

Report of the  
BOARD OF MANAGEMENT  
OF CARDONALD COLLEGE  
GLASGOW & THE ACCOUNTS



CARDONALD  
COLLEGE  
GLASGOW

**FOR THE YEAR ENDED 31 JULY 2008**

Cardonald College is a registered Scottish Charity No: SC0 21182

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**cardonald.ac.uk**

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It is a duty of the Board of Management of the College to prepare financial statements in respect of each financial year. The attached financial statements relate to the financial year 1 August 2007 to 31 July 2008.

## A. OPERATING AND FINANCIAL REVIEW

### 1. STATUTORY BACKGROUND

Cardonald College is a further education corporation under the provisions of the Further and Higher Education (Scotland) Act 1992 and hence is a free standing corporate body. The College is also a registered charity.

### 2. MISSION & ENDS STATEMENT

The College's Mission & Ends statement as approved by its Board members is:-

#### **Mission**

Cardonald College helps you to achieve your potential through a valuable and enjoyable learning experience.

#### **Ends**

Cardonald College will, within its powers and available resources,

- 1) Provide a range of learning opportunities that reflects current and future needs, taking account of strong links with employers and demonstrating a commitment to social and economic inclusion.
- 2) Provide the widest possible access to, and progression through, learning, responding positively and flexibly to the diversity of clients and communities.
- 3) Promote achievement and the realisation of potential, by providing the highest possible standards of quality in learning and teaching, support services and College environment.
  - To support the achievement of these Ends, the College will further develop its capacity as an effective, responsible and sustainable organisation.

### 3. CONTEXT AND OPERATIONAL ENVIRONMENT

#### **History of the College**

Cardonald College was established in 1971 by the then Glasgow City Corporation to provide vocational education and training for the communities in the south west of Glasgow. In 1975 the College came under the control of Strathclyde Regional Council as a result of local government reorganisation. On 1 April 1993 control of the College passed to a Board of Management following the Further and Higher Education (Scotland) Act 1992 through which the College became an incorporated body and a registered charity.

#### **Principal Functions**

The Board of Management sees the primary role of Cardonald College as improving opportunities and quality of life in the local area by offering broad-based, accessible learning opportunities to its communities. The College aims to continue to widen participation in learning among all sections of the community and in particular to raise aspirations, improve skill levels and support community capacity-building in the most disadvantaged local areas. The Board also considers that in order to optimise its contribution to the communities it serves, the College should maintain a balance between its broad-based non-advanced curriculum and the excellent specialist and advanced provision it has built up over the years.

In order to enhance economic prosperity in its local area, and to contribute to economic development both nationally and internationally, the College ensures that appropriate and relevant skills are fostered in the workforce. This complements the role of enhancing opportunities for individuals.

#### **Student Population**

The College provided further and higher education to 11,536 students in 2007/08 of which 2,177 were full time students and 9,359 were part time students. Non-advanced level education was provided to 10,095 students and advanced level education was provided to 1,441 students. The College has provided a higher volume of activity through schools/college partnership over the last couple of years and efforts in particular were focused in 2007/08 on activity targeted at those at school who are deemed most likely to leave education through the More Choices More Chances Initiative funded by the Scottish Funding Council.

**Locations**

The College operates from two locations, which are its main site at Mossspark Drive in South West Glasgow, with a second smaller location at Househillmuir Road in Priesthill. In addition the College provides activity through a range of outreach locations.

**4. OPERATIONAL REVIEW 2007/08 AND PROGRESS ON NATIONAL PRIORITIES**

The College implemented its Strategic plan during the year including addressing national priorities as appropriate.

This was a transitional year for the College as the previous Principal left in September 2007 after ten years of service and there was an Acting Principal in place from September 2007 to July 2008, when a new Principal was appointed. During this year there were two major achievements for the College which were to continue to provide high quality education through the significant challenges of the final construction phases of the refurbishment of the College's main building, and the successful outcome of the inspection of the College by Her Majesty's Inspectorate of Education, HMIe, which took place in March 2008.

The College keeps its curriculum profile under continuous review and adapts to meet market demands whilst continuing to serve the local needs and maintaining specialist provision. During 2007/08 the College reviewed and updated its Learning and Skills Strategy which considers the range of skills needs within the national and local economy. The Learning and Skills Strategy sets out the College's overall curriculum priorities for the coming year and the funding parameters within which we are working to achieve these. In line with the strategy the relationship between the curriculum and the budget planning process continues to be strengthened to ensure full consideration is given to the overall financial viability of the portfolio. As a result programmes that have had difficulty over the last few years in recruiting viable student numbers, meeting retention targets, etc, have been withdrawn or reduced for the 2008/09 academic session and this process will continue each year to update the portfolio as required. During 2007/08 the main changes in the curriculum were new delivery in the Financial Services sector and Renewable Energy, and further development of Schools provision particularly in relation to transition programmes. Significant work was undertaken to improve and extend our delivery and support for More Choices More Chances groups which are those deemed most likely to drop out of education.

In 2007/08, the College achieved 0.7% over its Weighted Student Unit of Measurement (WSUMs) Target of 73,451 WSUMs as set by the funding council. This was partly as a result of improved early retention of full time students which increased from 88% in 06/07 to 90% in 07/08.

With regard to the College Estate, the College prepared an update Estates Strategy in December 2007 which is a ten year strategy providing a summary of the College's plans for each of its buildings, and this strategy will be refreshed annually. During the year 2007/08, the most significant estates development for the College was the final construction stages of the planned transformation of the College Mossspark Drive campus through the major campus development project, which commenced in July 2005 and was on site until March 2008. Phase 1 of the project was to build a new Skills Centre and a new Children's Centre to replace and improve existing facilities in these areas, and these buildings became operational from September 2006. Phase 2 was the refurbishment of the College main Tower building and this commenced in July 2006, continuing through its main construction phase until March 2008. There are however significant ongoing snagging and defects issues being pursued with the main contractor Kier, and there is a remediation cost report has been commissioned by the Scottish Funding Council to quantify the remedial works that will be required to deliver fully fit for purpose buildings for the College. In relation to the campus project, the College is pursuing a Lennartz claim in respect of the timing of payments of related VAT. Discussions on this claim are still ongoing with HMRC and it has been excluded from the College financial statements for 2007/08 pending agreement with HMRC. The campus redevelopment project cost £23million in total which was mainly funded from external funds from the Scottish Funding Council, European Regional Development Fund, Scottish Enterprise, New Opportunities Fund and the Robertson Trust, along with some funds from the College.

Also during the year, the College received a Capital Formula Funding Allocation from the Scottish Funding Council (SFC) of £767k for ongoing estates development, of which £88k was expensed with the balance used for capital expenditure during the year ended 31 July 2008. The monies have been expended in accordance with the College's overall Estates Plans.

## 5. FINANCIAL REVIEW

The College has achieved a strong operating financial performance in 2007/08 and would have shown a surplus on continuing operations of £596k before a one-off impairment charge relating to Land and Buildings revaluation. The financial statements show a deficit on continuing operations of £1,758k on the income and expenditure account which is due to the impact of the one-off impairment charge of £3,098k to Other Operating Expenses offset by a release of related grants of £744k leaving a net impairment charge of £2,354k. A related transfer of £2,271k is made from the revaluation reserve to the general reserve. This has been done in accordance with FRS15 Tangible Fixed Assets which the College has now implemented in full from 2007/08. The surplus excluding the net impairment charge of £596k is however a lower surplus than the previous year (£939k in 2006/07) which had been unusually high due to specific circumstances in that year with higher interest receivable due to balances held for the campus project, higher ESF income due to related projects ongoing in that year, and a fee waiver clawback which related to 06/07 activity which was reflected in 07/08. After allowing for the effect of depreciation directly attributable to revalued assets of £167k, the historical cost surplus for 2007/08 amounts to £680k.

The College's plans include the maintenance of College financial security which has been achieved during the year 2007/08 and to deliver financial sustainability. The main challenges which the College will have to address to deliver this are to further increase the efficiency of its teaching delivery and to maximise the financial benefits of its non-SFC related activity.

## 6. FUTURE DEVELOPMENTS

Under the guidance of the new Principal the College will be reviewing its curriculum to increase the efficiency of teaching delivery whilst maintaining the College strategic aims of responding to needs, supporting access and progression, realising potential through excellent provision and building College capacity. The College also plans to significantly enhance its income from non-SFC activity with renewed focus on this area to increase this income and related surplus over the coming year and in the future.

The College Estate will continue to be developed through a range of projects within the masterplan for the College's capital developments. This will include any changes in line with curriculum changes as well as addressing any remaining backlog maintenance and areas not already covered in the main campus project such as landscaping. Also, the remediation works following the main campus redevelopment project will be undertaken once the required funding package is established.

## 7. BEST VALUE

The College is committed to achieving value for money from its available resources and undertakes several value for money reviews each year. In addition, the College participates in the Efficient Government Initiative delivering a number of process efficiency improvements each year.

## 8. STAFF INVOLVEMENT

The College considers good communication with its staff to be very important and to this end publishes a regular newsletter which is available to all staff. A range of briefing, consultation and bargaining arrangements has been developed and these are subject to continual review and improvement. As a holder of the Investors In People Award, our commitment to staff is documented and audited.

## 9. COMMITMENT TO QUALITY

Quality is central to the ethos of the College and the Board of Management have a policy that the College will, having regard to the availability of resources, seek to achieve the optimum level of quality in all aspects of its activities. This is achieved by placing the quality of the student experience at the centre of all activities, active involvement of the Board and all staff in an ongoing process of self evaluation to achieve continuous quality improvement, setting standards which reflect best practice, and attaining the highest possible standards of learning and teaching.

## 10. OPENNESS AND FREEDOM OF INFORMATION

All processing of information within the College complies with the appropriate legislation including the Data Protection Acts and the Freedom of Information Act.

## 11. EMPLOYMENT OF DISABLED PERSONS

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees. The College has held the Positive About Disabled kitemark for 11 years.

## 12. CHARITABLE AND 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 as a charity by HM Revenue & Customs and is not liable to corporation tax.

## 13. PROMPT PAYMENT TO SUPPLIERS

The College complies with the CBI prompt payment code and has a policy of paying its suppliers on a net monthly basis unless the invoice is contested. All disputes and complaints are handled as quickly as possible. The credit days taken for the financial year ending 31 July 2008 were 30.

## 14. TREASURY MANAGEMENT

The Board of Management have a Treasury Management policy in place which recognises that effective treasury management will support the achievement of its business and service objectives. The College is committed to the principles of achieving value for money and to effectively managing its cash resources and maximising benefits from its cash activity.

## 15. PROFESSIONAL ADVISORS

The College's professional advisors are as below:-

Bankers:	Bank of Scotland Corporate, Level 6, 110 St Vincent Street, Glasgow G2 5ER
External Auditors:	KPMG LLP, 191 West George Street, Glasgow G2 2LJ
Solicitors:	Anderson Fyfe, Grosvenor Building, 72 Gordon Street, Glasgow G1 3RN
Internal Auditors:	BDO Stoy Hayward, Ballantine House, 4 Atlantic Quay, Glasgow G2 9JX

Audit Scotland has appointed KPMG as the College's external auditors for the financial years 2006/07 to 2010/11. BDO Stoy Hayward were appointed internal auditors by the College from August 2005 for a three year period following a tendering exercise.

## B. BOARD OF MANAGEMENT

The composition of the Board of Management of the College during the year was as follows:

### a) Members who are not staff or students of the College:-

Mr B Durning Chair	Former Executive Director, Babbie Group
Mr I Brennan	Risk Manager, Medical & Dental Defence Union of Scotland
Mr G Chalmers	Director, Resource Efficiency Management Ltd
Mr S Martin	Self Employed Florist and Landscaper
Ms E Matheson	Charge Nurse, Community Psychiatric Nursing, Pollokshaws
Ms L McHattie	Self Employed Textile Designer
Dr A McGillivray	Director of Lifelong Learning, University of Paisley
Mr B Munsie	General Manager, North East Local Shared Services, Glasgow Housing Association
Ms L O'Donnell	Skills Contracts Manager, Scottish Enterprise
Ms A Sinclair	Chief Executive, Glasgow South West Regeneration Agency
Mr M Toma	Self Employed Accountant

The above Board members did not receive remuneration other than by way of expenses.

### b) Members who are staff or students of the College:

Principal	Ms R Micklem (to 23 Sep 2007)
Acting Principal	Ms E Harris (from 24 Sep 2007)
Teaching Member	Ms M Gilroy
Non-teaching Member	Ms S Pickles
Students' Association Nominee	Mr S Cassidy

The Principal, Ms Ros Micklem, left the College on 23<sup>rd</sup> September 2007 after 10 years service to pursue a new role elsewhere, and Ms Eleanor Harris, the Depute Principal was Acting Principal from 24<sup>th</sup> September 2007 until 17<sup>th</sup> July 2008 when Ms Susan Walsh became the new Principal for the College.

Performance evaluation of the Board is undertaken via a self evaluation process of the whole Board which is completed every other year and is reviewed in the intervening year. The Board undertook a self evaluation exercise as part of a residential Board event in February 2008 which reflected upon the composition of the current Board and the contribution of its members.

The attendance of Board members is monitored and in 2007/08 the attendance of Board members ranged from 63% to 100% during the year, with the exception of one member whose attendance was down to 50% due to specific circumstances.

Due to the nature of the College's operations and the composition of its Board of Management (being drawn from 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 a material interest are conducted in accordance with the normal project and procurement procedures as contained within the College Scheme of Delegation.

During the year, there was one set of transactions with non-public bodies in which a member of the Board of Management has an interest which in aggregate totalled just over £9,000. This was an ongoing landscaping contract which was awarded to Sandy Martin Landscapes following a tendering process.

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:

Member	Organisation	Position
Ms L O'Donnell	Scottish Enterprise Glasgow	Skills Contracts Manager

## KEY COLLEGE COMMITTEES

Members of the undernoted committees during the year were as follows:

### **Audit Committee**

Mr S Martin Chair  
Mr I Brennan  
Ms M Gilroy  
Dr A McGillivray  
Ms E Matheson

### **Finance Committee**

Mr M Toma Chair (member for full year and Chair from 13 September 2007)  
Mr B Durning  
Ms R Micklem Principal (to 23 September 2007)  
Ms E Harris Acting Principal (from 24 September 2007 to 17<sup>th</sup> July 2008)  
Ms S Walsh (from 18<sup>th</sup> July 2008)  
Ms S Pickles  
Ms A Sinclair

### **Salaries and Conditions of Service Committee**

Mr B Durning Chair  
Mr G Chalmers  
Ms L McHattie  
Mr B Munsie  
Ms L O'Donnell

### **Search and Nomination Committee during 2007/08**

Ms S Pickles Chair  
Mr G Chalmers  
Ms E Matheson  
Ms A Sinclair

## C. CORPORATE GOVERNANCE STATEMENT

### Introduction

The College is committed to exhibiting best practice in all aspects of corporate governance. This statement describes the manner in which the College has applied the principles set out in the Combined Code on Corporate Governance issued by the London Stock Exchange in 2006 as they relate to the College sector. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

### Statement of Full Combined Code Compliance

The Board of Management is of the view that an ongoing process for identifying, evaluating and managing the significant risks faced by the College has been in place for the year ending 31 July 2008 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Management and it accords with the guidance as issued by the Scottish Funding Council. The College fully complies with the Combined Code on Corporate Governance of 2006 as it applies to the College sector.

### Board of Management

The Board of Management meets seven times a year and has three standing committees; Salaries and Conditions of Service Committee, a Finance Committee, and an Audit Committee. At appropriate times a Search and Nomination Committee is created when required by anticipated Board membership retirement or casual vacancy which was the case during 2007/08. All of these Committees are formally constituted with terms of reference. They comprise of members of the Board of Management which includes the Principal and two staff members, and one member of each Committee is the Chair. Each Committee has delegated to it a specific list of functions as per the Committee remits and the primary function of the Board Committees is to support the Board by addressing those specific functions and advising the Board upon related matters.

The Salaries and Conditions of Service Committee determines the remuneration of the most senior staff, including the Principal. This committee met twice during 2007/08.

The Finance Committee met four times during 2007/08, and this Committee inter alia recommends to the Board of Management the annual revenue and capital budgets and monitors the College's financial performance in relation to the approved budgets.

The Audit Committee met four times during 2007/08, with the College's external and internal auditors in attendance as appropriate. The Committee considers detailed reports together with recommendations for improvements 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 executives of the College attend meetings of the Audit Committee as necessary, they are not members of the Committee.

A Search and Nomination Committee is appointed when required, with a remit to bring before the Board of Management a list of appropriate candidates to fill such vacancies. This list will, in principle, provide a greater number of nominations than there are places available. When seeking appointment of new Board members an external advert is placed in a national newspaper and then a selection process is undertaken which concludes via voting of Board members at a full Board meeting. During 2007/08 there was a vacancy for one Board member and this appointment was undertaken following a review of skills needs to assess which skills areas would be most helpful amongst new members selected. A Search and Nomination Committee was set up and this met twice during 2007/08 to progress the required appointment.

### Corporate Strategy

The Board of Management is consulted on an ongoing basis each year on the College's strategic plans and supporting strategies and the Board approves the College's Annual Strategic Development Plan each year.

## **Risk Management and 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 College has an approved Risk Management Policy which was adopted by the Board of Management in 2003 and re-approved by the Board in March 2005 and March 2008. Following the development of its initial risk management policy the College drew up a Risk Register for the College which is held on the Staff Intranet. Each identified risk has a member of the Senior Management Team identified as the risk owner. The owner is responsible for ensuring that the countermeasures are implemented, and for reviewing and updating the commentary and rating of each risk on an ongoing basis. The Risk Register is reviewed regularly by the Senior Management Team during each year and is presented to the Board and the Audit Committee once per year.

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.

The College has appointed an independent Secretary to the Board in line with the recommendations of the Scottish Funding Council.

## **Going Concern**

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

## **Conclusion**

The College Board of Management recognises the importance of maintaining best practice in relation to corporate governance. In this regard, within the 2007/08 year an internal audit of the College's Corporate Governance arrangements was undertaken which concluded that the corporate governance arrangements within the College are satisfactory and conform in the main with good practice.

## **D. STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES**

In accordance with the College's Constitution, the Board of Management of Cardonald College is responsible for the administration and management of the affairs of the College, 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 ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the Constitution, the Statement of Recommended Practice: Accounting in 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.

### **In causing the financial statements to be prepared, the Board of Management has ensured that:**

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- the financial statements are prepared on the going concern basis, unless it is inappropriate to presume that the college will continue in operation.

## **The Board of Management has a responsibility 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 Further and Higher Education (Scotland) Act 1992, the College's 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 hence to take reasonable steps to prevent and detect fraud;
- ensure reasonable steps have been taken to secure the economical, efficient and effective management of the College's resources and expenditure; and
- ensure sound corporate governance and the proper conduct of the college's operations.

## **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 Board of Management;
- a professional Internal Audit team whose annual programme is agreed 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 systems of internal financial control can, however, only provide reasonable, but not absolute assurance against material misstatement or loss.

## **Statement of disclosure to Auditors**

- so far as the Board of Management is aware, there is no relevant audit information of which the College's auditors are unaware, and
- it has taken all the steps that it ought to have taken as a Board of Management to make itself aware of any relevant audit information and to establish that the college's auditors are aware of that information.

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**Chairperson of the Board of Management**

18 December 2008

**Date**

# **Independent Auditors' Report to the members of the Board of Management of Cardonald College, the Auditor General for Scotland and the Scottish Parliament**

We have audited the financial statements of Cardonald College for the year ended 31 July 2008 under the Further and Higher Education (Scotland) Act 1992. These comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of historical cost surpluses and deficits and the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

## **Respective responsibilities of the board of management, principal and auditors**

The board of management and principal are responsible for preparing the report of the Board of Management and the financial statements in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction issued thereunder by the Scottish Further and Higher Education Funding Council which requires compliance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2007). They are also responsible for ensuring the regularity of expenditure and income. These responsibilities are set out in the statement of the board of management's responsibilities.

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

We report our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction. We also report to you whether, in our opinion, the information which comprises the operating and financial review included in the report of the Board of Management, 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 2008; 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 my 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 corporate governance statement reflects the College's compliance with the requirements of the Scottish Funding Council. We report if, in our opinion, it does not comply with these requirements or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the College's corporate governance procedures or its risk and control procedures.

We read the other information contained in the operating and financial review and consider whether it is consistent with the audited financial statements. This other information comprises only the report of the board of management. 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 Auditors' Report to the members of the Board of Management of Cardonald 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. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the board of management and principal in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **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, of the state of affairs of the College as at 31 July 2008 and of its deficit, total recognised gains and losses and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction made thereunder.
- the information which comprises the operating and financial review included in the report of the Board of Management 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 2008; and
- funds from whatever source administered by the college for specific purposes have been properly applied for the intended purposes.

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

19 December 2008

191 West George Street  
Glasgow  
G2 2LJ

## STATEMENT OF ACCOUNTING POLICIES

### BASIS OF PREPARATION

These financial statements have been 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). They conform to the latest guidance published by the Scottish Funding Council.

The College had previously adopted the transitional arrangements under Financial Reporting Standard (FRS) 15 'Tangible Fixed Assets', however as at 31 July 2008 the College has implemented FRS15 in full. The College has not been required to restate any prior year figures.

### BASIS OF ACCOUNTING

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

### RECOGNITION OF INCOME

Income from grants, contracts and other services rendered is recognised in the income and expenditure account in proportion to the extent of completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the financial year in which it is earned. The main annual recurrent allocation from the Scottish Funding Council, which is intended to meet recurrent costs, is credited direct to the income and expenditure account and related costs are reported in the relevant year.

For Bursary, Hardship and Education Maintenance Allowance funds, the grants are excluded from the Income and Expenditure Account of the College as these grants are available solely for students, with the College acting as paying agent. Childcare funds from the SFC are included in the College Income and Expenditure account.

### TANGIBLE FIXED ASSETS

#### a. Land and Buildings

Land and buildings have been included in the balance sheet at valuation which due to their specialised nature in being used as a College is stated at depreciated replacement cost. The valuation is as at 31 July 2008 based on the recent valuation.

Depreciation is provided in the income and expenditure account on opening valuation or cost at 3% per annum with an equivalent amount being transferred from the revaluation reserve and included in the statement of historical cost surplus and deficits for the year.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant and released to the income and expenditure account over the expected useful economic life of the buildings.

**STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**b. Equipment**

Individual items of equipment or groups of items costing more than £5,000 have been capitalised at cost and are depreciated over their useful economic life at rates varying between 10% and 25%. All other equipment is written off to the income and expenditure account in the year of acquisition.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant and released to the income and expenditure account over the expected useful economic life of the related equipment.

**c. Construction in Progress**

Fixed assets under construction are capitalised at cost to date. Depreciation is calculated from the date the asset was brought into use.

**MAINTENANCE OF PREMISES**

The cost of maintenance is charged to the income and expenditure account in the year in which it is incurred.

**STOCKS**

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

**TAXATION**

The College is recognised by HM Revenue & Customs as a charity for the purposes of Section 505, Income and Corporation Taxes Act 1988. As a registered charity the College benefits by being exempt from corporation tax on income it receives from tuition fees, interest and rents.

The College is exempted from levying VAT on most of the services it provides to students. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased.

**PROVISIONS**

Provisions are recognised when the College has a present 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.

The College has made provision for the enhanced pensions paid to former teaching employees who have taken early retirement for which it is liable. This provision is calculated based on actuarial tables which take account of the enhancement payable, the age, sex and marital status of the former employee. The annual cost of the enhancement is funded from the provision and the provision level is maintained by an annual charge in the income and expenditure account.

**STATEMENT OF ACCOUNTING POLICIES (CONTINUED)****RETIREMENT BENEFITS**

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

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency. Cardonald College is unable to identify its share of the underlying assets and liabilities of the STSS on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for its participation in the STSS as if it were a defined contribution scheme. As a result, contributions are charged to the income and expenditure account as they arise. This is expected to result in the pension cost being a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit basis.

Administrative and support staff may join the Strathclyde Pension Fund, which is administered by Glasgow City Council and which requires contributions to be made to its number 1 fund. The Fund is a defined benefit pension scheme, providing benefits based on final pensionable pay, which is contracted out of the State Earnings-Related Pension Fund. Assets and liabilities of the Fund are held separately from those of Cardonald College. Fund assets are measured using market values. Fund 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 Fund are calculated so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary on the basis of triennial valuations using the Age Attained Method. The actuaries also review the progress of the scheme in each of the intervening years. Variations from regular cost are spread over the expected average remaining working lifetime of members of the Fund, after making allowances for future withdrawals. The expected cost of providing staff pensions to employees contributing to the Fund is recognised in the profit and loss account on a systematic basis over the expected average remaining lives of members of the funds in accordance with FRS 17 'Retirement Benefits' and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

# REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS 2008

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2008

	<u>Note</u>	<u>2008</u>	<u>2007</u>
		£'000	£'000
<b>INCOME</b>			
Funding Council Grants	1	16,016	14,667
Tuition Fees and Education Contracts	2	1,766	1,738
Other Grant Income	3	561	616
Other Operating Income	4	2,614	2,494
Investment Income	5	342	404
<b>Total Income</b>		<b>21,299</b>	<b>19,919</b>
<b>EXPENDITURE</b>			
Staff Costs	6	13,988	12,988
Other Operating Expenses	8	4,553	4,689
Impairment Charges	8	3,098	-
Depreciation	11	1,398	1,201
Accelerated Depreciation	11	-	80
Interest Payable	10	20	22
<b>Total Expenditure</b>		<b>23,057</b>	<b>18,980</b>
(Deficit)/ Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets at Valuation and Disposal of Assets but before Tax		(1,758)	939
Taxation	9	-	-
<b>(Deficit) /Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets at Valuation, Disposal of Assets and Tax</b>		<b>(1,758)</b>	<b>939</b>

The Income and Expenditure Account is in respect of continuing operations.

**Note: The deficit shown above is after an exceptional net impairment charge of £2,354k in respect of the College's land and buildings, which has not been offset by grants, following revaluation as at 31 July 2008.**

## STATEMENT OF HISTORICAL COST SURPLUSES FOR THE YEAR ENDED 31 JULY 2008

	<u>2008</u>	<u>2007</u>
	£'000	£'000
(Deficit) Surplus on Continuing Operations after Depreciation of Fixed Assets at Valuation and Disposal of Assets but before Tax	(1,758)	939
Difference between Historical Cost Depreciation and the Actual Charge for the Year, calculated on Inherited Assets.	167	167
<b>Transfer from Revaluation Reserve in respect of Impairment of Tangible Fixed Assets</b>	2,271	-
Historical Cost Surplus for the Year before Tax	<b>680</b>	<b>1,106</b>
<b>Historical Cost Surplus for the Year after Tax</b>	<b>680</b>	<b>1,106</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2008

	<u>2008</u> £'000	<u>2007</u> £'000
(Deficit) Surplus on continuing operations	(1,758)	939
Revaluation Gain on Tangible Fixed Assets	3,336	-
Actuarial gain (loss) in respect of pension provision	(959)	1,403
Total recognised gains (losses) relating to the year	619	2,342
Reconciliation		
Opening reserves as restated	6,822	4,480
Total recognised gains (losses) relating to the year	619	2,342
Closing reserves	7,441	6,822

# REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS 2008

## BALANCE SHEET AS AT 31 JULY 2008

	<u>Note</u>	<u>2008</u>	<u>2007</u>
		£'000	£'000
<b>FIXED ASSETS</b>			
Tangible Fixed Assets	11	32,991	31,436
<b>CURRENT ASSETS</b>			
Stocks	12	27	14
Debtors	13	949	881
Cash at Bank and in Hand		3,030	3,855
		4,006	4,750
<b>CURRENT LIABILITIES</b>			
Amounts Falling Due within One Year	14	3,389	4,531
<b>NET CURRENT ASSETS</b>			
		617	219
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		33,608	31,655
<b>CREDITORS DUE AFTER MORE THAN ONE YEAR</b>			
Bank Loan	15	225	275
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Provision for pension liabilities	16	896	822
<b>NET ASSETS BEFORE PENSION ASSET/LIABILITY</b>			
		32,487	30,558
Pension asset/(liability)		(281)	533
<b>NET ASSETS AFTER PENSION ASSET/LIABILITY</b>			
		32,206	31,091
Represented by:			
<b>DEFERRED CAPITAL GRANTS</b>	17	24,765	24,269
<b>REVALUATION RESERVE</b>	18	4,507	3,609
<b>INCOME AND EXPENDITURE ACCOUNT, excluding PENSION RESERVE</b>	19	3,215	2,680
<b>PENSION RESERVE</b>	19	(281)	533
<b>INCOME AND EXPENDITURE ACCOUNT, including PENSION RESERVE</b>	19	2,934	3,213
<b>TOTAL FUNDS</b>			
		32,206	31,091

The financial statements on pages 13 to 33 were approved by the Board of Management on 18 December 2008 and signed on its behalf by:

\_\_\_\_\_  
**Bruce Durning**  
 Chair

\_\_\_\_\_  
**Susan Walsh**  
 Principal & Chief Executive

# REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS 2008

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2008

	<u>Note</u>	<u>2008</u>	<u>2007</u>
		£'000	£'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	21	279	2,479
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		165	298
Interest paid		(20)	(22)
<b>CAPITAL EXPENDITURE</b>			
Payments to acquire tangible fixed assets		(2,715)	(10,682)
Capital grants received		1,993	8,752
Deferred capital income		(477)	(1,441)
<b>FINANCING</b>			
Bank loan		(50)	(50)
<b>(Decrease) in cash</b>		(825)	(666)
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
(Decrease) in cash		(825)	(666)
Bank loan repaid		50	50
Net Funds at 1 August 2007		3,530	4,146
<b>Net Funds at 31 July 2008</b>		2,755	3,530

**NOTES TO THE FINANCIAL STATEMENTS**

**1. SFC GRANTS**

	<u>2008</u> £'000	<u>2007</u> £'000
SFC FE Recurrent Grant (including fee waiver)	13,513	13,088
Funding for increased STSS contributions	170	255
FE Childcare funds	245	244
Release of deferred capital grants	1,375	549
Other SFC Grants	713	531
Total	<u>16,016</u>	<u>14,667</u>

**2. TUITION FEES AND EDUCATION CONTRACTS**

	<u>2008</u> £'000	<u>2007</u> £'000
FE Fees – UK	476	491
FE Fees – EU	-	-
FE Fees – Non EU	37	32
HE Fees	1,013	1,004
Education Contracts	240	211
Total	<u>1,766</u>	<u>1,738</u>

**3. OTHER GRANT INCOME**

	<u>2008</u> £'000	<u>2007</u> £'000
European Social Fund	320	506
Social Inclusion Partnership Income	64	33
Other Grant Income	53	32
Release from SIP Deferred Capital Grant	10	10
Release from ERDF and Other Deferred Capital Grants	114	35
Total	<u>561</u>	<u>616</u>

**4. OTHER OPERATING INCOME**

	<u>2008</u> £'000	<u>2007</u> £'000
Residences and Catering	556	517
Other Income Generating Activities	1,194	1,370
Other Income	864	607
Total	<u>2,614</u>	<u>2,494</u>

**5. INVESTMENT INCOME**

	<u>2008</u> £'000	<u>2007</u> £'000
Interest Receivable	165	298
Net return on pension assets/liabilities	177	106
Total	<u>342</u>	<u>404</u>

**6. STAFF COSTS**

**6.01 Staff Numbers :**

The average number of persons (including senior post holders) employed by the College during the period, expressed as full-time equivalents, was :

	<u>2008</u> Number	<u>2008</u> Cost £'000	<u>2007</u> Number	<u>2007</u> Cost £'000
Senior Management	5	407	5	402
Teaching Departments	221	8,394	218	8,118
Teaching Support Services	77	2,053	69	1,487
Catering	17	280	16	263
Administration and Central Services	69	1,963	75	1,858
Other Income Generating Activities	12	407	9	396
Premises	25	484	20	464
<b>Total</b>	<b>426</b>	<b>13,988</b>	<b>412</b>	<b>12,988</b>

**6.02 Staff Costs for the Above Persons:**

	<u>2008</u> £'000	<u>2007</u> £'000
Wages and salaries	11,784	10,955
Social security costs	863	826
Other pension costs	1,341	1,207
	<u>13,988</u>	<u>12,988</u>

For all staff, a pay award of 3.5% increase from 1<sup>st</sup> August 2008 has been agreed with trade unions.

The number of staff, including Senior Post Holders and the Principal, who received emoluments (excluding pension contributions and employer's national insurance) in the following ranges was:

	<u>2008</u> Number	<u>2007</u> Number
£50,001 to £60,000	3	3
£60,001 to £70,000	-	1
£70,001 to £80,000	1	-
£80,001 to £90,000	-	1

**7. SENIOR POST HOLDERS EMOLUMENTS**

	<u>2008</u>	<u>2007</u>
The number of senior post-holder including the Principal was :	Number 5	Number 5
Senior post-holders annual emoluments (including pension contributions but excluding employer's national insurance) were made up as follows:	£'000	£'000
Salaries	327	311
Benefits in Kind	3	2
Employer's Pension Contributions	47	44
Total Emoluments	<u>377</u>	<u>357</u>

	£'000	£'000
The emoluments payable to the Principal during the year (who was also the highest paid Senior Post Holder) were:		
Salary	83	89
Employer's Pension Contributions	11	12
Total Emoluments	<u>94</u>	<u>101</u>

The emoluments stated above relate to the post holder and as stated in paragraph 4 of the Report of the Board of Management, this comprised three persons during the year. The Principal and Acting Principal during the year were ordinary members of the Scottish Public Pensions Agency. The College's contribution to the Scheme is paid at the same rate as for other members of Academic Staff. Two other members of the Board of Management are members of the College Pension Schemes.

**8. OTHER OPERATING EXPENSES**

	<u>2008</u>	<u>2007</u>
	£'000	£'000
Teaching Departments	1,140	1,149
Teaching Support Services	213	216
Other Support Services	6	21
Administration and Central Services	639	633
Premises Costs	794	774
Estates Capital and Facilities Expenses	88	136
Other Funding Council Grants Expenses	495	529
Other Income Generating Activities	636	756
Catering	311	255
Agency Staff Costs	66	51
Other Expenses	165	169
	<hr/>	<hr/>
	4,553	4,689
	<hr/>	<hr/>
Impairment Charge	3,098	-
	<hr/>	<hr/>
	7,651	4,689

**The impairment charge is in respect of the revaluation of the land and buildings, as referred to in Section 5 of the Operating and Financial Review.**

Other Operating Expenses include:

Auditor's remuneration		
Audit of these financial statements	14	14
Amounts receivable by auditors in respect of taxation services	-	-
Amounts receivable by auditors in respect of other services	4	3
Internal Audit	11	17

**9. TAXATION**

The Board does not believe the College was liable for any Corporation Tax arising out of its activities during the year.

**10. INTEREST PAYABLE**

	<u>2008</u>	<u>2007</u>
	£'000	£'000
On Bank Loans:		
Repayable Wholly or Partly in More than 5 Years	20	22
	<hr/>	<hr/>
	20	22

**11. TANGIBLE FIXED ASSETS**

	<b>Land &amp; Buildings, at valuation</b>	<b>Construction in Progress</b>	<b>Plant &amp; Equipment</b>	<b>Total</b>
	£'000	£'000	£'000	£'000
<b>As at 1 August 2007</b>	24,887	10,947	4,258	40,092
Additions	2,293	47	375	2,715
Construction Completed in Year	10,994	(10,994)	-	-
Revaluation adjustment	( 6,345)	-	-	(6,345)
Disposals	(29)	-	(425)	(454)
<b>As at 31 July 2008</b>	<b>31,800</b>	<b>-</b>	<b>4,208</b>	<b>36,008</b>
<b>DEPRECIATION</b>				
<b>As at 1 August 2007</b>	5,713	-	2,943	8,656
Charge for Year	899	-	499	1,398
Revaluation adjustment	(6,583)	-	-	(6,583)
Depreciation on Disposals	(29)	-	(425)	(454)
<b>As at 31 July 2008</b>	<b>-</b>	<b>-</b>	<b>3,017</b>	<b>3,017</b>
<b>NET BOOK VALUE</b>				
<b>As at 31 July 2008</b>	<b>31,800</b>	<b>-</b>	<b>1,191</b>	<b>32,991</b>
As at 1 August 2007	19,174	10,947	1,315	31,436
<b>Assets Split into:-</b>				
At valuation	7,525	-	-	7,525
Financed by Capital Grant	24,275	-	490	24,765
Other	-	-	701	701
<b>Total as at 31 July 2008</b>	<b>31,800</b>	<b>-</b>	<b>1,191</b>	<b>32,991</b>

**Notes**

- a) The Land and buildings of the College have been included in the Balance Sheet at depreciated replacement cost valuation of £31,800,000, based on a valuation prepared by Graham and Sibbald as at 31 July 2008. The total valuation includes land at the value of £4,280,000.
- b) The land and buildings owned and occupied by the College at 31 July 2008, comprise property which may not be disposed of without prior approval of the Scottish Funding Council as follows:
1. Mosspark Drive Campus – education and administration.
  2. Greater Pollok Community Learning Centre – education.

Should publicly funded assets be sold, the college may be liable to surrender the proceeds under the terms of the Financial Memorandum with the Council.

# REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS 2008

## 12. STOCKS

	<u>2008</u>	<u>2007</u>
	£'000	£'000
Goods for Resale and Teaching Department Stocks	27	14

## 13. DEBTORS

	<u>2008</u>	<u>2007</u>
	£'000	£'000
<b>Amounts due within one year :</b>		
Trade Debtors	278	296
European Funding	210	445
Prepayments and Accrued Income	461	140
	949	881

There are no debtors which are due after more than one year.

## 14. CREDITORS

	<u>2008</u>	<u>2007</u>
	£'000	£'000
<b>Amounts due within one year :</b>		
Trade Creditors	577	1,619
Accruals	1,494	1,175
Deferred Income	849	1,326
Value Added Tax and Social Security	419	361
Current Element of Long Term Loan	50	50
	3,389	4,531

## 15. LONG TERM LOAN

	<u>2008</u>	<u>2007</u>
	£'000	£'000
The Bank Loan is repayable as follows:		
Within One Year	50	50
Between One and Two Years	50	50
Between Two and Five Years	150	150
After Five Years	25	75
	275	325
Less: Included in Creditors Note 14 above	(50)	(50)
	225	275

The bank loan is repayable by quarterly instalments of £12,500 at an interest rate of 1% plus the Bank of Scotland base rate. (The College has an offset bank account of equal value to the loan which attracts interest at 0.5% over the Bank of Scotland base rate.)

## 16. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>2008</u>	<u>2007</u>
	£'000	£'000
Balance 1 August 2007	822	807
Expenditure in the period	(54)	(52)
Additional provision required in year	128	61
Revaluation Adjustment	-	6
Balance 31 July 2008	896	822

The provision is for anticipated future pension costs arising from previous early retirements. The provision has been revalued using actuarial tables supplied by SFC. The net interest rate applied was 2.0%.

**17. DEFERRED CAPITAL GRANTS**

	<b>SOEID</b> £'000	<b>SFC</b> £'000	<b>OTHER GRANTS</b> £'000	<b>TOTAL</b> £'000
<b>At 1<sup>st</sup> August 2007</b>				
Land and Buildings	3,523	16,092	4,202	23,817
Equipment	-	452	-	452
<b>Receivable in Year</b>				
Land and Buildings	-	1,581	257	1,838
Equipment	-	155	-	155
<b>Released to Income and Expenditure Account</b>				
Land and Buildings – recurring element	(145)	(369)	(122)	(636)
Land and Buildings – impairment element	-	(744)	-	(744)
Equipment	-	(117)	-	(117)
<b>At 31<sup>st</sup> July 2008</b>				
Land and Buildings	3,378	16,560	4,337	24,275
Equipment	-	490	-	490
<b>Total</b>	<u>3,378</u>	<u>17,050</u>	<u>4,337</u>	<u>24,765</u>

Note: SOEID was the Scottish Office Education and Industry Department which was the forerunner organisation of the Scottish Funding Council.

**18. REVALUATION RESERVE**

	<b>2008</b> £'000	<b>2007</b> £'000
Opening Balance at 1st August 2007	3,609	3,776
Transfer from Revaluation Reserve to Income and Expenditure Account in respect of assets inherited at incorporation	(167)	(167)
Transfer from Revaluation Reserve to match impairment charge in respect of revaluation of tangible fixed assets	(2,271)	-
Revaluation adjustment in respect of tangible fixed assets	3,336	-
Closing Balance at 31 <sup>st</sup> July 2008	<u>4,507</u>	<u>3,609</u>

**19. GENERAL RESERVES**

	<b>Notes</b>	<b><u>2008</u></b>	<b><u>2007</u></b>
		£'000	£'000
At 1 August		3,213	704
(Deficit) Surplus on Continuing Operations After Depreciation of Assets at Valuation and Tax		(1,758)	939
Transfer from Revaluation Reserve to Income and Expenditure Account in respect of Inherited Tangible Fixed Assets		167	167
Transfer from Revaluation Reserve for Impairment of Tangible Fixed Assets		2,271	-
Actuarial gain / (loss) in pension scheme		(959)	1,403
		<hr/>	<hr/>
Closing Balance at 31 <sup>st</sup> July		<u>2,934</u>	<u>3,213</u>

Represented by:-

**Income and expenditure account**

At 1 August		2,680	1,673
(Deficit) Surplus on Continuing Operations After Depreciation of Assets at Valuation and Tax		(1,758)	939
Transfer to pension reserve		(145)	(99)
Transferred from revaluation reserve in respect of Inherited Tangible Fixed Assets		167	167
Transfer from Revaluation Reserve for Impairment of Tangible Fixed Assets		2,271	-
		<hr/>	<hr/>
At 31 July		<u>3,215</u>	<u>2,680</u>

**Pension reserve**

At 1 August		533	(969)
Current service cost		(474)	(544)
Employer contributions		442	408
Past service gains		-	129
Net return on assets / liabilities		177	106
Transfer from/(to) income & expenditure account		145	99
Actuarial gains / (losses)		(959)	1,403
		<hr/>	<hr/>
At 31 July		<u>(281)</u>	<u>533</u>

**Reconciliation**

Income and expenditure account		3,215	2,680
Pensions reserve		(281)	533
		<hr/>	<hr/>
At 31 July		<u>2,934</u>	<u>3,213</u>

**20. RETIREMENT BENEFITS**

The College's employees belong to one of two principal pension schemes: the Scottish Teachers' Superannuation Scheme (STSS) and the Local Government Pension Scheme for non-teaching staff which is managed by the Strathclyde Pension Fund (SPF), which are of the defined benefit type, the assets of the schemes being held in separate trustee-administered funds. The total pension cost was £1,341,000 (2007 £1,207,000).

<b>Total pension cost for the year</b>	<b>2007/08</b>	<b>2006/07</b>
	<b>£000s</b>	<b>£000s</b>
Teachers Pension Scheme : contributions paid	775	771
Local Government Pension Scheme:		
Contributions paid	406	368
FRS17 charge	32	7
Charge to the Income and Expenditure Account (staff costs)	438	375
Enhanced pension charge to Income and Expenditure Account (staff costs)	128	61
<b>Total Pension Cost for Year</b>	<b>1,341</b>	<b>1,207</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the STSS was 31 March 2001 and of the LGPS (SPF) was 31 July 2008.

**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". Accordingly the College has taken advantage of the exemption in FRS17, and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

A full actuarial valuation was carried out as at 31 March 2001. Contributions were payable to the STSS at a rate of 7.15% of pensionable pay with effect from 1 April 2002, 7.4% from 1 April 2003, 12.5% from 1 October 2003 and 13.5% from 1 April 2007. Employer rates are reviewed every five years following a scheme valuation from the Government actuary.

The assumptions that have the most significant effect on the result of the valuations are as follows:

Actuarial method	Prospective benefits
Assumed rate of return on investment	7.0%
Assumed rate of increase in salaries	5.0%
Past service liabilities at 31 March 2001	£15.20 billion

The valuation as at 31 March 2001 will result in a further increase in employer contributions of 0.75% to 14.25% from 1 April 2009.

**Strathclyde Pension Fund (SPF)**

The Local Government Pension Scheme is administered by the Strathclyde Pension Fund, and is a multi-employer defined benefit scheme. The total contribution made for the year ended 31 July 2008 was £563k, of which employer's contributions totalled £406k and employees' contributions totalled £157k. The agreed contribution rates until 31 March 2009 are 16.8 per cent for employers and 6% for employees. From 1<sup>st</sup> April 2009 the contribution rate for employers will be 16.8% and for employees the contribution rates will become a tiered rate ranging from 5.5% to 10.0%.

For the purposes of FRS 17 'Retirement Benefits' an actuarial valuation was calculated by the actuary as at 31 July 2008, 31 July 2007 and 31 July 2006.

**20. PENSION COMMITMENTS (CONTINUED)**

The major assumptions used by the actuary were:

	31 July 2008	31 July 2007	31 July 2006
Rate of increase in salaries	5.3%	4.8%	4.6%
Rate of increase for pensions in payment	3.8%	3.3%	3.1%
Discount rate for scheme liabilities	6.6%	5.8%	5.1%
Inflation assumption	3.8%	3.3%	3.1%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2008
<i>Retiring today/current pensioners</i>	
Males	18.5
Females	21.4
<i>Retiring in 20 years/future pensioners</i>	
Males	19.4
Females	22.4

The assets in the scheme and the expected rate of return at the last actuarial review date were:

	Long term rate of return	Value at 31 July 2008	Expected Annual Return	Long term rate of return	Value at 31 July 2007	Expected Annual Return	Long term rate of return	Value at 31 July 2006	Expected Annual Return
		£'000	£'000		£'000	£'000		£'000	£'000
Equities	7.8%	6,538	510	8.0%	6,820	546	7.7%	5,793	446
Bonds	5.6%	1,366	76	5.2%	1,243	64	4.7%	952	45
Property	5.7%	812	46	6.0%	992	59	5.7%	794	45
Cash	4.8%	393	19	5.1%	371	19	4.8%	396	19
<b>Total</b>	<b>7.2%</b>	<b>9,109</b>	<b>651</b>	<b>7.3%</b>	<b>9,426</b>	<b>688</b>	<b>7.0%</b>	<b>7,935</b>	<b>555</b>

The following amounts represent Cardonald College's share of the scheme at 31 July 2008 and were measured in accordance with the requirements of FRS 17:

	31 July 2008	31 July 2007	31 July 2006
	£'000	£'000	£'000
Estimated asset share	9,109	9,426	7,935
Present value of liabilities	(9,390)	(8,893)	(8,904)
<b>Net pension asset / (liability)</b>	<b>(281)</b>	<b>533</b>	<b>(969)</b>

**20. PENSION COMMITMENTS (CONTINUED)**

**THE AMOUNTS CHARGED TO THE INCOME AND EXPENDITURE ACCOUNT ARE**

	Year to 31 July 2008 £'000	Year to 31 July 2008 (% of payroll)	Year to 31 July 2007 £'000	Year to 31 July 2007 (% of payroll)
<b>Amount charged to operating profit (A)</b>				
Employer service cost	474	17.6%	544	20.7%
Past service cost	-	-	(129)	(4.9%)
<b>Total Operating Charge (A)</b>	<b>474</b>	<b>17.6%</b>	<b>415</b>	<b>15.8%</b>
	Year to 31 July 2008 £'000	Year to 31 July 2008 (% of Payroll)	Year to 31 July 2007 £'000	Year to 31 July 2007 (% of Payroll)
<b>Projected amount credited to other finance income</b>				
Expected return on pension scheme assets for employer	708	26.3%	571	21.7%
Interest on pension scheme liabilities	(531)	(19.7%)	(465)	(17.7%)
<b>Net Return (B)</b>	<b>177</b>	<b>6.6%</b>	<b>106</b>	<b>4.0%</b>
<b>Net Revenue Account Cost (A) – (B)</b>	<b>297</b>	<b>11.0%</b>	<b>309</b>	<b>11.8%</b>

**THE AMOUNTS RECOGNISED IN THE STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL) ARE**

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
Actual return less expected return on pension scheme assets	(1,540)	444
Experience gains/(losses) arising on the scheme liabilities	(1)	(1)
Changes in assumptions underlying the present value of the scheme liabilities	582	960
Actuarial gain/(loss) in pension plan	(959)	1,403
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-
<b>Actuarial gain/(loss) recognised in STRGL</b>	<b>(959)</b>	<b>1,403</b>

**ASSET AND LIABILITY RECONCILIATION**

	<b>2008</b> £'000	<b>2007</b> £'000
<b>Reconciliation of Liabilities</b>		
Liabilities at start of financial year	8,893	8,904
Current service cost	474	544
Interest Cost	531	465
Employee Contributions	162	155
Liabilities assumed in a business combination	-	-
Actuarial (gain)/loss	(581)	(959)
Benefits paid	(89)	(88)
Past Service Cost	-	(129)
<b>Liabilities at end of period</b>	<b>9,390</b>	<b>8,893</b>

**20. PENSION COMMITMENTS (CONTINUED)**

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	<u>2008</u> £'000	<u>2007</u> £'000
<b>Reconciliation of Assets</b>		
Assets at start of period	9,426	7,935
Expected Return on Assets	708	571
Actuarial (gain)/loss	(1,540)	444
Change in Asset Valuation	-	-
Employer contributions	442	409
Employee contributions	162	155
Benefits paid	(89)	(88)
	-	-
	-	-
<b>Assets at end of period</b>	<u>9,109</u>	<u>9,426</u>

## HISTORY OF EXPERIENCE GAINS AND LOSSES DURING THE YEAR

	Year to 31 July 2008 £'000	Year to 31 July 2007 £'000
Difference between expected and actual return on assets	(1,540)	444
Value of assets	9,109	9,426
<b>Percentage of assets</b>	<b>(16.9%)</b>	<b>4.7%</b>
Experience gains/(losses) on liabilities	(1)	(1)
Present value of liabilities	9,390	8,893
<b>Percentage of the present value of liabilities</b>	<b>(0.0%)</b>	<b>(0.0%)</b>
Actuarial gains/losses recognised in STRGL	(959)	1,403
Present value of liabilities	9,390	8,893
<b>Percentage of the present value of liabilities</b>	<b>(10.2%)</b>	<b>15.8%</b>

## 21. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>2008</u> £'000	<u>2007</u> £'000
(Deficit) Surplus on continuing operations after depreciation of assets at valuation including impairment adjustment	(1,758)	939
Depreciation (note 11)	1,398	1,281
Impairment Charge	3,098	-
Deferred capital grants released to income (notes 1, 3 and 17)	(1,497)	(593)
(Increase)/Decrease in stocks	(13)	6
(Increase)/Decrease in debtors	(68)	1,206
(Decrease) in creditors	(665)	-
Increase in provisions	74	15
Interest payable	20	22
Investment income (note 5)	(342)	(404)
Pension cost less contributions payable	32	7
<b>Net cash inflow from operating activities</b>	<u>279</u>	<u>2,479</u>

**22. ANALYSIS OF NET FUNDS**

	<b>At 1 August 2007</b>	<b>Cash Flows</b>	<b>At 31 July 2008</b>
	£'000	£'000	£'000
Cash at bank and in hand	3,855	(645)	3,210
Bank loan	(325)	50	(275)
<b>Total</b>	<b>3,530</b>	<b>(595)</b>	<b>2,935</b>

**23. CAPITAL COMMITMENTS**

There are no significant capital commitments as at 31 July 2008.

**24. POST BALANCE SHEET EVENT**

The financial statements were authorised for issue by the Board of Management on 18 December 2008. There were no significant post balance sheet events affecting the financial statements.

**25. CONTINGENT LIABILITIES**

In relation to the major campus redevelopment project there is a contingent liability resulting from the main contractor due to claims which they have recently made. These claims are not fully substantiated hence it is difficult to estimate at what level, if at all, they will be settled.

**26. RELATED PARTY TRANSACTIONS**

The Board of Management of Cardonald College is a body incorporated under the Further and Higher Education (Scotland) Act 1992 sponsored by the Scottish Funding Council (SFC).

The SFC is regarded as a related party. During the year Cardonald College had various material transactions with the SFC and with other entities for which the SFC is regarded as the sponsor Department viz: Student Awards Agency for Scotland and a number of other colleges and higher education institutions.

In addition, Cardonald College has had a small number of material transactions with other Government Departments and other central government bodies.

**27. FE BURSARIES AND OTHER STUDENT SUPPORT FUNDS**

	2007/08 <b>FE Bursary</b> £'000	2007/08 <b>FE Hardship</b> £'000	2007/08 <b>EMAs</b> £'000	2007/08 <b>Other</b> £'000	2007/08 <b>Total</b> £'000	2006/07 <b>Total</b> £'000
<b>Balance b/fwd</b>	104	30	-	8	142	102
Allocation received in year	2,486	225	380	129	3,220	2,907
Interest earned	-	11	-	2	13	1
Expenditure	(2,430)	(245)	(329)	(133)	(3,137)	(2,868)
College contribution to funds	-	-	-	-	-	-
Virements	-	-	-	-	-	-
<b>Balance c/fwd</b>	<b>160</b>	<b>21</b>	<b>51</b>	<b>6</b>	<b>238</b>	<b>142</b>
<b>Represented by :-</b>						
Repayable to funding council as clawback	47	-	-	-	47	-
Retained by college for students	113	21	51	6	191	142

In accordance with SFC guidelines, a college is an agent for bursary funds and as such the associated income and expenditure is excluded from the college's main financial statements.

**28. FE CHILDCARE FUNDS**

	2007/08 £'000	2006/07 £'000
<b>Balance b/fwd</b>	10	-
Allocation received in year	262	254
Expenditure	(230)	(244)
Repaid to funding council as clawback	-	-
College contribution to funds	-	-
Virements	-	-
<b>Balance c/fwd</b>	<b>42</b>	<b>10</b>
<b>Represented by:-</b>		
Repayable to funding council as clawback	-	-
Retained by college for students	42	10