in the year in which it is receivable and includes all fees chargeable to students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent of completion of the contract or services concerned.

Income from short term deposits is credited to the income and expenditure account in the period in which it is earned.

Fixed assets

Fixed assets are shown in the balance sheet at cost or valuation less amounts written off by way of depreciation.

Land and buildings are stated in the balance sheet at their current value at the balance sheet date. Because of their specialised nature, the properties are valued on the depreciated replacement cost basis. The SORP *Accounting for Further and Higher Education* follows the guidance in FRS 15 *Tangible Fixed Assets* that a full external revaluation should be carried out every five years with an interim valuation in the third accounting period. A full valuation was carried out on 31st July 2011.

Expenditure incurred on the provision of fixtures and fittings, the purchase of computers, furniture and equipment and the purchase of motor vehicles which results in the provision of a new or substantially enhanced facility with a cost of more than £10,000 is capitalised. All other expenditure on the provision of fixtures and fittings, the purchase of computers, furniture and equipment and the purchase of motor vehicles is written off to the income and expenditure account in the period in which it is incurred.

Grants relating to specific capital expenditure on depreciable assets are treated as a deferred grant. A proportion of the grant is transferred to the income and expenditure account annually over the estimated useful life of the asset to which it relates.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Depreciation

Depreciation is provided on all tangible fixed assets, other than separately distinguishable freehold land, at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life, as follows:

Notes to the financial statements (continued)

Freehold buildings	-	20 years
Modular buildings	-	10 years or over the period of lease
Fixtures and fittings	-	10 years
Computers, furniture and equipment	-	4 years
Motor vehicles	-	5 years

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the income and expenditure reserve.

Revaluation reserve

Surpluses arising on the revaluation of the college's properties are transferred to the revaluation reserve. Additional depreciation charged on the revalued amounts of these assets is transferred from revaluation reserve to income and expenditure account together with any surplus or deficit on disposal.

Maintenance of Premises

The costs of maintenance are charged to the income and expenditure account in the period in which they are incurred.

Stocks

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

Taxation

The College has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue & Customs as a charity for the purposes of section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

Retirement benefits

All new members of staff have the option of joining a pension scheme. The schemes currently open to new members of staff are the Strathclyde Pension Fund (SPF) Scheme and the Scottish Teachers Superannuation Scheme (STSS). Existing employees are entitled to maintain their membership of these schemes.

Full provision has been made for those pension costs which do not arise from externally funded defined benefit schemes.

Notes to the financial statements (continued)**Strathclyde Pension Fund**

The Strathclyde Pension Fund is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of the College. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Contributions to the Scheme are determined by an actuary on the basis of triennial valuations using the age attained method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes, after making allowances for future withdrawals. The amount charged to the income and expenditure account represents the service cost expected to arise from employee service in the current year.

Scottish Teachers' Superannuation Scheme

The College participates in the Scottish Teachers' Superannuation Scheme pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the College. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the year.

Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Agency Arrangements

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

2. SFC grants

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
FE Recurrent grant (including fee waiver)	7,483	8,357
FE & HE childcare funds	369	231
Release of deferred capital grants	517	624
Other SFC grants	1,333	819
	<hr/> 9,702 <hr/>	<hr/> 10,031 <hr/>

Notes to the financial statements (continued)

3. Tuition fees and education contracts

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Further Education fees – UK	30	29
Further Education fees – EU	-	1
Further Education fees – non EU	-	7
Higher Education fees	2,431	2,066
	<hr/> 2,461	<hr/> 2,103
Education contracts	262	333
Other contracts	365	286
	<hr/> <hr/> 3,088	<hr/> <hr/> 2,722

4. Other grant income

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
European grants	-	62
Other grants	50	85
Release of deferred capital grants – non-SFC	27	27
	<hr/> 77	<hr/> 174

5. Other operating income

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Residences, catering and conferences	125	314
Other income generating activities	158	118
	<hr/> 283	<hr/> 432

6. Endowment and Investment Income

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Bank interest receivable	<hr/> 10	<hr/> 6

Notes to the financial statements (continued)

7. Staff costs

The average number of persons, including senior post holders and the Principal, employed by the College during the year, expressed as full-time equivalents, was:

	Year Ended 31 July 2012 Number	Year Ended 31 July 2011 Number
Teaching faculties	119	131
Teaching services	45	51
Administration and central services	25	22
Premises	8	14
Catering and residences	7	13
	<u>204</u>	<u>231</u>

Staff costs for the above persons	£'000	£'000
Wages and salaries	6,800	7,250
Social security costs	560	582
Other pension costs (incl FRS17 adjustments)	824	861
Staff restructuring	280	189
Total staff costs	<u>8,464</u>	<u>8,882</u>

Analysis of staff costs	£'000	£'000
Teaching departments	5,286	5,744
Teaching services	1,266	1,172
Administration and central services	1,181	1,184
Premises	324	395
Catering and residences	127	198
Staff restructuring	280	189
	<u>8,464</u>	<u>8,882</u>

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

	Year Ended 31 July 2012 Number	Year Ended 31 July 2011 Number
£50,001 to £60,000	9	13
£60,001 to £70,000	2	2
£70,001 to £80,000	2	-
£80,001 to £90,000	2	1
£90,001 to £100,000	-	-
£100,001 to £110,000	-	-
£110,001 to £120,000	-	-
£120,001 to £130,000	1	1
	<u>16</u>	<u>17</u>

Notes to the financial statements (continued)

The total for the year ended 31 July 2012 includes 3 staff (2011: 2 staff) that were part of the staff restructuring programme and whose emoluments include termination payments.

8. Senior Post-Holders' Emoluments

	Year Ended 31 July 2012 Number	Year Ended 31 July 2011 Number
The number of senior post-holders including the Principal was:	4	4
Senior post-holders emoluments are made up as follows:		
	£	£
Salaries	324,492	318,763
Benefits in kind	17,461	17,173
Pension contributions	52,691	51,196
Total emoluments	<u>394,644</u>	<u>387,132</u>
The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of:		
	£	£
Salary	117,231	115,524
Benefits in kind	5,688	5,616
	<u>122,919</u>	<u>121,140</u>
Pension contributions	<u>17,171</u>	<u>17,206</u>

The Principal and senior post-holders are ordinary members of the appropriate pension scheme. The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions and were paid at the same rate as for other members of staff.

The members of the Board of Management, other than the Principal and the staff representatives, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

9. Other operating expenses	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Teaching departments	633	659
Teaching services	500	440
Administration and central services	781	818
Premises	1,099	852
Catering and residences	106	219
Other expenses	294	267
Childcare funds	369	231
Total other operating expenses	<u>3,782</u>	<u>3,486</u>

Notes to the financial statements (continued)

	£'000	£'000
Other operating expenses include:		
Auditors remuneration (including irrecoverable VAT)		
- Internal audit	22	20
- External audit	14	15
- Other services provided by Internal auditors	4	4
Hire of modular accommodation	105	144

10. Interest payable

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Pension finance costs	<u>25</u>	<u>17</u>

11. Taxation

The Board does not believe that the College was liable for any corporation tax arising out of its activities during the years ended 31 July 2011 and 2012.

12. Tangible Fixed Assets

	Freehold Land & Buildings £'000	Modular Buildings £'000	Fixtures & Fittings £'000	Computers, Furniture & Equipment £'000	Motor Vehicles £'000	TOTAL £'000
Cost or Valuation: At 1 August 2011	6,920	1,929	1,230	5,007	68	15,154
Additions	-	-	115	-	-	115
At 31 July 2012	<u>6,920</u>	<u>1,929</u>	<u>1,345</u>	<u>5,007</u>	<u>68</u>	<u>15,269</u>
Depreciation: At 1 August 2011	-	1,684	476	4,293	68	6,521
Charge for period	305	28	135	361	-	829
At 31 July 2012	<u>305</u>	<u>1,712</u>	<u>611</u>	<u>4,654</u>	<u>68</u>	<u>7,350</u>
Net book value: At 31 July 2012	<u>6,615</u>	<u>217</u>	<u>734</u>	<u>353</u>	<u>-</u>	<u>7,919</u>
Net book value: At 31 July 2011	<u>6,920</u>	<u>245</u>	<u>754</u>	<u>714</u>	<u>-</u>	<u>8,633</u>

Notes to the financial statements (continued)

Inherited	3,169					3,169
Financed by						
Capital Grant	1,023	217	734	353		2,327
Other	2,423					2,423
Net book value:						
At 31 July 2012	6,615	217	734	353		7,919

The College's freehold land and buildings were revalued at 31 July 2011 for the purposes of the financial statements by Montagu Evans LLP. This was a full valuation performed under the terms of Financial Reporting Standard Number 15, *Tangible Fixed Assets*. The basis of valuation used was depreciated replacement cost.

If the freehold land and buildings, incorporating heritable fixtures and fittings, had not been revalued the land and buildings and fixtures and fittings would have been included at the following amounts:

	Freehold Land & Buildings £'000
Cost	3,539
Aggregate depreciation based on cost	(2,382)
Net book value based on cost	<u>1,157</u>

In accordance with the Financial Memorandum issued by the Scottish Funding Council (SFC), the College cannot dispose of any exchequer funded land and buildings with a market value of more than £500,000 without SFC approval. For any transaction above this threshold, SFC approval is required prior to initiating the sale of the asset and for the retention of the proceeds from the sale.

13. Debtors

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Amounts falling due within one year:		
Trade debtors – net of provision for doubtful debts	94	95
European funding	-	45
Other debtors	4	2
Prepayments and accrued income	367	318
	<u>465</u>	<u>460</u>

14. Creditors – amounts falling due within one year

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Trade creditors	229	105
Other creditors	390	454
Taxation and social security	276	275
Accruals and deferred income	1,266	1,675
Bursaries and Access funds for future disbursement	173	352
	<u>2,334</u>	<u>2,861</u>

Notes to the financial statements (continued)

15. Creditors – amounts falling due after 1 year

Year Ended
31 July 2012
£'000

Year Ended
31 July 2011
£'000

SFC repayment of past funding

After 1 year

311

323

2-5 years

463

774

774

1,097

16. Deferred capital grants

Funding
Council
£'000

Other
Grants
£'000

Total
£'000

At 1 August 2011

Land and buildings

-

153

153

Modular buildings

245

-

245

Fixtures and fittings

881

30

911

Computers, furniture and equipment

689

-

689

Received in the year:

Fixtures and fittings

(41)

-

(41)

Computers, furniture and equipment

26

-

26

Released to income and expenditure account:

Land and buildings

-

(20)

(20)

Modular buildings

(29)

-

(29)

Fixtures and fittings

(128)

(7)

(135)

Computers, furniture and equipment

(361)

-

(361)

At 31 July 2012

Land and buildings

-

133

133

Modular buildings

216

-

216

Fixtures and fittings

712

23

735

Computers, furniture and equipment

354

-

354

1,282

156

1,438

Notes to the financial statements (continued)

17. Revaluation reserve	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
At 1 August 2011	5,617	5,051
Revaluation in year	-	720
Transfer from revaluation reserve to general reserve in respect of: Depreciation on revalued assets	(159)	(154)
At 31 July 2012	5,458	5,617
18. Reserves	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Income & Expenditure Reserve		
Balance at 1 August 2011	428	250
Surplus on continuing operations after depreciation of assets at valuation	60	49
Transfer from pension reserve	(30)	(25)
Transfer from revaluation reserve	159	154
At 31 July 2012	617	428
Pension Reserve		
Balance at 1 August 2011	(2,127)	(1,885)
Current Service Cost	(253)	(244)
Past Service Cost	-	-
Employer Contributions	249	313
Losses on curtailments and settlements	-	(91)
Contributions in respect of unfunded liabilities	59	64
Net Return on Assets/ (Liabilities)	(25)	(17)
Transfer to/(from) I&E	30	25
Actuarial Gain/(Loss)	(422)	(267)
At 31 July 2012	(2,519)	(2,127)
Reconciliation		
Income & Expenditure Reserve	617	428
Pension Reserve	(2,519)	(2,127)
At 31 July 2012	(1,902)	(1,699)

Notes to the financial statements (continued)

19. Reconciliation of surplus to net cash flow from operating activities

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Surplus	60	49
Depreciation charges	829	931
Deferred capital grants released	(545)	(651)
(Increase) / Decrease in stock	6	2
(Increase)/Decrease in debtors	(5)	5
Increase/(Decrease) in creditors	(527)	1,170
Increase / (Decrease) in long term liabilities	(323)	(361)
Interest receivable	(10)	(6)
Interest payable	-	-
Net adjustment on pension liability	(30)	(25)
Net cash inflow/(outflow) from operating activities	<u>(545)</u>	<u>1,114</u>

20. Analysis of cash flows for headings netted in cash flow statement

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Returns on investments and servicing of finance:		
Interest received	10	6
Interest paid	-	-
Net cash inflow from returns on investments and servicing of finance	<u>10</u>	<u>6</u>
Capital expenditure:		
Purchase of modular accommodation	-	(161)
Purchase of fixtures and fittings	(115)	(106)
Purchase of computers and equipment	-	(423)
Capital grants received	(15)	513
Net cash inflow/(outflow) from capital expenditure	<u>(130)</u>	<u>(177)</u>

21. Analysis of Net Funds	At 1 August 2011 £'000	Cash Flows £'000	Other Changes £'000	At 31 July 2012 £'000
Cash in hand and at bank	2,902	(665)	-	2,237
Debt due within 1 year	-	-	-	-
Debt due after 1 year	-	-	-	-
	<u>2,902</u>	<u>(665)</u>	<u>-</u>	<u>2,237</u>

Notes to the financial statements (continued)

22. Financial commitments

At 31 July 2012 the college had annual commitments under non-cancellable operating leases for the lease of modular accommodation as follows:

	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Land and Buildings		
Expiring within one year	97	46
Expiring within two to five years	-	-
	<u>97</u>	<u>46</u>

23. Pension and similar obligations

The College's employees belong to one of two principal pension schemes: the Scottish Teachers' Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF).

The total pension costs for the College were:

	Year Ended 31 July 2012 £	Year Ended 31 July 2011 £
Contribution to Teachers Pension Scheme	569,541	595,494
Contribution to LGPS	309,701	307,316
FRS 17 pension (credit)/charge	(55,000)	(42,000)
Total Pension Cost (note 7)	<u>824,242</u>	<u>860,810</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries.

Scottish Teachers' Superannuation Scheme (STSS)

The STSS is a multi-employer pension scheme and the Scottish Public Pensions Agency have indicated that at the moment they are not able to identify the net share of underlying assets and liabilities for each employer on a "consistent and reasonable basis". Therefore in accordance with FRS17, contributions to the scheme are accounted for as if it were a defined contribution scheme.

The STSS 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 purpose of determining contribution rates.

The pension cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Valuation date	31 March 2005
Valuation method	Prospective benefits
Value of notional assets	£18,521 million
Investment return per annum	6.5%
Salary increases per annum	3.5%
Price increases per annum	5.0%

For the period 1 August 2011 to the 31 July 2012, the employer contribution was 14.9% with a tiered employee contribution rate which ranges from 6.4% to 8.80%.

The pension costs are assessed in accordance with the advice of independent qualified actuaries.

Notes to the financial statements (continued)

Strathclyde Pension Fund (SPF)

The Strathclyde Pension Fund (SPF) is a funded defined benefit scheme and has its assets held in separate trustee administered funds.

The pension cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the scheme are:

Valuation date	31 March 2011
Valuation method	Projected unit
Market value of assets	£11,322 million
Actuarial assumptions	- discount rate 5.5%
	- salary increase rate 5.1%
	- price inflation 2.8%

For the purposes of FRS17 Retirement Benefits an actuarial valuation was calculated by the actuary as at 31 July 2012 and 31 July 2011.

The major assumptions used by the actuary and agreed by the Board of Management were:

	31 July 2012	31 July 2011
Inflation/Pension Increase Rate	2.2%	2.7%
Salary Increase Rate*	4.5%	5.0%
Expected rate of return	4.9%	6.4%
Discount Rate	4.1%	5.3%

* Salary increases have been amended in the short term to reflect the current economic conditions for the public sector. Rates used are 1% until 31 July 2015 reverting to 4.5% thereafter.

Mortality

Life expectancy is based on the PFA92 and PMA92 tables with mortality improvements projected based on members individual year of birth. Based on these assumptions, the average life expectancies at age 65 are as follows:

	Male	Female
Current Pensioners	21.0 years	23.4 years
Future Pensioners	23.3 years	25.3 years

The assets and liabilities of the scheme and the expected rate of return were:

	Long term rate of return at 31 July 2012	Value at 31 July 2012	Long term rate of return at 31 July 2011	Value at 31 July 2011
	%	£'000	%	£'000
Equities	5.5	5,961	7.0	5,914
Bonds	3.3	1,062	4.7	1,012
Property	3.7	653	5.1	467
Cash	2.8	490	4.0	389

Notes to the financial statements (continued)

Total market value of assets

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Estimated value of employer assets	8,166	7,782
Present value of liabilities	(10,685)	(9,909)
Deficit in the scheme	(2,519)	(2,127)

Analysis of the amount charged/(credited) to income and expenditure account

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Employer service costs	253	335
Past service costs	-	-
Total operating charge/(credit)	253	335

Analysis of pension finance income/(costs)

Expected return on pension scheme assets	(501)	(460)
Interest on pension liabilities	526	477
Pension finance (income) / costs	25	17
Net revenue account (income)/cost	278	352

Amount recognised in the statement of total recognised gains and losses (STRGL)

Actual return less expected return on pension assets	(198)	280
Experience gains and losses arising on the scheme liabilities	946	(74)
Change in financial assumptions underlying the scheme liabilities	(1,170)	(473)
Actuarial gain/(loss) recognised in STRGL	(422)	(267)

Notes to the financial statements (continued)

	Year ended 31 July 2012	Year ended 31 July 2011
Movement in surplus/(deficit) during year		
(Deficit) in scheme at 1 August 2011	(2,127)	(1,885)
Movement in year:		
Current service charge	(253)	(244)
Contributions	308	377
Past service costs	-	-
Losses on curtailments and settlements	-	(91)
Net interest/return on assets	(25)	(17)
Actuarial gains/(losses)	(422)	(267)
(Deficit) in scheme at 31 July 2012	<u>(2,519)</u>	<u>(2,127)</u>
 Asset and Liability Reconciliation		
	Year ended 31 July 2012	Year ended 31 July 2011
Reconciliation of Liabilities		
Liabilities at start of period	9,909	8,779
Service cost	253	244
Interest cost	526	477
Employee contributions	81	82
Actuarial loss	224	547
Benefits Paid	(308)	(311)
Past Service cost	-	-
Losses on curtailments	-	91
Liabilities at end of period	<u>10,685</u>	<u>9,909</u>
 Reconciliation of Assets		
	Year ended 31 July 2012	Year ended 31 July 2011
Assets at start of period	7,782	6,894
Expected return on assets	501	460
Actuarial gain/(loss)	(198)	280
Employer contributions	308	377
Employee contributions	81	82
Benefits paid	(308)	(311)
Assets at end of period	<u>8,166</u>	<u>7,782</u>
 History of experience gains and losses		
	Year ended 31 July 2012	Year ended 31 July 2011
Difference between the expected and actual return on assets	198	(280)
Value of Assets	8,166	7,782
%age of scheme assets	2.42%	(3.60%)
Experience gains and (losses) on scheme liabilities	946	(74)
Present value of liabilities	10,685	9,909
%age of scheme liabilities	8.85%	(0.75%)

Notes to the financial statements (continued)

	Year ended 31 July 2012	Year ended 31 July 2011
Actuarial gains/(losses) recognised in STRGL	(422)	(267)
Present value of liabilities	10,685	9,909
%age of scheme liabilities	(3.85%)	(2.69%)

The contribution rates are set by the scheme actuaries and these are:

	Employer Contribution Rates	Employee Contribution Rates
1 st April 2011 to 31 March 2012	19.30%	5.5% to 12%*
1 st April 2012 to 31 March 2013	19.30%	5.5% to 12%*

*based on employee pensionable pay .

24. Post Balance Sheet Events

The Board of Management at its meeting on 12 September 2012 decided to proceed with a merger process with North Glasgow College and John Wheatley College. The three Colleges have commenced a formal due diligence process.

25. Contingent Liabilities

The College has no contingent liabilities to disclose.

26. Capital Commitments

	31 July 2012 £'000	31 July 2011 £'000
Committed at 31 July 2012	-	132

There were no capital commitments at 31 July 2012

27. 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 College's Board of Management may have an interest. All transactions involving organisations in which a member of the Board of Management may have an interest are conducted at arms length and in accordance with normal project and procurement procedures.

During the year the College undertook the undernoted transactions with non-public bodies in which a member of the Board of Management has an interest and which in aggregate exceeded £5,000:

Member	Company	Type of Contract	Expenditure
Dr R McGrory	Cormack Ltd	Educational Services	£17,500
Dr R McGrory	West of Scotland Colleges Partnership	Educational Services	£12,240

The College had transactions during the year or worked in partnership with the following publicly funded or representative bodies in which members of the Board of Management hold or held official positions.

Notes to the financial statements (continued)

Member	Organisation	Position
Mr G Hunt	University of West of Scotland	University Librarian

The Board of Management of Stow College is a body incorporated under the Further and Higher Education (Scotland) Act 1992 and is funded by the Scottish Funding Council (SFC). The college and SFC are regarded as a related party. The amounts received from SFC are disclosed in note 2 to the accounts.

During the year the College had various material transactions with the SFC and with other entities for which the Scottish Government is regarded as the sponsor. These included the Student Awards Agency for Scotland and a number of other colleges and higher education institutions.

The College has had a small number of material transactions with other government departments and other central government bodies.

28. Student Support Funding

Year Ended 31 July 2012

	FE Bursary £'000	EMAs £'000	Other £'000	Total £'000	2011 £'000
Balance at 1 August 2011	242	-	65	307	19
Allocation received in year	1,241	90	306	1,637	1,614
Expenditure	(1,175)	(90)	(251)	(1,516)	(1,319)
Repayment due to SFC/SAAS as clawback	(259)	-	-	(259)	(7)
Balance Carried Forward 31 July 2012	49	-	120	169	307
Represented by:					
Repayable as Clawback	49	-	120	169	210
Retained by college for students	-	-	-	-	97
Balance 31 July 2012	49	-	120	169	307

Bursary and other student support funds consist of Bursary, FE Discretionary, Educational Maintenance Allowance (EMAs) funds provided by the Scottish Funding Council (SFC) and HE Discretionary funds provided by the Student Awards Agency for Scotland (SAAS).

Bursary and other student support funds are solely available for students; the College acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

Notes to the financial statements (continued)

FE & HE Childcare Funds	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000
Balance at 1 August 2011	8	1
Allocation received	369	330
Expenditure	(369)	323)
Repaid as clawback	(4)	-
Balance carried forward 31 July 2012	<u>4</u>	<u>8</u>
Represented by:		
Repayable as Clawback	4	4
Retained by college for students	<u>-</u>	<u>4</u>
	<u>4</u>	<u>8</u>

Childcare funds provided by the SFC are incorporated in the Income and Expenditure Account.