

# **Stow College**

**Financial Statements  
for the Year Ended  
31 JULY 2010**

**Scottish Charity  
SC021212**

<b>Contents</b>	<b>Page</b>
Operating and Financial Review	3
Statement of Corporate Governance and Internal Control	11
Statement of Responsibilities of the Board of Management	15
Independent Auditor's Report to the Board of Management, the Auditor General for Scotland and the Scottish Parliament	17
Income and Expenditure Account	19
Statement of Historical Cost Surpluses and Deficits	19
Statement of Total Recognised Gains and Losses	20
Balance Sheet	21
Cash Flow Statement	22
Notes to the Financial Statements	23

**Professional Advisors**

External auditors: BDO LLP  
4 Atlantic Quay  
70 York Street  
Glasgow  
G2 8JX

Internal auditors: Wylie & Bisset LLP  
166 Bath Street  
Glasgow  
G2 4TP

Bankers: Royal Bank of Scotland plc  
Commercial Banking  
2nd Floor Kirkstane House  
139 St Vincent Street  
Glasgow  
G2 5JF

Solicitors: Brodies LLP  
2 Blythswood Square  
Glasgow  
G2 4AD

**Operating and Financial Review**

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

**NATURE, OBJECTIVES AND STRATEGIES**

Stow College has been providing education and training since 26<sup>th</sup> 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**

There are five key strategic aims that support the delivery of the college mission and vision statement, these are:

1. To seek out, develop and deliver accessible vocational education and training for lifelong learning and economic opportunity through innovative, flexible and student-centred learning provision leading to progression, achievement and attainment of recognised vocational qualifications which are relevant to lives and careers.
2. To ensure the college maintains and develops a highly skilled and motivated workforce to deliver the effective and efficient operation of the organisation.
3. To promote individual and corporate development and to promote effective knowledge transfer through college entrepreneurial activity both within Scotland and internationally.
4. To manage the risk in the development of college resources, ensuring efficiency, effectiveness and value for money.
5. To foster innovative approaches that deliver user-driven lifelong learning.

The college operational plan sets out specific actions linked to these strategic aims. At the date of this report significant progress had been made in completing these actions.

The College uses the European Foundation Quality Management (EFQM) Excellence Model to ensure that continuous improvement is embedded in all aspects of its operations enabling the college to deliver best value at all times.

**Operating and Financial Review (continued)**

The strategic plan is reviewed annually as part of the planning cycle. Following the latest review the College will adopt four key strategic themes for the year ahead. Each theme has a specific aim and set of objectives.

The four strategic themes and aims are;

1. Learning and Teaching

Aim: To deliver excellence in learning and teaching.

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.

3. Collaboration and Partnership

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

4. Governance and Leadership

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

**HM Inspectorate of Education (HMIE) Review**

The external review by HMIE took place in May 2010. The full report is available at <http://www.hmie.gov.uk>

As part of the the review HMIE make judgements that relate to the key principles of high quality learning, learner engagement and quality culture and the report states that;

***HMIE is confident that.***

*"Learners are progressing well and achieving relevant, high quality outcomes, overall. However, retention and attainment rates are low for some further education (FE) learners"*

*"The college has in place high quality learning and teaching processes, overall. However, teaching approaches in some subject areas are not effective for all learners"*

*"Learners are actively engaged in enhancing their own learning and the work and life of the college, overall. However, arrangements to enable learners to enhance their own learning are not yet sufficiently developed"*

*"The college is led well and is enhancing the quality of its services for learners and other stakeholders, overall. However, leadership for learning and teaching has insufficient impact"*

HMIE also summarise the strengths within the College and these are;

- The college has made good progress against the aims and objectives outlined in the *Strategic Plan 2007/08 – 2009/10*. Staff across the college demonstrate a good understanding of the college's priorities and their role in supporting them.
- Support staff work effectively with a wide range of external partners and agencies to provide appropriate access to programmes for learners and to target hard-to-reach groups.

**Operating and Financial Review (continued)**

- The college's strong commitment to inclusion is evident through the broad variety of learning opportunities in its curriculum portfolio, which range from *Pathways* programmes to degree-level provision.
- Most learners who complete programmes attain recognised group awards, groups of units and/or vendor qualifications.
- Most learners are motivated and committed to their studies, participating actively in their learning activities.
- Relationships between teaching staff and learners are positive and respectful.
- Learners are confident about raising issues with teaching staff through informal engagement during lessons and through timetabled guidance sessions for FE learners.
- The college has made good progress in developing and changing its culture in order to place the learner at the centre of all activities.
- Leadership of support services teams is effective and staff are highly committed to supporting learners.
- The recently-created posts of *learning champions* are having a very positive impact on learner support.

**Main points for action are:**

The college should improve retention and attainment rates for learners on full-time FE programmes.

The college should further improve its arrangements for action planning and monitoring for equality and diversity.

The college should continue to develop arrangements to ensure that learners are fully engaged in enhancing their own learning.

The college should ensure that teaching staff use a wide range of teaching approaches, and signpost essential skills during lesson delivery.

Senior managers should provide clear direction to teaching staff to promote individual reflection on their professional practice, which leads to improvement

**Signposting excellent and sector-leading and innovative practice**

The report provides examples of excellent practice through;

1. Developing essential skills through intergrated learning: the *Artbox* project
2. Developing and using transferable skills: *Bargain Hunt*
3. Developing citizenship through drama: working with St Andrew's Hospice
4. Developing literacy skills in the work place (ESF/ Trade Union partnership project)

Whilst the report identifies some areas for improvement the College believes overall that this is a positive report. There has been uncertainty over the future of the College and the report reflects well on staff who have had to remain focused in delivering high quality learning during difficult and challenging times.

**Operating and Financial Review (continued)****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;
- to ensure value for money is achieved.

**FINANCIAL POSITION****Financial Results**

The College achieved a surplus of £49,825 on its income and expenditure account for the year prior to FRS17 adjustments for the Strathclyde Pension Scheme (SPF). On 22 June 2010 the Chancellor announced a change in the methodology for calculating future pension increases which are now being linked to the Consumer Price Index (CPI) and not the Retail Price Index (RPI). In accordance with the treatment recommended by Hymans Robertson LLP, the effect of this change has been taken through income and expenditure account as a negative past service cost of £545,000. The net effect of the FRS17 adjustments in total is a credit of £485,000 to income and expenditure account. The impact of the FRS17 adjustments are set out in note 24

The overall surplus for the year was £534,825 and after adjusting for the effect of depreciation on revalued fixed assets, the historical cost surplus was £688,402.

In November 2008 the Scottish Funding Council (SFC) carried out a review of fundability of certain programmes. This review resulted in two programmes being deemed ineligible for funding. Council have agreed to provide a specific grant to the College to allow the valuable work of the Glasgow Chinese School programme to continue. 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 and the first year repayment of £1,061K was made during the year.

In addition to repayment of past funding SFC also reduced the activity funding of the College for 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. The change in activity funding meant that certain programmes would not be delivered in 2009/10 and consequently there was a number of staff available for redeployment. There was also a number of changes made to the organisational structure which were implemented on the August 1st 2009. The College announced an initial voluntary severance scheme in December 2009 and a second tranche was also announced in April 2010.

The accounts include £634K of restructuring costs (see note 7) which will reduce the FTE staff numbers within the College for the year ending 31 July 2011 by 23.

**Fixed Assets**

A full property valuation was carried out at 31 July 2008 and the current depreciated replacement cost for both the Stow City and Stow West campuses is £6.5M.

Capital investment in the Estate, ICT and general equipment of £919,468 was made during the year, funded by SFC capital grant.

**Operating and Financial Review (continued)****Balance Sheet**

The College's net current asset position at 31 July 2010 has fallen from £1,684K to £741K mainly due to the repayment of past funding of £1,061K during the year.

Cash reserves at 31 July 2010 were £1,959,464. The profile for repayment of past funding is set at a level to ensure that the College maintains sufficient cash reserves to meet its working capital requirements.

**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 has approved a revised 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 2009/10 to deliver 45,391 WSUMs. This target was achieved.

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

<b>Programme Group</b>	<b>WSUMs 2009/10</b>	<b>WSUMs 2008/09</b>	<b>+/(-)</b>
Business Management	4,501	6,141	(1,640)
Food Technology & Catering	38	867	(829)
Computing	3,706	5,195	(1,489)
Construction	5,383	5,040	343
Art & Design	8,174	7,337	837
Engineering	5,031	6,029	(998)
Health	3,788	8,628	(4,840)
Minerals & Materials	8	-	8
Personal Development	140	342	(202)
Science & Maths	6,160	4,543	1,617
Social Studies	1,907	2,420	(513)
Social Work	291	713	(422)
Special Programmes	884	812	72
Extended Learning Support(ELS)	5,387	3,775	1,612
<b>Total</b>	<b>45,398</b>	<b>51,842</b>	<b>(6,444)</b>

**Operating and Financial Review (continued)**

The reduction in activity funding has meant that the College has terminated its distance learning collaborative programmes. The variances for Business Management, Computing and Health are due to the reduction in activity funding. The demand for places and the reduction in collaborative activity has led to an increase in core programmes with increased activity in Art & Design and Science & Maths.

The College has continued to put in place new systems and processes including the creation of learner champions to provide additional learner support. These changes and the displacement of collaborative programmes which traditionally required less support have resulted in an increase in ELS activity.

The number of students enrolled on programmes is:

**Student Enrolments**

	2009/10	2008/09	+/(-)
Full Time	2,109	1,988	121
Part Time Student Numbers	3,861	8,327	(4,466)
<b>Total Student Numbers</b>	<b>5,970</b>	<b>10,315</b>	<b>(4,345)</b>

The reduction in student enrolments is impacted significantly by the reduced activity funding. Distance learning programmes were delivered to a high volume of part time learners. The shift away from collaborative programmes is also reflected in the increase in full time student enrolments.

In March 2010 the College revised and expanded its key performance indicators, these are organised into four key groupings.

**Financial**

The variance between years is significantly influenced by the reduction in activity funding, the repayment of past funding and the staff restructuring programme. FRS17 changes also impact. In measuring financial performance the College has delivered its budgeted surplus prior to FRS17 changes. The staff restructuring has created a stable structure and an achievable budget for 2010/11. Cash and working capital indicators demonstrate that the College has sufficient working capital to meet its obligations.

**Human Resources**

During the year staff numbers have reduced due to the voluntary severance programme. These changes impact on the indicators for 2009/10.

**Buildings & Infrastructure**

These indicators are being developed and will be expanded upon. The electricity and gas consumption is an important part of the programme to reduce carbon emissions and to achieve the college target under its climate action change and carbon management programmes.

**Learning & Teaching**

The reduction in collaborative programmes means the year on year indicators are not comparable. Whilst overall % levels have fallen progress is being made at an individual programme level. Following the HMIE review the College does have an action plan in place which should have a positive impact of the performance indicators for 2010/11.

## Operating and Financial Review (continued)

KPI	2009/10	2008/09	+/( -)
<b>Financial</b>			
Operating Surplus (£K)	535	12	523
WSUMs delivered as a % of target	100.02	96.04	4.98
Non SFC Income as a % of total income	23.01	23.16	(0.15)
International fee income	296	299	(0.03)
Staff Cost as % of total expenditure	66.70	65.15	1.55
College support fund intervention (£K)	87	57	30
Days cash to total expenditure (excluding depreciation)	56	68	(12)
Current ratio: current assets to current liabilities	1.44	2.18	(0.74)
<b>Human Resources</b>			
Staff turnover %	13.85	6.50	7.35
Working days lost through Absence per FTE	3.74	5.40	(1.66)
% of staff holding TQFE qualification	59.06	61.03	(1.97)
WSUMs per staff FTE	185.30	204.91	(19.61)
<b>Buildings &amp; Infrastructure</b>			
Electricity and Gas consumption (kwh)	3,609,287	3,618,862	(72,575)
<b>Learning &amp; Teaching</b>			
Early student retention %	87.82	92.55	(4.73)
Student retention %	83.28	87.39	(4.11)
Student achievement %	82.22	84.19	(1.97)
Client satisfaction %	86	88	(2)

## PRINCIPAL RISKS AND UNCERTAINTIES

## College Curriculum in Glasgow City Centre

In December 2009 SFC issued a paper for consultation into College Curriculum in Glasgow city centre. This paper “sets out SFC’s thinking to date on the future shape of the college curriculum in Glasgow city centre to help inform estates planning. The intention is to set out a broad curriculum structure and long-range activity assumptions for provision in the city centre, which will in turn lead to agreement on space and cost assumptions for the new city centre campus”. Included within this paper was a proposal for Stow College curriculum to “be consolidated in the city centre in the new campus development as part of the overall provision to be delivered by the new merged college. Even if this provision were to be consolidated in the new city centre college, the Council would expect there to remain a role for Stow College, albeit a more focussed one on a smaller range of curriculum provision”.

On September 1<sup>st</sup> 2010 the three Glasgow city centre Colleges (Central, Nautical and Metropolitan) formally merged to create City of Glasgow College. There remains some uncertainty about the level of funding that would be available for the new campus development and a decision from Scottish Government is expected in mid 2011. The College is currently discussing with SFC the consolidation of curriculum and it is unclear at this stage whether consolidation is dependant on the new campus development proposals being approved.

The College has an agreed offer of funding for 2010/11.

**Operating and Financial Review (continued)**

**Public Sector Funding**

The UK government is planning to reduce public sector expenditure as part of its deficit reduction programme. The implications for Scotland and the sector should be known in November 2010. The implications for individual Colleges will be reflected in funding for 2011/12 onwards and the College has recognised through its planning processes that funding is likely to be reduced.

**Strategic Change**

The College has undergone a series of changes and has been successful in delivering changes that will reduce costs in 2010/11 primarily through the voluntary severance programme. Strategic change funding for 2010/11 has been formally agreed with SFC and the College has an agreed budget for 2010/11. Further changes may be required for 2011/12. The scale of any 2011/12 changes are dependant on the overall financial performance and the level of funding following the spending review.

**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 19<sup>th</sup> November 2010 and signed on its behalf by:

Kirk Ramsay  
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 Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

**Statement of full Combined Code compliance**

In the opinion of the College's 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.

**Board of Management**

The College's Board of Management meet six times during the year. The Board of Management has several committees and these were reviewed during year. This review resulted in the Governance & Business Development Committee being disbanded in September 2009 and its work amalgamated into the work of the newly named Governance and Audit Committee and Finance and General Purposes Committee. In addition to these changes the following committees were also in place during the year, a Human Resource Management Committee, a Search Committee and a Remuneration Committee. All of these Committees are formally constituted with terms of reference and their membership comprises mainly of lay members of the Board of Management.

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 Search Committee considers nominations for co-opted vacancies in the Board of Management under the terms of the Further and Higher Education (Scotland) Act 1992. Those lay members are eligible for reappointment by the relevant bodies when they retire by rotation.

The Remuneration Committee determines the remuneration of the Chief Executive & Principal.

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 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

It is with great sadness that the Board of Management reports the loss of its Chairman Mr James Mitchell who died suddenly at home on the 14th May 2010. Mr Mitchell was a devoted member of the Board of Management who always gave his time generously and he will be greatly missed by the Board and his many friends at the College.

The members of the Board of Management of the College at 31 July 2010, 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 J Mitchell (Chair) Deceased	Finance and General Purposes, Remuneration	Retired	21 June 2001	14 May 2010
Prof. A C Roach (Vice Chair until 17 March 2010)	Finance and General Purposes, Remuneration	University of West of Scotland	26 March 1998	24 March 2010
Mr I Baxter (Interim Vice Chair from 17 March 2010 Interim Chair from 2 July 2010)	Finance and General Purpose,	Consultant	23 March 2005	
Mrs K Henry	Governance and Audit, Human Resource Management	Job Centre Plus Glasgow	26 November 1997	26 November 2009
Mr R McGrory	Finance and General Purpose,	Chief Executive and Principal	7 June 2000	
Cllr M Paris	Human Resource Management	Glasgow City Council	23 March 2005	
Dr J Rieck	Governance & Business Development	College of Holistic Medicine	2 October 2003	
Mr D Robertson	Human Resource Management	Support Staff Representative	25 November 2001	24 March 2010
Mr D Sibbald	Finance and General Purpose	Sibbald Ltd	2 October 2003	
Mr D Stark	Governance and Audit Committee, Human Resource Management	Retired	2 October 2003	
Mr R Wilson		Teaching Staff Representative	23 February 2007	
Mr G Hunt	Governance and Audit Committee	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 Committee	NHS Greater Glasgow & Clyde	16 September 2009	
Mr P Lord	Finance and General Purpose	Rolls Royce PLC	25 November 2009	
Mr K Ramsay – Appointed Chair 28 September 2010		Glasgow Science Centre	25 November 2009	
Mr F Atiso		Student Representative	25 November 2009	
Ms M Okoh		Student Representative	25 November 2009	
Mr H Robertson		Support Staff Representative	2 July 2010	

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

Yvonne Alexis served as Clerk to the Board until 16<sup>th</sup> September 2009 and Brian Schoular was appointed on 31<sup>st</sup> October 2009.

The members of the committees of the Board of Management of the College during the year ended 31 July 2010, all of whom have been members for the whole of the year unless otherwise stated, were:

**Governance and Audit Committee:**

Mr T Arbuckle (Chair)	Consultant
Mr L Greenock	South Lanarkshire Council
Mrs K Henry	Board of Management (last meeting 17 <sup>th</sup> November 2009)
Mr I Miller	Retired
Mr G Hunt	Board of Management
Mr R Rose	Board of Management
Mr D Stark	Board of Management

**Finance and General Purpose Committee:**

Prof A C Roach (Chair)*	Board of Management (last meeting 12 <sup>th</sup> February 2010)
Mr I Baxter (Chair)*	Board of Management
Mr J Mitchell	Board of Management (last meeting 12 <sup>th</sup> February 2010)
Mr P Lord	Board of Management
Mr D Sibbald	Board of Management
Mr R McGrory	Chief Executive & Principal

\* Professor Roach served as Chair up until the appointment of Mr Baxter on the 17<sup>th</sup> November 2009 pending the retirement of Professor Roach on the 24<sup>th</sup> March 2010.

**Human Resource Management Committee:**

Mrs K Henry (Chair)	Board of Management (last meeting 18 <sup>th</sup> November 2009)
Cllr M Paris	Board of Management
Mr D Robertson	Board of Management
Mr D Stark *	Board of Management
Ms A Peters	Board of Management
Ms A Miller	Assistant Principal

\* Mr Stark chaired the remaining meetings during the year following the retiral of Mrs Henry

**Remuneration Committee:**

Mr J Mitchell	Board of Management (last meeting 19 <sup>th</sup> March 2010)
Prof A C Roach	Board of Management (last meeting 19 <sup>th</sup> March 2010)
Mr I Baxter	Board of Management

**Governance & Business Development Committee: (last meeting 31 August 2009)**

Mr J Mitchell (Chair)	Board of Management
Mrs K Henry	Board of Management
Dr J Rieck	Board of Management
Prof A C Roach	Board of Management
Mr D Sibbald	Board of Management
Mr R McGrory	Chief Executive & Principal
Mr R Ross	Marketing Services Manager

**Search Committee:**

The committee was convened by the Chair of the Board of Management to undertake the recruitment and selection of new Board members at the start of the year.

**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 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 2010 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.

Kirk Ramsay  
Chair of the Board of Management  
19<sup>th</sup> November 2010

### 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 Institutions 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;
- 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.

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;
- 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;
- 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;

**Statement of Responsibilities of the Board of Management**

- Professional internal audit team whose annual programme is approved by the 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 19<sup>th</sup> November 2010 and signed on its behalf by

Kirk Ramsay  
Chair of the Board of Management

**Independent auditor's 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 2010 under the Further and Higher Education (Scotland) Act 1992. These 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. These financial statements have been prepared under the accounting policies set out within them.

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 123 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, Chief Executive and auditor**

The Board of Management and Chief Executive 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: Accounting for Further and Higher Education. The Board of Management and Chief Executive are also responsible for ensuring the regularity of expenditure and income. These responsibilities are set out in the Statement of Responsibilities of the Board of Management.

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 to you 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 report to you whether, in our opinion, the information which comprises the Operating and financial review, included in the Annual Report, is consistent with the financial statements. 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
- funds from whatever source administered by the college for specific purposes have been properly applied for the intended purposes.

In addition, we report to you if, in our opinion, the college has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement of Corporate Governance and Internal Control reflects the college's compliance with the requirements of the Scottish Funding Council and we report if, in our opinion, it does not. We are not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the college's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Operating and financial review. 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.

**Independent auditor's report to the members of the Board of Management of Stow College, the Auditor General for Scotland and the Scottish Parliament (continued)****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. Our 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 Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most 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.

**Opinions***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 made thereunder by the Scottish Funding Council, 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;
- the financial statements have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction made thereunder by the Scottish Funding Council; and
- information which comprises the Operating and Financial Review, included with the Annual Report is consistent with the financial statements.

*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.

**BDO LLP**

*Chartered Accountants  
and Registered Auditors*

Glasgow

UK

19<sup>th</sup> November 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

## Income and Expenditure Account for the Year Ended 31 July 2010

	Note	Year Ended 31 July 2010 £'000	Year Ended 31 July 2009 £'000
<b>Income</b>			
SFC grants	2	11,022	10,791
Tuition fees and education contracts	3	2,700	2,471
Other grant income	4	174	290
Other operating income	5	413	432
Endowment and investment income	6	7	60
<b>TOTAL INCOME</b>		<b>14,316</b>	<b>14,044</b>
<b>Expenditure</b>			
Staff costs	7	9,192	9,142
Other operating expenses	9	3,587	3,897
Depreciation	12	904	935
Interest payable	10	98	58
<b>TOTAL EXPENDITURE</b>		<b>13,781</b>	<b>14,032</b>
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and before tax		535	12
Taxation	11	-	-
<b>Surplus on continuing operations after depreciation of assets at valuation and after tax</b>		<b>535</b>	<b>12</b>

## Statement of Historical Cost Surpluses and Deficits for the Year Ended 31 July 2010

	Note	Year Ended 31 July 2010 £'000	Year Ended 31 July 2009 £'000
Surplus on continuing operations for the year		535	12
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	18	154	154
<b>Historical cost surplus for the year</b>		<b>689</b>	<b>166</b>

The notes on pages 23 to 40 form part of these financial statements.

**Statement of Total Recognised Gains and Losses for the Year Ended 31 July 2010**

	Note	Year Ended 31 July 2010 £'000	Year Ended 31 July 2009 £'000
Surplus on continuing operations for the year after depreciation of assets and valuation and tax		535	12
Actuarial gain/(loss) in respect of pension scheme	19 & 24	68	(967)
<b>Total gain /(loss) recognised since last annual report</b>		<b>603</b>	<b>(955)</b>

**RECONCILIATION**

Opening reserves	2,813	3,768
Total recognised gains/(losses) for the year	603	(955)
<b>Closing reserves</b>	<b>3,416</b>	<b>2,813</b>

The notes on pages 23 to 40 form part of these financial statements.

## Balance Sheet as at 31 July 2010

	Note	Year Ended 31 July 2010 £'000	Year Ended 31 July 2009 £'000
<b>Fixed assets</b>			
Tangible fixed assets	12	<u>8,154</u>	<u>8,139</u>
<b>Current assets</b>			
Stocks		8	6
Debtors	13	465	668
Cash at bank and in hand		<u>1,959</u>	<u>2,433</u>
		<b>2,432</b>	<b>3,107</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(1,691)</b>	<b>(1,423)</b>
<b>Net current assets</b>		<u>741</u>	<u>1,684</u>
<b>Total assets less current liabilities</b>		<u>8,895</u>	<u>9,823</u>
Creditors due after one year	15	<b>(1,458)</b>	0
<b>Provisions for liabilities</b>	16	-	<b>(2,885)</b>
<b>Net Assets excluding pension (liability)</b>		<u>7,437</u>	<u>6,938</u>
Pension (liability)	24	<u><b>(1,885)</b></u>	<u><b>(2,438)</b></u>
<b>NET ASSETS INCLUDING PENSION (LIABILITY)</b>		<u><b>5,552</b></u>	<u><b>4,500</b></u>
Deferred capital grants	17	<u>2,136</u>	<u>1,687</u>
<b>Reserves</b>			
Income and expenditure reserve excluding pension reserve	19	250	46
Pension reserve	19 &24	<b>(1,885)</b>	<b>(2,438)</b>
<b>Income and expenditure account including pension reserve</b>		<u><b>(1,635)</b></u>	<u><b>(2,392)</b></u>
Revaluation reserve	18	<u>5,051</u>	<u>5,205</u>
<b>Total Reserves</b>		<u><b>3,416</b></u>	<u><b>2,813</b></u>
<b>TOTAL</b>		<u><u><b>5,552</b></u></u>	<u><u><b>4,500</b></u></u>

The financial statements on pages 19 to 40 were approved by the Board of Management and authorised for issue on 19<sup>th</sup> November 2010 and signed on its behalf by:

Kirk Ramsay  
Chair

R McGrory  
Chief Executive & Principal

## Cash Flow Statement for the Year Ended 31 July 2010

	Note	Year Ended 31 July 2010 £'000	Year Ended 31 July 2009 £'000
<b>CASH FLOW STATEMENT</b>			
Net cash inflow/(outflow) from operating activities	20	(635)	(48)
Returns on investments and servicing of finance	21	7	60
Capital expenditure	21	154	(150)
Financing	21	-	-
<b>Increase in cash in the period</b>		<u>(474)</u>	<u>(138)</u>
<b>Reconciliation of net cash flow to movement in net funds/(debt)</b>			
Increase/(Decrease) in cash in the period		(474)	(138)
Cash outflow from decrease in debt and lease financing		-	-
Movement in net funds in the period		<u>(474)</u>	<u>(138)</u>
Net funds at 1 August 2009	22	2,433	2,571
<b>Net funds at 31 July 2010</b>	22	<u>1,959</u>	<u>2,433</u>

The notes on pages 23 to 40 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 in July 2008.

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	-	over 10 years
Computers, furniture and equipment	-	over 4 years
Motor vehicles	-	over 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.

**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 projected unit 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.

## Notes to the financial statements (continued)

**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 2010 £'000	Year Ended 31 July 2009 £'000
FE Recurrent grant (including fee waiver)	8,274	9,192
Funding for increased STSS pension contributions	-	48
Strategic change grant	1,404	-
FE childcare funds	289	462
Release of deferred capital grants	597	629
Other SFC grants	458	460
	<u>11,022</u>	<u>10,791</u>

**3. Tuition fees and education contracts**

	Year Ended 31 July 2010 £'000	Year Ended 31 July 2009 £'000
Further Education fees – UK	38	104
Further Education fees – EU	1	2
Further Education fees – non EU	20	58
Higher Education fees	1,923	1,705
	<u>1,982</u>	<u>1,869</u>
Education contracts	247	81
Other contracts	471	521
	<u>2,700</u>	<u>2,471</u>

## Notes to the financial statements (continued)

<b>4. Other grant income</b>	<b>Year Ended 31 July 2010 £'000</b>	<b>Year Ended 31 July 2009 £'000</b>
European grants	73	133
Other grants	74	131
Release of deferred capital grants – non-SFC	27	26
	<u>174</u>	<u>290</u>
<b>5. Other operating income</b>	<b>Year Ended 31 July 2010 £'000</b>	<b>Year Ended 31 July 2009 £'000</b>
Residences, catering and conferences	327	358
Other income generating activities	86	74
	<u>413</u>	<u>432</u>
<b>6. Endowment and Investment Income</b>	<b>Year Ended 31 July 2010 £'000</b>	<b>Year Ended 31 July 2009 £'000</b>
Bank interest receivable	<u>7</u>	<u>60</u>

**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:

	<b>Year Ended 31 July 2010 Number</b>	<b>Year Ended 31 July 2009 Number</b>
Teaching departments	134	141
Teaching services	49	50
Administration and central services	35	36
Premises	14	14
Catering and residences	13	12
	<u>245</u>	<u>253</u>
Staff costs for the above persons	<b>£'000</b>	<b>£'000</b>
Wages and salaries	7,586	7,699
Social security costs	601	597
Other pension costs (incl FRS17 adjustments)	371	846
Staff restructuring	634	-
	<u>9,192</u>	<u>9,142</u>

## Notes to the financial statements (continued)

Analysis of staff costs	£'000	£'000
Teaching departments	5,764	5,421
Teaching services	1,503	1,651
Administration and central services	1,320	1,476
Premises	348	391
Other expenditure (incl FRS 17 adjustments)	(583)	6
Catering and residences	206	197
Staff restructuring	634	-
	<u>9,192</u>	<u>9,142</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 Number	Year Ended 31 July 2009 Number
£50,001 to £60,000	11	6
£60,001 to £70,000	6	2
£70,001 to £80,000	2	1
£80,001 to £90,000	-	1
£90,001 to £100,000	1	-
£100,001 to £110,000	-	-
£110,001 to £120,000	-	1
£120,001 to £130,000	1	-
	<u>21</u>	<u>11</u>

The total for the year ended 31 July 2010 includes 11 staff who were part of the staff restructuring programme and whose emoluments include termination payments.

**8. Senior Post-Holders' Emoluments**

	Year Ended 31 July 2010 Number	Year Ended 31 July 2009 Number
The number of senior post-holders including the Principal was:	4	6
Senior post-holders emoluments are made up as follows:		
	£	£
Salaries	329,133	420,224
Benefits in kind	12,208	18,668
Pension contributions	50,808	58,750
Total emoluments	<u>392,149</u>	<u>497,642</u>

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of:

	£	£
Salary	116,317	111,038
Benefits in kind	4,375	4,968
	<u>120,692</u>	<u>116,006</u>
Pension contributions	<u>16,767</u>	<u>14,168</u>

**Notes to the financial statements (continued)**

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.

	<b>Year Ended 31 July 2010 £'000</b>	Year Ended 31 July 2009 £'000
<b>9. Other operating expenses</b>		
Teaching departments	<b>682</b>	863
Teaching services	<b>459</b>	576
Administration and central services	<b>714</b>	950
Premises	<b>876</b>	806
Catering and residences	<b>232</b>	240
Other expenses	<b>335</b>	-
Childcare funds	<b>289</b>	462
Total other operating expenses	<u><b>3,587</b></u>	<u>3,897</u>
Other operating expenses include:	<b>£'000</b>	£'000
Auditors remuneration (including irrecoverable VAT)		
- Internal audit	<b>18</b>	16
- External audit	<b>14</b>	15
- Other services provided by Internal auditors	<b>2</b>	12
Hire of modular accommodation	<b>119</b>	64
<b>10. Interest payable</b>	<b>Year Ended 31 July 2010 £'000</b>	Year Ended 31 July 2009 £'000
Pension finance costs	<u><b>98</b></u>	<u>58</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 2009 and 2010.

## Notes to the financial statements (continued)

## 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 2009	7,100	1,644	900	4,244	68	13,956
Additions	-	124	224	571	-	919
Disposal	-	-	-	(231)	-	(231)
<b>At 31 July 2010</b>	<b>7,100</b>	<b>1,768</b>	<b>1,124</b>	<b>4,584</b>	<b>68</b>	<b>14,644</b>
Depreciation: At 1 August 2009	300	1,644	239	3,593	41	5,817
Charge for period	300	12	113	465	14	904
Disposal	-	-	-	(231)	-	(231)
<b>At 31 July 2010</b>	<b>600</b>	<b>1,656</b>	<b>352</b>	<b>3,827</b>	<b>55</b>	<b>6,490</b>
<b>Net book value: At 31 July 2010</b>	<b>6,500</b>	<b>112</b>	<b>772</b>	<b>757</b>	<b>13</b>	<b>8,154</b>
Net book value: At 31 July 2009	6,800	-	661	651	27	8,139
Inherited	3,114	-	-	-	-	3,114
Financed by Capital Grant	1,005	112	772	757	13	2,659
Other	2,381	-	-	-	-	2,381
<b>Net book value: At 31 July 2010</b>	<b>6,500</b>	<b>112</b>	<b>772</b>	<b>757</b>	<b>13</b>	<b>8,154</b>

The College's freehold land and buildings were revalued at 31 July 2008 for the purposes of the financial statements by Colin A Fisher Associates, Chartered Surveyors. 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	2,090
Net book value based on cost	<u>1,449</u>



## Notes to the financial statements (continued)

<b>16. Provisions for Liabilities</b>	<b>Year Ended 31 July 2010 £'000</b>	<b>Year Ended 31 July 2009 £'000</b>	
At 1 August 2009	2,885	76	
Provision required / (released ) in year	-	(76)	
Transferred to other creditors	(2,885)	-	
SFC funding clawback	-	2,885	
At 31 July 2010	<u>-</u>	<u>2,885</u>	
<b>17. Deferred capital grants</b>	<b>Funding Council £'000</b>	<b>Other Grants £'000</b>	<b>Total £'000</b>
At 1 August 2009			
Land and buildings	-	193	193
Modular buildings	-	-	-
Fixtures and fittings	700	38	738
Computers, furniture and equipment	729	-	729
Vehicles	27	-	27
Received in the year:			
Modular Buildings	124	-	124
Fixtures and fittings	298	6	304
Computers, furniture and equipment	645	-	645
Released to income and expenditure account:			
Land and buildings	-	(20)	(20)
Modular buildings	(12)	-	(12)
Fixtures and fittings	(106)	(7)	(113)
Computers, furniture and equipment	(465)	-	(465)
Vehicles	(14)	-	(14)
At 31 July 2010			
Land and buildings	-	173	173
Modular buildings	112	-	112
Fixtures and fittings	892	37	929
Computers, furniture and equipment	909	-	909
Vehicles	13	-	13
	<u>1,926</u>	<u>210</u>	<u>2,136</u>
<b>18. Revaluation reserve</b>	<b>Year Ended 31 July 2010 £'000</b>	<b>Year Ended 31 July 2009 £'000</b>	
At 1 August 2009	5,205	5,359	
Transfer from revaluation reserve to general reserve in respect of: Depreciation on revalued assets	(154)	(154)	
At 31 July 2010	<u>5,051</u>	<u>5,205</u>	

## Notes to the financial statements (continued)

19. Reserves	Year Ended 31 July 2010 £'000	Year Ended 31 July 2009 £'000
<b>Income &amp; Expenditure Reserve</b>		
Balance at 1 August	46	(184)
Surplus / (deficit) on continuing operations after depreciation of assets at valuation	535	12
Transfer to/(from) pension reserve	(485)	64
Transfer from Revaluation reserve	154	154
<b>At 31 July 2010</b>	<b>250</b>	<b>46</b>
<b>Pension Reserve</b>		
Balance at 1 August	(2,438)	(1,407)
Current Service Cost	(297)	(265)
Past Service Cost	545	(68)
Employer Contributions	320	272
Gains /(losses) on curtailments and settlements	(47)	-
Contributions in respect of unfunded liabilities	62	55
Net Return on Assets/ (Liabilities)	(98)	(58)
Transfer to/(from) I&E	485	(64)
Actuarial Gain/(Loss)	68	(967)
<b>At 31 July 2010</b>	<b>(1,885)</b>	<b>(2,438)</b>
<b>Reconciliation</b>		
Income & Expenditure Reserve	250	(46)
Pension Reserve	(1,885)	(2,438)
<b>At 31 July 2010</b>	<b>(1,635)</b>	<b>(2,392)</b>

## Notes to the financial statements (continued)

<b>20. Reconciliation of surplus to net cash flow from operating activities</b>		<b>Year Ended 31 July 2010 £'000</b>	<b>Year Ended 31 July 2009 £'000</b>	
Surplus/(Deficit)		535	12	
Depreciation charges		904	935	
Deferred capital grants released		(624)	(655)	
(Increase) / Decrease in Stock		(2)	-	
(Increase)/Decrease in debtors		203	(393)	
Increase/(Decrease) in creditors		268	125	
Increase / (Decrease) in provisions		-	(76)	
Increase / (Decrease) in long term liabilities		(1,427)	-	
Interest receivable		(7)	(60)	
Interest payable		-	-	
Net adjustment on pension liability		(485)	64	
		<b>(635)</b>	<b>(48)</b>	
Net cash inflow/(outflow) from operating activities				
<b>21. Analysis of cash flows for headings netted in cash flow statement</b>		<b>Year Ended 31 July 2010 £'000</b>	<b>Year Ended 31 July 2009 £'000</b>	
<b>Returns on investments and servicing of finance:</b>				
Interest received		7	60	
Interest paid		-	-	
		<b>7</b>	<b>60</b>	
Net cash inflow from returns on investments and servicing of finance				
<b>Capital expenditure:</b>				
Purchase of Modular Accomodation		(124)	-	
Purchase of fixtures and fittings		(224)	(116)	
Purchase of computers and equipment		(571)	(448)	
Capital grants received		1,073	414	
		<b>154</b>	<b>(150)</b>	
Net cash inflow/(outflow) from capital expenditure				
<b>22. Analysis of Net Funds</b>	<b>At 1 August 2009</b>	<b>Cash Flows</b>	<b>Other Changes</b>	<b>At 31 July 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash in hand, at bank	2,433	(474)	-	1,959
Debt due within 1 year	-	-	-	-
Debt due after 1 year	-	-	-	-
	<b>2,433</b>	<b>(474)</b>	<b>-</b>	<b>1,959</b>

## Notes to the financial statements (continued)

## 23. Financial commitments

At 31 July 2010 the college had annual commitments under non-cancellable operating leases for the lease of modular accommodation as follows

	<b>Year Ended 31 July 2010</b>	Year Ended 31 July 2009
	<b>£'000</b>	£'000
<b>Land and Buildings</b>		
Expiring within one year	110	110
Expiring within two to five years	46	156
	<u>156</u>	<u>266</u>

## 24. 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:

	<b>Year Ended 31 July 2010</b>	Year Ended 31 July 2009
	<b>£</b>	£
Contribution to Teachers Pension Scheme	620,991	584,604
Contribution to LGPS	332,947	332,085
FRS 17 pension (credit)/charge	(583,000)	6,000
Release of provision for unfunded liability	-	(76,288)
Total Pension Cost (note 7)	<u>370,938</u>	<u>846,401</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 Scottish Teachers' Superannuation Scheme 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 2009 to the 31 July 2010, the employer contribution was 14.5% with an employee contribution rate of 6.4%.

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 2008
Valuation method	Projected unit
Market value of assets	£9,493 million
Actuarial assumptions - discount rate	6.1%
- salary increase rate	5.1%
- price inflation	3.6%

For the purposes of FRS17 Retirement Benefits an actuarial valuation was calculated by the actuary as at 31 July 2010 and 31 July 2009.

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

	31 July 2010	31 July 2009
Inflation/Pension Increase Rate	2.9%	3.7%
Salary Increase Rate*	4.9%	5.2%
Expected rate of return	6.6%	6.8%
Discount Rate	5.4%	6.0%

\* Salary increases have been amended in the short term to reflect the current economic conditions for the public sector. Rates used are 1% for 3 years, RPI for 2 years and returning to 4.9% 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	20.6 years	23.9 years
Future Pensioners	22.6 years	25.0 years

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

	Long term rate of return at 31 July 2010	Value at 31 July 2010	Long term rate of return at 31 July 2009	Value at 31 July 2009
	%	£'000	%	£'000
Equities	7.2	5,170	7.3	4,336
Bonds	4.8	965	5.3	856
Property	5.3	483	5.3	399
Cash	4.4	276	4.3	114

## Notes to the financial statements (continued)

**Total market value of assets**

	<b>Year ended 31 July 2010</b>	Year ended 31 July 2009
	£'000	£'000
Estimated value of employer assets	6,894	5,705
Present value of liabilities	(8,779)	(8,143)
<b>Deficit in the scheme</b>	<u>(1,885)</u>	<u>(2,438)</u>

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

	<b>Year ended 31 July 2010</b>	Year ended 31 July 2009
	£'000	£'000
Employer service costs	344	265
Past service costs	(545)	68
<b>Total operating charge/(credit)</b>	<u>(201)</u>	<u>333</u>

**Analysis of pension finance income/(costs)**

Expected return on pension scheme assets	(395)	(426)
Interest on pension liabilities	493	484
Pension finance (income) / costs	98	58
<b>Net revenue account (income)/cost</b>	<u>(103)</u>	<u>397</u>

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

Actual return less expected return on pension assets	579	(772)
Experience gains and losses arising on the scheme liabilities	(3)	349
Change in financial assumptions underlying the scheme liabilities	(508)	(544)
<b>Actuarial gain/(loss) recognised in STRGL</b>	<u>68</u>	<u>(967)</u>

## Notes to the financial statements (continued)

	Year ended 31 July 2010	Year ended 31 July 2009
<b>Movement in surplus/(deficit) during year</b>		
(Deficit) in scheme at 1 August 2009	(2,438)	(1,407)
Movement in year:		
Current service charge	(297)	(265)
Contributions	382	327
Past service costs	545	68
Losses on curtailments and settlements	(47)	
Net interest/return on assets	(98)	(58)
Actuarial gains/(losses)	68	(967)
(Deficit) in scheme at 31 July 2010	<u>(1,885)</u>	<u>(2,438)</u>
 <b>Asset and Liability Reconciliation</b>		
	<b>Year ended 31 July 2010</b>	<b>Year ended 31 July 2009</b>
<b>Reconciliation of Liabilities</b>		
Liabilities at start of period	8,143	7,210
Service cost	297	265
Interest cost	493	484
Employee contributions	104	97
Actuarial loss	511	195
Benefits Paid	(271)	(176)
Past Service cost	47	68
Losses on curtailments	(545)	
<b>Liabilities at end of period</b>	<u>8,779</u>	<u>8,143</u>
 <b>Reconciliation of Assets</b>		
	<b>Year ended 31 July 2010</b>	<b>Year ended 31 July 2009</b>
<b>Assets at start of period</b>	5,705	5,803
Expected return on assets	395	426
Actuarial gain/(loss)	579	(772)
Employer contributions	382	327
Employee contributions	104	97
Benefits paid	(271)	(176)
<b>Assets at end of period</b>	<u>6,894</u>	<u>5,705</u>
 <b>History of experience gains and losses</b>		
	<b>Year ended 31 July 2010</b>	<b>Year ended 31 July 2009</b>
Difference between the expected and actual return on assets	(580)	17
Value of Assets	6,894	5,705
%age of scheme assets	(8.41%)	(0.30%)
Experience gains and (losses) on scheme liabilities	(3)	349
Present value of liabilities	8,779	8,143
%age of scheme liabilities	(0.03%)	4.29%

**Notes to the financial statements (continued)**

	<b>Year ended 31 July 2010</b>	Year ended 31 July 2009
Actuarial gains/(losses) recognised in STRGL	68	(967)
Present value of liabilities	8,779	8,143
%age of scheme liabilities	(0.77%)	(11.88%)

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

	Employer Contribution Rates	Employee Contribution Rates
1 <sup>st</sup> April 2009 to 31 March 2010	17.30%	5.5% to 12%*
1 <sup>st</sup> April 2010 to 31 March 2011	18.20%	5.5% to 12%*

\*based on employee pensionable pay .

**25. Post Balance Sheet Events**

There were no post balance events to disclose.

**26. Contingent Liabilities**

The College has no contingent liabilities to disclose.

**27. Capital Commitments**

	<b>31 July 2010 £'000</b>	31 July 2009 £'000
Committed at 31 July 2010	<u>308</u>	<u>155</u>

The capital commitments at 31 July 2010 related to ongoing estates refurbishment and ICT investment. These capital commitments are fully funded by capital grant from the Scottish Funding Council.

**28. 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:

<b>Member</b>	<b>Company</b>	<b>Type of Contract</b>	<b>Expenditure</b>
Mr R McGrory	Cormack Ltd	Educational Services	£10,000
Mr R McGrory	West of Scotland Colleges Partnership	Educational Services	£12,757

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
Mrs K Henry	Jobcentre Plus	Marketing Executive
Cllr M Paris	Glasgow City Council	Councillor
Prof A C Roach	University of West of Scotland	Grenton Professorship
Prof A C Roach	University of Glasgow	Honory Senior Research Fellow
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.

## 29. Student Support Funding

## Year Ended 31 July 2010

	FE Bursary £'000	FE Hardship £'000	EMAs £'000	Other £'000	Total £'000	2009 £'000
Balance at 1 August 2009	35	5	2		42	191
Allocation received in year	1,015	169	110	189	1,483	1,413
Bank Interest	-	-	-	-	-	1
Expenditure	(1,155)	(74)	(111)	(171)	(1,511)	(1,413)
Repayment due to SFC/SAAS as clawback	(38)	(4)	-	-	(42)	(159)
College contribution to funds	83	4	-	-	87	79
Virements	60	(100)	-	-	(40)	(70)
Balance Carried Forward 31 July 2010	-	-	1	18	19	42
Represented by:						
Repayable as Clawback	-	-	-	10	10	-
Retained by college for students	-	-	1	8	9	42
Balance 31 July 2010	-	-	1	18	19	42

Bursary and other student support funds consist of Bursary, Non-Advanced Hardship (FE Hardship) and Educational Maintenance Allowance (EMAs) funds provided by the Scottish Funding Council (SFC) and HE Childcare and Advanced Hardship (Other) 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)

<b>FE Childcare</b>	<b>Year Ended 31 July 2010 £'000</b>	<b>Year Ended 31 July 2009 £'000</b>
Balance at 1 August 2009	1	13
Allocation received	289	380
Expenditure	(330)	(462)
Virements	40	70
Balance carried forward 31 July 2010	<u>          --</u>	<u>          1</u>
Represented by:		
Retained by college for students	<u>          -</u>	<u>          1</u>

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