



banff and buchan college

**BANFF AND BUCHAN COLLEGE
OF FURTHER EDUCATION**

**ACCOUNTS FOR THE YEAR ENDED
31ST JULY 2008**

**2007/08
Charity No SC021178**

**ANNUAL ACCOUNTS ARE
AVAILABLE IN LARGE PRINT**

**ANNUAL ACCOUNTS FOR THE YEAR ENDED
31 JULY 2008**

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OPERATING AND FINANCIAL REVIEW REPORT OF THE BOARD OF MANAGEMENT

NATURE, OBJECTIVES AND STRATEGIES

The Board of Management of Banff and Buchan College present their report and financial statements for the year ended 31st July 2008. The College is awaiting confirmation of its request to change its name to Banff and Buchan College.

LEGAL STATUS

Banff and Buchan College of Further Education was constituted as the Buchan Technical College in 1966. The Buchan Technical College became the Banff and Buchan College of Further Education in 1982.

In 1992, Parliament passed the Further and Higher Education (Scotland) Act, as a result of which 43 former colleges of further education in Scotland became incorporated bodies. These financial statements are for the fourteenth accounting period of the College following incorporation on 1 April 1993.

On that date staff in local authority employment, land and other property owned by the education authority were transferred to the College. Control of the College passed to a Board of Management and the College Principal, who is responsible for the stewardship of the College's finances and assets.

The College is a registered charity (Scottish Charity Number SC021178) for the purposes of the Law Reform (Miscellaneous Provision) (Scotland) Act 2005.

SCOPE OF THE FINANCIAL STATEMENTS

The financial statements cover all activities of the College. The College company was dormant throughout the year.

MISSION

The College's principal mission statement is:

“To provide high quality lifelong learning opportunities which are relevant to the needs of students, employers and communities.”

IMPLEMENTATION OF STRATEGIC PLAN

Overall, good progress has been made against the objectives laid out in the Strategic Plan. A range of new employers have chosen to work with the College and overall, the final audited WSUMS figure was 111% of that for which we were funded. As there was no additional activity allocated for 2008-09 the latter part of 2007-08 was used to identify where provision could be reduced to the level for which we are funded.

Significant progress was made during the year in regard to the College estate with an Outline

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Business Case submitted to the Scottish Funding council for the main campus in Fraserburgh, a five year extension signed to the lease for the Peterhead Learning Centre and the identification of a new, extended Centre for Ellon.

FINANCIAL OBJECTIVES

The College's main financial objective is to ensure long term financial sustainability. The College's financial objectives are:-

- to achieve an annual operating surplus
- to pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances
- to generate sufficient levels of income to support the asset base of the College
- to further improve the College's shorter term liquidity
- to fund continued capital investment

To that end the College maintains prudent policies in relation to pensions provision and investments.

PERFORMANCE INDICATORS

In accordance with SFC requirements, the College is required to publish and report progress against targets for national priorities. The performance indicators used by the College measure actual results against the following areas:-

- student numbers
- student success rates
- continued professional development for staff
- employer engagement

STUDENT NUMBERS

During the past year, the College has substantially increased its enrolment level, achieving 20,651 enrolments, the highest ever recorded by the College.

Enrolments in recent years were:

MODE OF ATTENDANCE	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Full Time	1265	1153	1305	1291	1120	1291	1313
Part Time	7542	6370	8287	11366	14749	14289	19044
Short Full Time	454	375	363	361	262	227	244
TOTAL	9261	7898	9955	13018	16131	15807	20601

STUDENT ACHIEVEMENTS

As this is the first year that this data has been extracted from the FES database no comparison is available.

FE Success	72%
HE Success	71%
FE Retention	97%
HE Retention	87%

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CURRICULUM DEVELOPMENTS

The most significant developments during the year were:

- The provision of a new Deck Cadet course in partnership with four Aberdeen based shipping companies;
- The sourcing of a new, extended Learning Centre within Ellon Academy for opening in late 2008 in partnership with Aberdeenshire Council;
- A significant increase in commercial related courses.

FINANCIAL POSITION

The Income and Expenditure account for the year showed a surplus of £3,000 (2006/07 surplus £2,000) but after adjusting for the effect of depreciation on the revalued fixed assets the historical cost surplus was £123,000 (2006/07 surplus £123,000.) The College has accumulated reserves of £6,564,000, cash balances of £4,449,000, and no short or long term borrowing.

The assets transferred from the local authority have been included in the Balance Sheet at a valuation as at 31 March 1995. The estimated life of these assets was reassessed at 31st July 2003, and the depreciation has been adjusted accordingly. Fixed asset additions during the year were £137,000. The increase in cash and creditors on the balance sheet relates to grants received from the Funding Council that are fully committed but have still to be spent.

CHARITABLE AND TAXATION STATUS

The College is registered as a charity with the Office of the Scottish Charities Regulator and with the Inland Revenue and is not liable to corporation tax nor capital gains tax. The College receives no exemption in respect of value added tax.

TREASURY POLICY AND OBJECTIVES

Our aim is to maximise the interest received from funds held and to minimise any interest paid when funds are borrowed. The College carefully monitors the financial viability of the organisations that it entrusts with its funds.

CASH FLOWS

The College attempts to maintain a positive cash flow by placing funds long term (up to three months) and short term (overnight and a week) on the market. Advanced and capital funding from the Funding Council has allowed us to maximise this opportunity.

LIQUIDITY

The College currently has no debt and good cash balances, resulting in increased interest receipts for 2007/08 which now total £289,000.

PROMPT PAYMENT TO SUPPLIERS

The College complies with the CBI Prompt Payment Code and has a policy of paying its suppliers by

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the due date of the invoice unless the invoice is contested. All disputes and complaints are handled as quickly as possible. There were no payments made in relation to interest on late payments. The proportion of year end creditors to the aggregate invoiced amounts during the year equates to 50.64 days (34.03 days 2006-07).

CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE

POST-BALANCE SHEET EVENTS

There have been no significant post balance sheet events.

ENVIRONMENTAL ISSUES

During the year, the College further developed its new Environmental Policy and accompanying Action Plan. This Plan looks at how the College can reduce damage to the environment in a range of areas including:

- Travel;
- Heat and light;
- Disposal of waste;
- Purchasing.

FUTURE DEVELOPMENTS

Since the 2007-08 year-end, the College has been asked by the Scottish Funding council to proceed to Full Business Case for the Fraserburgh Estates Project. It is anticipated that, if FBC is successful, this project will start in spring 2010 and will last for three years. Work has also been completed on the first phase of the new Ellon Campus and this will provide a significant decant capacity for the main project and will help to serve the rural areas of central Aberdeenshire. Work is ongoing to relate the work of this Centre to economic opportunities in the area.

Further curriculum developments relating to the expertise in subsea engineering continue to be explored with the potential for a dedicated training centre being the subject of a current feasibility study.

During 2008/09 the College has been awarded the following earmarked funding:-

Estates Capital Funding £463,000; Teaching Related Investment £50,000 and Childcare Funding £187,000.

RESOURCES

The College has various resources that it utilises in pursuit of its strategic objectives.

Property : The College owns its main campus in Fraserburgh and leases properties in Peterhead, Macduff, Keith, Aberdeen, Turriff and Huntly.

Financial : The College has a turnover of £11.7m, net assets of £8.2m, and no borrowings.

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People : The College has 448 employees which equates to 253 FTE.

Reputation : The College has an excellent reputation both locally and nationally.

PRINCIPAL RISKS

During the risk analysis exercise in March 2008, the key risks identified were:-

- Changes in Government and SFC policy relating to allocation of grant in aid and other funding streams;
- Sourcing staff in key areas such as engineering and maritime.

EQUAL OPPORTUNITIES

We are committed to equality of opportunity for all prospective and current staff and students.

We recognise that certain social and cultural influences can lead to groups or individuals being disadvantaged for reasons relating to age, gender, status, race, disability, sexual orientation, religious or political beliefs. We therefore continuously review our culture, core values, policies and procedures to ensure that they promote behaviours and attitudes which combat discrimination. 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 within the College continues. Banff and Buchan College's policy is to provide training, career development and opportunities for promotion to all staff.

STAKEHOLDER RELATIONSHIPS

The College has, over an extended period sought to develop relationships with both public and private sector organisations. The key public sector organisations involved are:

- Aberdeenshire Council. Aberdeenshire Council have a multi-faceted relationship with the College including partnership Learning Centres in a range of communities including Huntly, Peterhead and Macduff. This year has seen the development of the new Ellon Learning Centre which opened in November 2008. The Council is also a key client for both commercial and schools related training;
- Moray Council has a similar, if smaller, range of partnerships with the College. The key element of this partnership is operation of the Isla Bank Skills Centre in Keith.

Other public sector organisations with whom the College has effective partnerships include Skills Development Scotland, Job Centre Plus and the Scottish Funding Council.

The College also works extensively with a range of private entities and charities including:

- Shell sponsorship of a full engineering technician programme;
- "Next Steps – Engineering": Schlumberger, Subsea 7, Technip, Weatherford, Halliburton and Acergy as well as other engineering training companies such as ITCA, Peterhead Training etc.
- "Next Steps – Nautical": Ocean Mainport, North Star Shipping, Vroon Offshore Services and Nomis Shipping.
- "Next Steps – Accounting": Johnston and Carmichael.
- The Scottish Traditional Skills Training Centre

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- Charities including Wood Recyclability, Inspire, Fly Cup etc.

EMPLOYMENT INFORMATION AND CONSULTATION

The College considers good communication with its staff to be very important and to this end the Principal releases a weekly team-brief following the Senior Management Team meeting. We also provide a regular quality newsletter which is available to all staff.

It is the policy of the Board to promote good communications with their employees both directly to individual members and through the Partnership Forum. The Board also promotes good relationships with the support staff trade union, UNISON, the College Support Staff Association and the lecturing staff trade union EIS/FELA. The Partnership Forum for conducting staff negotiations and consultation consists of representatives of EIS/FELA, UNISON, the College Support Staff Association and Managers. Staff are also represented on a range of Committees and Working Parties. All College policies and procedures are available on the College Intranet. During the year, training was provided for members of the Partnership Forum.

PROFESSIONAL ADVISERS

The College Boards of Management no longer appoint their own external auditors. Audit Scotland allocate External Auditors to each college. Tenon Audit Ltd commenced their five year appointment in 2006/07.

Following a competitive tender exercise the College bankers changed to Lloyds TSB from 1st August 2007.

External Auditors:	Tenon Audit Ltd
Internal Auditors:	Henderson Loggie
Bankers:	Lloyds TSB
Solicitors:	Simpson Marwick
Solicitors:	Brodies

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 10th December 2008 and signed on its behalf by:-

.....
Alan Findlay
Chairman

.....
Robert Sinclair
Principal

Banff and Buchan College, Henderson Road, Fraserburgh, AB43 9GA

Copies of the Financial Statements can be obtained by application to the Secretary to the Board

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in Section 1 of the Combined Code on Corporate Governance as updated by the London Stock Exchange in June 2006. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

The 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 Board of Management is of the view that the College is in compliance with all the code provisions set out in Section 1 of the Combined Code on Corporate Governance insofar as they relate to colleges. There is an ongoing process for identifying, evaluating and managing the College's significant risks and that it has been in place for the year ended 31 July 2008 and up to the date of approval of the annual report and accounts, and it is regularly reviewed by the Board of Management.

The College's Board of Management meets five times a year and has a committee structure as follows:- a Finance and General Purposes Committee, a Staffing Committee, a Search and Nomination Committee, a Remuneration Committee and an Audit Committee. All of these Committees are formally constituted with terms of reference contained within a Governance Manual. Membership of the Board of Management and Committees are reviewed annually. The College Governance Manual outlines the legislative framework and internal context under which the Board operates as well as the remits of Committees and delegated powers as appropriate.

The Finance and General Purposes Committee 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 and Nomination Committee considers nominations and applications for Board Membership. This Committee then brings a recommendation to the Board. Appointments to the Board of Management are approved by the full Board. The Board consists of no more than 16 members. Members are eligible to remain on the Board for a maximum of three terms of office, i.e. 12 years. An initial induction is provided by the Principal of the College. Board members are encouraged to attend external training sessions and video conferencing is used when available to allow members to participate in events held in the central belt. In addition, the Board also undertakes a minimum of two training sessions a year.

The Remuneration Committee determines the remuneration of the Principal and reviews the senior management remuneration framework on a triennial basis.

The Audit Committee meets four times a year, with the College's external and internal auditors invited to attend. 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 executives attend meetings of the Audit Committee as necessary, they are not members of the

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Committee and once a year the Committee meets the Internal and External Auditors on their own for independent discussions.

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 Senior Management Team and the Audit Committee also receive regular reports from the internal audit and health and safety functions. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Board of Management's agenda includes a regular item for consideration of risk and control and receives reports thereon from senior managers and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its March 2008 meeting, the Board of Management carried out the annual assessment by considering documentation from the senior management team and internal audit. Additional training and work is being undertaken in the current year in respect of business continuity planning (BCP). During the year the Board of Management agreed with staff on a surplus share scheme which has introduced an element of pay modernisation for all staff.

The Board has a well developed strategic planning framework and two additional full meetings annually are dedicated to this process. The outcomes of the strategic planning process are informed by input from senior managers and external sources as appropriate. The executive undertakes a full strategic and operational planning process based on the framework document.

The Board have determined to adopt a partnership approach in their relationships with staff and a Partnership Forum has been convened. A comprehensive policy framework has been developed and is available to all staff on the College intranet.

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

BOARD OF MANAGEMENT

	*	Date of Appointment	Area of Interest
Dr I Heywood (resigned 18 th April 2008)	G	December 2003	Director of Skills and Learning, Scottish Enterprise Grampian
Mr W A Findlay	A	October 1999	Local Government and Community Education
Mr G MacRae (Chairman from 22/06/05) Term on Board completed 31 st July 2008)	Z	June 1996	Solicitor, Secretary Scottish White Fish Producers
Mr G Morrice	SR	January 1998	Strategic Resources Director (retired), Grampian Healthcare
Ms J Davies	G	Annual appointment	Student, Students' Association 2007-08
Dr R Sinclair	Z	July 2000	Principal, Banff and Buchan College
Mr W J Sutherland (Deputy Chair)	AGR	February 1997	Senior Manager (retired), Banking
Dr I Moir	G	January 2005	Consultant, Business Development Advice
Mr J Cousins	A	1 st August 2005	Consultant, Energy, Management and Purchasing
Mr M Ellington	G	1 st August 2005	Deputy Lord Lieutenant, Aberdeenshire
Ms L Macfarlan	A	1 st August 2005	Finance Director, Score Europe
Mr I Barbour	S	1 st August 2005	Lecturing Staff, Banff and Buchan College
Mrs S Lawrance	S	7 th February 2008	Support Staff, Banff and Buchan College
Mr D Cook	S	1 st August 2005	Management, Banff and Buchan College

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	*	Date of Appointment	Area of Interest
Mr W Weir	S	12 th December 2007	Head of Service (North), Aberdeenshire Council
Mr M Park	G	1 st August 2008	Chairman, Scottish Whitefish Producers' Association
Mr JW Smith	A	1 st August 2008	Production Co-ordinator, Shell UK Limited
Ms H Skene	G	Annual Appointment	Student, Students' Association Session 2008-09

During the period referred to in these accounts, Mr A Findlay has served in the position as Chair Designate and took over the role of Chairman from 1st August 2008.

* Committee Involvement :

Z – All committees except Audit
A – Audit
G – Finance & General Purposes
S – Staffing
R – Remuneration

RELATED PARTY TRANSACTIONS

The Board of Management of Banff and Buchan College is a body incorporated under the Further and Higher Education (Scotland) Act 1992.

SFC is regarded as a related party. During the year Banff and Buchan College had various material transactions with SFC and with other Public Sector entities viz:- Student Awards Agency for Scotland, Scottish Qualifications Authority, Scottish Enterprise Grampian, Moray, Badenoch and Strathspey Enterprise and a number of other colleges and higher education institutions.

In addition, the College has had a small number of material transactions with other bodies sponsored by other Government Departments viz. Aberdeen City Council, Aberdeenshire Council and Scottish Water.

Due to the nature of the College's operations and the composition of its 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 a material interest are conducted at arm's length and in accordance with normal project and procurement procedures.

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
Dr I Heywood	Scottish Enterprise Grampian Aberdeen College	Director of Skills & Training Board Member
Mr W Weir	Aberdeenshire Council	Head of Service (North), Banff Education Office
Mr G MacRae	Scottish White Fish Producers Association	Secretary

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The College had transactions during the year with the following non-public body in which a member of the Board of Management has an interest and which in aggregate exceeded £5,000.

Member	Organisation	Position
Ms L Macfarlan	Score Europe	Finance Director

Approved by order of the members of the Board on 10th December 2008 and signed on its behalf by:-

.....
Alan Findlay
Chairman

.....
Robert Sinclair
Principal

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

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 and as amended, 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 to enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council (SFC) and the College's Board of Management, the Board, through the Principal, 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 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;
- 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 is satisfied that it has adequate resources to continue in operation for the foreseeable future 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 SFC 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 sector and administrative managers.
- a comprehensive medium and short-term planning process, supplemented by detailed annual

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- income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and monthly reviews of financial results involving variance reporting and updates or 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 Audit Committee and Finance & General Purposes Committee;
 - a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Management 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.

By order of the Board and signed on its behalf by:-

Date : 10th December 2008

.....
Alan Findlay
Chairman

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOARD OF MANAGEMENT OF BANFF AND BUCHAN COLLEGE, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT

We have audited the financial statements of Banff and Buchan 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 and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

The report is made solely to Banff and Buchan 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 any responsibility to anyone other than Banff and Buchan College or the Auditor General for Scotland, for this report or the opinion we have formed.

Respective responsibilities of the Board of Management, Principal and auditor

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

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

We report our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction. We also report if, in our opinion, the Report of the Board of Management is not consistent with the financial statements, if the body has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit. We also report whether in all material respects

- the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers;
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum dated 1 January 2006 and any other terms and conditions attached to them for the year ended 31 July 2008; and
- funds from whatever source administered by the college for specific purposes have been properly applied for the intended purposes.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOARD OF MANAGEMENT OF BANFF AND BUCHAN COLLEGE, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT/cont'd

We review whether the Corporate Governance Statement reflects the college's compliance with the requirements of the Scottish Funding Council. We report if, in our opinion, it does not comply with these requirements or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the college's corporate governance procedures or its risk and control procedures. We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Board of Management and Statement of the Board of Management's Responsibilities for the Accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the college's circumstances, consistently applied and adequately disclosed.

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

Opinion

Financial statements

In our opinion

- the financial statements give a true and fair view, in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction, of the state of affairs of the college as at 31 July 2008 and of its surplus, total recognised gains and losses and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction made thereunder.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOARD OF
MANAGEMENT OF BANFF AND BUCHAN COLLEGE, THE AUDITOR GENERAL FOR
SCOTLAND AND THE SCOTTISH PARLIAMENT/cont'd**

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.

Tenon Audit Limited

*5 Kings Place
Perth
PH2 8AA*

Date

ACCOUNTING POLICIES

Basis of preparation

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

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 included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short term deposits is credited to the income and expenditure account in the period in which it is earned.

Income from specific endowments and donations is included to the extent of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs.

Recurrent grants from the SFC are recognised in the period in which they are receivable.

Non recurrent grants from the SFC or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Pension Schemes

The College has adopted FRS17 Retirement Benefits in the financial statements. While the full adoption of the standard in 2005/06 represented a change in accounting policy, there was no impact on the financial statements as previously stated, and consequently no prior year adjustment was required.

Retirement benefits for employees of the College are provided by the Teachers' Superannuation Scheme (Scotland) (STSS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method. Due to

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

the multi employer nature of the schemes and being unable to identify the specific assets and liabilities in relation to the College's employees, there being a fixed rate for all employers in the schemes, has resulted in the College accounting for contributions to the scheme as if they were defined contribution schemes as permitted by FRS17.

Tangible Fixed Assets

(a) Land and Buildings

The transitional rules set out in FRS15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly, the book values at implementation have been retained.

Land and buildings are stated in the balance sheet at a valuation in 1995, with subsequent additions at cost. The revalued properties are specialised properties for which there is no market evidence and have been valued on the depreciated replacement cost basis. Feuhold land associated with the buildings and undeveloped feuhold land is not depreciated. Feuhold buildings are depreciated over their expected useful economic life to the College of 50 years. The life expectancy of the building was reviewed in July 2003 by A.R. Scott & Partners (Aberdeen).

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

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

The project management, architect and other professional fees for the College redevelopment project have been capitalised. There is no guarantee that the project will commence, so the fees have been written off over their estimated useful life of 5 years.

(b) Equipment

Equipment costing less than £10,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost and is depreciated over its useful economic life as follows:-

Plant and Equipment up to 10 years
Computer Equipment up to 4 years
Vehicles up to 4 years

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

Subsequent Expenditure on Existing Fixed Assets

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

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

Revaluation Reserve

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

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

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

Agency Arrangements

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

Investments

Investments are recorded at cost in the financial statements.

Stocks

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

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

Maintenance of Premises

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

Tuition fees

The College charges tuition fees as advised by the SFC and other central funding bodies. Under SFC guidance contained within the national fee waiver policy, eligible full time students have their fees waived. Part time students in receipt of certain state benefits and link school students also have their fees waived.

Taxation

The College has been granted charitable status by the Inland Revenue and as such is broadly exempt from corporation tax on income it receives from tuition fees, interest and rents.

The College is exempt 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.

Restricted income

Restricted income is any income which is for specific purposes designated by the granter or donor, e.g. Access funds and SFC Specific Grant.

Restricted income and expenditure have been accounted for so that the entries in the income and expenditure account are matching.

Consolidated accounts

The investment in the subsidiary is stated at cost. Group accounts have not been prepared as the subsidiary was dormant throughout the year.

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 JULY 2008

	Notes	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
Income			
SFC grants	1	8,969	8,057
Tuition fees and education contracts	2	1,685	1,488
Other grants and contracts	3	21	42
Other income	4	733	501
Investment income	5	289	205
Total income		11,697	10,293
Expenditure			
Staff costs	6	8,129	7,293
Other operating expenses	8	3,288	2,742
Depreciation	10	277	256
Total expenditure		11,694	10,291
Surplus on continuing operations after depreciation of fixed assets at valuation and before tax		3	2
Taxation	9	-	-
Surplus on continuing operations after depreciation of fixed assets at valuation and tax	16	3	2

All activities are classed as continuing. There are no recognised gains or losses other than the income and expenditure for the year.

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

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

	Notes	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
Surplus on continuing operations after depreciation of assets at valuation and tax		3	2
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	16	120	121
Historical cost surplus for the period		123	123

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

	Notes	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
Surplus on Continuing Operations after Depreciation of Fixed Assets at Valuation		3	2
Total Recognised Gains for the Year		3	2
Reconciliation		Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
Opening Reserves	16	6,561	6,559
Total Recognised Gains for the Year		3	2
Closing Reserves		6,564	6,561

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

BALANCE SHEET AS AT 31 JULY 2008

	Note	As at 31 st July 2008 £000	As at 31 st July 2008 £000	As at 31 st July 2007 £000	As at 31 st July 2007 £000
FIXED ASSETS					
Tangible fixed assets	10		6,634		6,774
Investments	11		-		-
			6,634		6,774
CURRENT ASSETS					
Stocks		9		3	
Debtors	12	260		170	
Cash at bank and in hand		4,449		3,706	
		4,718		3,879	
CURRENT LIABILITIES					
Creditors:					
Amounts falling due within one year	13	2,805		2,112	
		2,805		2,112	
NET CURRENT ASSETS			1,913		1,767
TOTAL ASSETS LESS CURRENT LIABILITIES			8,547		8,541
Provisions for liabilities and charges	14		321		320
NET ASSETS			8,226		8,221
Deferred Capital Grants	15		1,662		1,660
RESERVES					
Revaluation reserve	16	4,598		4,718	
Designated reserves	16	1,253		1,270	
Income and expenditure account	16	713	6,564	573	6,561
TOTAL			8,226		8,221

The Financial Statements on pages 18 to 41 were approved by the Board of Management on 10th December 2008 and signed on its behalf by :-

.....
Alan Findlay
Chairman

.....
Robert Sinclair
Principal

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2008

	Notes	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
Net cash inflow from operating activities	17	454	849
Returns on investment and servicing of finance	18	289	205
Taxation		-	-
Capital expenditure	19	-	-
Financing		-	-
		<hr/>	<hr/>
Increase in cash in the period		743	1,054
		<hr/>	<hr/>
 Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period	20	743	1,054
Cash outflow from decrease in debt financing		-	-
		<hr/>	<hr/>
Movement in net funds in the period		743	1,054
Net funds at 1 August		3,706	2,652
		<hr/>	<hr/>
Net funds at 31 July		4,449	3,706
		<hr/> <hr/>	<hr/> <hr/>

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2008**

1. SFC FE GRANTS

	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
SFC FE recurrent grant (including fee waiver)	8,329	7,432
Funding for increased STSS contributions	82	122
Financial security funding	-	-
FE childcare funds	187	158
Release of deferred capital grants	122	102
Estates grant	32	22
School College partnership	-	30
Additional one off resources	175	148
Other specific SFC grants	42	43
	8,969	8,057

2. TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
Higher Education - Home and EU	385	335
Further Education - Home and EU	1,298	1,151
Other SFC Funded Tuition	2	2
Total SFC fees paid by or on behalf of individual students	1,685	1,488

3. OTHER GRANTS AND CONTRACTS

	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
European Funds	8	30
Release from deferred capital grants – non SFC	13	12
	21	42

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2008**

4. OTHER OPERATING INCOME

	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
Catering	293	263
Other income generating activities	3	31
Other grant income	189	26
Other income	248	181
	<u>733</u>	<u>501</u>

5. INVESTMENT INCOME

	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
Interest receivable	289	205
	<u>289</u>	<u>205</u>

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2008**

6. STAFF

Staff numbers :

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

	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
Teaching departments	150	139
Teaching support services	51	45
Other support services	2	2
Administration and central services	23	22
Premises	14	15
Other income generating activities	2	3
Catering	7	7
Other	4	3
	253	236

Analysed as :-

Staff on permanent contracts	228	210
Staff on temporary contracts	25	26
Total	253	236

	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
--	---	---

Staff Costs:

Wages and Salaries	6,739	6,064
Social Security Costs	480	439
Other Pension Costs	889	772
	8,108	7,275

Exceptional Pension Costs	21	18
	8,129	7,293

A general pay award of 3.5% was made with effect from 1st August 2007.

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

7. EMOLUMENTS OF BOARD MEMBERS AND HIGHER PAID STAFF

Emoluments of the Board of Management

The total remuneration of the Board of Management including pension contributions, benefits in kind and bonuses but excluding the salaries of employee Board members for normal staff duties amounted to :

	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
Fees as Board Members	-	-
Travel and Subsistence paid to Board Members	4	3
Amount paid to third parties for the services of Board Members	-	-
Pensions paid directly to past Board Members	-	-

Emoluments of the Principal – Mr R Sinclair

Remuneration	83	77
Benefits in kind, taxable expense allowance, bonuses, etc.	-	-
Employers' Pension Contribution	11	10
	<u>94</u>	<u>87</u>

Senior post-holders are defined as the Principal and holders of other senior posts whom the Board have selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Board of Management. The Principal is the only senior post-holder under this definition.

The Principal is an ordinary member of the Scottish Teachers' Superannuation Scheme. The College's contributions to the scheme are paid at the same rate as for other members of academic staff.

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

Emoluments of higher paid members of staff

The number of higher paid staff, including the Principal, who received emoluments including benefits in kind and excluding pension contributions in the following ranges was:

	12 month period 2008 £000	12 month period 2007 £000
£50,001 to £60,000	1	1
£60,001 to £70,000	1	-
£70,001 to £80,000	-	1
£80,001 to £90,000	1	-

All higher paid staff are ordinary members of the appropriate pension scheme and contributions were paid at the same rates as other members of staff.

Senior post-holders, including the Principal, Depute Principal and higher paid staff received the same 3.5% pay increase as the general pay award. The Principal and Depute Principal also received a salary increase following a benchmarking exercise with comparative institutions. All staff received a pro rata share of underspend of the staffing budget based on FTE in 2007/08. The total was one-third of the underspend on the staffing budget.

Compensation for loss of Office

No compensation for loss of office was paid during the year to higher paid employees.

Overseas Activities

No costs were incurred by Board Members or Senior Post Holders in respect of overseas activities.

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

8. OPERATING EXPENSES

	Staff costs Year ended 31 st July 2008 £000	Other operating expenses Year ended 31 st July 2008 £000	Staff costs Year ended 31 st July 2007 £000	Other operating expenses Year ended 31 st July 2007 £000
Teaching departments	5,600	1,584	4,942	1,236
Teaching support services	1,158	436	1,085	347
Other support services	51	2	49	4
Administration and central services	739	165	689	183
Premises costs	259	589	212	492
Planned maintenance	-	90	-	82
Other income generating activities	65	29	68	27
Exceptional staff costs	21	-	18	-
Catering	104	208	104	183
Other expenses	132	185	126	188
	8,129	3,288	7,293	2,742

	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
--	---	---

Other operating expenses include:

Auditors' Remuneration (including irrecoverable VAT)

- internal audit	16	7
- external audit	13	13
- other services provided by:		
Internal auditors	6	3
External auditors	-	-

9. TAXATION

The Board does not believe the College was liable for any corporation tax arising out of its activities during this period.

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2008**

10. TANGIBLE FIXED ASSETS

	Feuhold Land and Buildings £000	Equipment £000	Total £000
Cost or valuation			
At 31 July 2007	9,992	1,213	11,205
Additions	137	-	137
Disposals	<u>-</u>	<u>(168)</u>	<u>(168)</u>
At 31 July 2008	<u>10,129</u>	<u>1,045</u>	<u>11,174</u>
Depreciation			
At 31 July 2007	3,600	831	4,431
Charge for period	208	69	277
Eliminated in respect of disposals	<u>-</u>	<u>(168)</u>	<u>(168)</u>
At 31 July 2008	<u>3,808</u>	<u>732</u>	<u>4,540</u>
Net book value			
At 31 July 2008	<u>6,321</u>	<u>313</u>	<u>6,634</u>
Net book value			
At 31 July 2007	<u>6,392</u>	<u>382</u>	<u>6,774</u>
Inherited	4,652	-	4,652
Financed by Capital Grant	1,556	313	1,869
Other	113	-	113
Net book value			
At 31 July 2008	<u>6,321</u>	<u>313</u>	<u>6,634</u>

The transitional rules set out in FRS15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly, the book values at implementation have been retained.

Land and buildings were valued for the purposes of the 1995 financial statements by Donaldsons, chartered surveyors. The basis of valuation used was depreciated replacement cost (as defined by the Statements of Asset Valuation Practice and Guidance notes issued by the Royal Institution of Chartered Surveyors). The life of the buildings was reassessed by A.R. Scott & Partners (Aberdeen) in July 2003. Consequently the rate of depreciation has been amended to reflect the new expected life of the property.

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

During 2007-08 the College disposed of a CNC milling machine, a photocopier that was obsolete, hydraulics kit, a server and IT system. In all cases the assets were fully depreciated and had no residual value to the College.

Land and buildings would be stated on the historical cost basis at the following amounts.

	Year ended 31 st July 2008 £000
Cost	2,285
Aggregate depreciation based on cost	558
Net book value based on cost	1,727

Land and buildings with a net book value of £4,652,000 have been funded from local authority sources. These assets may not be disposed of without the prior approval of SFC, the College may have to surrender the proceeds to the Scottish Ministers.

	£000
The depreciation charge for the period is analysed as follows:	
Depreciation based on cost	156
Depreciation based on valuation	121
	277

11. INVESTMENTS

Investment in subsidiary company at cost	£2
--	----

The College owns 100% of the issued ordinary £1 shares of Banff and Buchan College Company Limited, a company incorporated in Great Britain and registered in Scotland. The Company has been dormant during the year ended 31st July 2008 and Group accounts have not been prepared.

12. DEBTORS

	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
Amounts falling due within one year		
Trade debtors	121	112
Prepayments and accrued income	139	58
	260	170

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

13. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
Trade creditors	469	416
Taxation and social security	-	234
Payments received in advance	1,961	1,163
Accruals	356	299
Bursary and access funds for future disbursement	19	-
	2,805	2,112

Payments received in advance include £1,666,000 2007/08 (£782,000 2006/07) of SFC grants carried forward as the College allocates funds towards its estates redevelopment, CPD improvements and equipment updates.

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
At 31 July 2007	320	321
Expenditure in the period	(20)	(19)
Revaluation adjustment transferred from income and expenditure account	21	18
	321	320
At 31 July 2008	321	320

The provision is for future pension costs arising from early retirement. The College had consistently applied a prudent policy using an interest rate of 2½%. During 2006/07 the Funding Council have intimated that acceptable rates were 2½ or 2%. In order to maintain the College's prudent practice the interest rate selected was 2%. For 2007/08 the Funding Council have intimated a 2% rate, which the College prudently follows. The pension provision has been revalued using actuarial tables.

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

15. DEFERRED CAPITAL GRANTS

	SFC £000	Other Grants £000	Total £000
At 1 August 2007			
Land and Buildings	808	470	1,278
Equipment	382	-	382
Cash received :			
Land and Buildings	137	-	137
Equipment	-	-	-
Release to Income and Expenditure Account:			
Land and Buildings	(53)	(13)	(66)
Equipment	(69)	-	(69)
At 31 July 2008 :			
Land and Buildings	892	457	1,349
Equipment	313	-	313
TOTAL	1,205	457	1,662

The land and buildings deferred capital grants relate to funds received towards the building of an open access resource centre; a marine engineering centre; a design technology transfer centre; an on-site Nursery; the Front of College extension “Engage”; Games Hall floor; part of a reconstruction for the Business Sector at the College; mezzanine floor for the Technology Sector; a ventilated ceiling in the Training kitchen; and a wood waste extraction system. The professional fees for the College redevelopment were added in 2007-08.

The equipment deferred capital grants related to a gas boiler; photocopier; college vehicle; three hydraulic workstations; photocopiers; payroll and a skyjack lift. These grants are being released back to the Income and Expenditure Account over the useful life of the centres and their equipment.

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

16. RESERVES

	Revaluation Reserve	Designated Reserves	Income and Expenditure Account	Total
	£000	£000	£000	£000
At 1 August 2007	4,718	1,270	573	6,561
Transfer from revaluation reserve to income and expenditure account	(120)	-	120	-
Surplus on continuing operations after depreciation of assets at valuation	-	-	3	3
Transfer from designated reserves	-	(17)	17	-
At 31 July 2008	4,598	1,253	713	6,564

The designated reserve represents funds earmarked for essential major repairs and essential replacement of equipment. It also includes the required match funding for 3 European funded capital projects, a Marine Engineering Training Facility, an Outreach Facility at Macduff and the Design Technology Transfer Centre. A new designated reserve was set up in relation to estates development, £500,000 in 2005-06.

17. RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
Surplus on continuing operations after depreciation of assets at valuation	3	2
Deferred capital grants released to income (note 1 and 3)	(135)	(114)
Depreciation (Note 10)	277	256
(Increase)/Decrease in stocks	(6)	-
(Increase)/Decrease in debtors	(90)	(96)
Increase/(Decrease) in creditors	693	1,007
Increase/(Decrease) in provisions	1	(1)
Interest receivable (Note 5)	(289)	(205)
Net cash inflow from operating activities	454	849

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2008**

18. **RETURNS ON INVESTMENT AND SERVICING OF FINANCE**

	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
Interest received	289	205
Interest paid	-	-
	<u>289</u>	<u>205</u>

19. **CAPITAL EXPENDITURE**

	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
Payments to acquire tangible fixed assets	(137)	(196)
Proceeds of sale of fixed assets	-	-
Capital grants received	137	196
	<u>-</u>	<u>-</u>

20. **ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 August 2007 £000	Cash Flows £000	At 31 July 2008 £000
Cash in hand, and at bank	3,706	743	4,449
Overdrafts	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u>3,706</u>	<u>743</u>	<u>4,449</u>

21./

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

21. PENSION AND SIMILAR OBLIGATIONS

The College's employees belong to two principle pension schemes, the STSS and the LGPS, which are of the defined benefit type, the assets of the schemes being held in separate trustee-administered funds.

Lecturing Staff

Teaching staff participate in the Scottish Teachers' Superannuation Scheme, a defined benefit scheme, which is externally funded and contracted out of State Earnings-Related Pension Scheme. The assets of the scheme are in a separate trustee-administered fund. Due to the multi employer nature of the scheme, it is not possible to identify the College's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account is equal to the contributions payable to the scheme for the year. The latest actuarial valuation of the scheme was 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 contribution rates are reviewed every 5 years following a scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when costs are actually incurred and they reflect past experience of the scheme. Next actuarial valuation 31 March 2006. Actuarial method – prospective benefits. Assumed rate of return on investment 7% and assumed rate of increase in salaries 5.0%.

The valuation has been carried out using the Entry Age Method.

The contributions allowed for in the valuation, are as follows:

Standard contributions (employers and members)

- (i) 12.4% of salaries from 1 April 2001 to 31 March 2003;
- (ii) 12.65% of salaries from 1 April 2003 to 30 September 2003;
- (iii) 18.5% of salaries from 1 October 2003 to 31 March 2007;
- (iv) 19.9% of salaries from 1 April 2007

Supplementary contributions by employers

- (v) 0.5% of salaries from 1 April 2001 to 31 March 2002; and
- (vi) 0.76% of salaries from 1 April 2002 to 30 September 2003.

The value of the notional investments as at 31 March 2001 has been determined so that the value of the liabilities is equal to the sum of the values of the notional investments and the future contributions from members and employers.

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment.

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

Support Staff

The support staff participate in the Local Government Pension Scheme administered by Aberdeen City Council Pension Fund, a defined benefit scheme which is externally funded and contracted out of State Earnings-Related Pension Scheme. The assets of the scheme are in a separate trustee-administered fund.

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

The most recent actuarial valuation was carried out as at 31st March 2008, but results have not been released. The last published valuation was 31st March 2005. The value of the fund was £1,311m, and there was a deficiency of £243.4m. The funding level was 84% and an average required contribution rate was 233% of the employees contributions. A stepped increase over the three years 2006 to 2009 was agreed. The funding objective is to achieve and maintain a funding level of 100%.

The contribution rates paid by Banff and Buchan College over the accounting period are as follows:-

April 2006 to March 2007	275% of members' contributions
April 2007 to March 2008	285% of members' contributions
April 2008 to March 2009	300% of members' contributions

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

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment. The total LGPS pension cost for the College was £368,000 (2006/07 £313,000). This includes £NIL (2006/07 £38,000) outstanding contributions at the balance sheet date.

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2008**

22. POST BALANCE SHEET EVENTS

There have been no significant post balance sheet events.

23. BURSARY, EMA AND ACCESS FUNDS

	Year ended 31 st July 2008	Year ended 31 st July 2008	Year ended 31 st July 2008	Year ended 31 st July 2008	Year ended 31 st July 2008	Year ended 31 st July 2007
	FE Bursary £000	FE Access £000	EMAs £000	HE Access £000	Total £000	Total £000
Balance brought forward	14	3	-	2	19	-
Allocation received in year (prior to clawback)	1,447	116	195	28	1,786	1,775
Expenditure	1,445	117	195	30	1,787	1,716
Repaid to Funding Council/funding body (clawback)	-	-	-	-	-	-
Virements	-	-	-	-	-	40
Balance carried forward	<u>16</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>18</u>	<u>19</u>
Represented by:						
Repayable to Funding Council as clawback	-	-	-	-	-	-
Retained by College for students	<u>16</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>18</u>	<u>19</u>

Access, Bursary and EMA funds are available solely for students; the College acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

24./

BANFF AND BUCHAN COLLEGE OF FURTHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

24. FE CHILDCARE FUNDS

	Year ended 31 st July 2008 £000	Year ended 31 st July 2007 £000
Balance brought forward	5	-
Allocation received in year	182	158
Expenditure	(186)	(193)
Repayed to Funding Council/funding body (clawback)	-	-
College contribution to funds	-	-
Virements	-	40
Balance carried forward	<u>1</u>	<u>5</u>
Represented by:		
Repayable to Funding Council as clawback	-	-
Retained by College for students	<u>1</u>	<u>5</u>

25. CAPITAL COMMITMENTS

There were no capital commitments at either of the year ends 31st July 2008 or 31st July 2007.

26. CONTINGENT LIABILITIES

There were no contingent liabilities at either of the year ends, 31st July 2008 or 31st July 2007.