



Annual Report and Financial Statements 2003/2004

Argyll Court
Castle Business Park
Stirling FK9 4TY

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LEGAL AND ADMINISTRATIVE DETAILS

Charity name Association of Scottish Colleges

Company number SC143210

Registered charity number SC023848

Principal addresses Argyll Court
Castle Business Park
Stirling
FK9 4TY

Directors

David Welsh
Andy Bastow
Jim Edgar
Ian Graham
Roger Harrison
Jim Logan

Janet Lowe
Howard McKenzie
Ian Macpherson
Russell Marchant
Candy Munro
Sue Pinder

Bankers

Bank of Scotland
1 Munro Road
Stirling, FK7 7SY

Solicitors

Brodies
15 Atholl Crescent
Edinburgh
EH3 8HA

Auditors

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

ASC DIRECTORS' REPORT AND RESPONSIBILITY STATEMENT FOR YEAR ENDED 31 MARCH 2004

2003 saw significant changes in both the ASC's Board of Directors and its Executive.

Rotational elections took place in the autumn of 2003, with 8 Directors retiring or resigning, including the Chair of the Board, Bob Kay. ASC ended 2003, however, with a full complement of Directors and a new Chair, David Welsh, Chair of Langside College. Sue Pinder, Principal of West Lothian College was elected Vice-chair.

ASC Executive started the financial year with a full complement of 8 staff. During the year 3 left the organisation. ASC, however, successfully recruited new staff members and increased its policy portfolio by adding a fourth Policy Adviser to the team.

There were no changes in the number of full members (41) of the Association or associate members (7) during the year.

SCOTTISH PARLIAMENT

This year began with the second term of the devolved Scottish Parliament and Scottish Executive, and a new Minister for Enterprise and Lifelong Learning, the Deputy First Minister, Jim Wallace.

The present and future work of the Parliament is monitored daily by ASC. We continued to have regular contact with MSPs, and their researchers and had a presence at fringe meetings of the party conferences of the four main parties. With Grayling (public affairs consultants) ASC developed a public affairs strategy for the new session of the Parliament. College issues were promoted throughout the year and ASC Executive lobbied MSPs on a range of issues including, top-up fees, the Scottish Budget, schools/college links and the proposed merger of the Funding Councils.

Enterprise and Culture Committee

In June 2003, the Enterprise and Culture Committee announced a call for evidence as part of its inquiry into the potential impact of the introduction of "top-up" tuition fees for HE courses – the Scottish Solutions Inquiry. ASC submitted evidence to the Inquiry in September and gave oral evidence in October.

In March 2004 ASC responded to the Enterprise and Culture Committee's Inquiry into the Roll out of Broadband in Scotland. One of Scotland's colleges was called to give oral evidence.

Audit Committee

SFEFC and HMIE gave evidence to the Audit Committee in November on the report by Audit Scotland on the performance management of the FE sector. SFEFC gave a robust defence of quality of provision in the FE sector as a whole.

Cross Party Groups

ASC is represented on two Scottish Parliament cross party groups:

- The Cross Party Working Group for Construction
- The Cross Party Working Group on Business, Economy, Environment and Society

PARTNERSHIPS

Regular (quarterly) high level strategic liaison meetings were held with Scottish Executive, STUC and NUS(S).

SCOTTISH EXECUTIVE

Funding for Learners Review

As part of its Lifelong Learning strategy the Scottish Executive announced a review of funding for learners. In its response to the review ASC argued that coherence and consistency of funding for learners should be the primary objective for the Executive, and that there should be an explicit statement of entitlement for all funding for learner schemes.

School College Review

One of the most important components of its lifelong learning strategy and the Partnership Agreement was the Scottish Executive's review of collaboration between schools and FE colleges. There was support from all 4 major political parties for better provision of vocational opportunities for school pupils before they reach school leaving age. This was a major issue for ASC in 2003-04 (and continues to be so).

Higher Education Review (Phase 3)

The aim of the review was to provide an evidence base for future decisions by the Executive and Scottish Parliament on higher education funding. ASC was heavily involved in cover the review, which looked in details at capital, staffing, students, and sources and uses of income.

Review of Teaching Qualifications for Further and Higher Education

Amongst the major items considered by the Policy Review Group (which steered the developments coming from the Review), was whether the FE sector should have a professional body. ASC continued to work to ensure a fair and open consultation, reaching all colleges, was undertaken.

Merger of the Further and Higher Education Funding Councils

The first stage of the consultation process was launched in October 2003 with the full public consultation closing on 15 July. ASC actively set out its vision for creating a new funding body that was 'Small, Smart and Strategic' and delivered:

- Greater coherence, access and opportunity for all engaged in lifelong learning
- Harmonisation of burdens and responsibility between colleges and universities
- Parity of esteem and treatment for learners and institutions
- Greater emphasis on progression and articulation routes for learners
- A more sustainable funding system to support vocational education and training

ASC had made it clear that it was looking toward the merger as an opportunity to create a more strategic and mature relationship between colleges and the funding body. ASC also agreed a joint statement with Universities Scotland on areas of shared interest and concern.

GOVERNANCE

Review of Governance and Accountability

The Review of Governance and Accountability in the College Sector was prompted by events involving allegations of financial mismanagement and other irregularities in one Scottish FE college. The Scottish Parliament's Audit Committee investigated the matter and recommended that the Scottish Ministers review governance and accountability throughout the further education sector.

The review was based primarily on a consultation exercise which was undertaken between May and October 2002. In March 2003 Ministers announced a package of measures aimed at modernising standards of governance and accountability in the College sector.

Sector Training for Members of Boards of Management

As part of its response to the Ministerial Review of Governance and Accountability in the FE sector ASC set up a framework for training opportunities for college Boards of Management, designed and developed by

ASC, with SFEU assistance. Building on the Guide for College Board Members, workshops were held in Edinburgh, Glasgow, Dundee and Inverness.

The training programme will be further developed during 2004-05.

Guide for Members of College Boards of Management

Following consultation with SFEFC, the revised edition of the Guide for Members of College Boards of Management was completed and issued to all colleges in December 2003.

Freedom of Information Act

ASC developed the Model Publication Scheme (MPS) for colleges, designed to ensure that obligations under the Freedom of Information Act 2002 were met. All member colleges adopted the ASC MPS which was formally submitted to the Scottish Information Minister in May 2004.

STUDENT SUPPORT ISSUES

ASC was involved in discussions on the operation of both the new Individual Learning Account Scheme for Scotland (ILA Scotland) and Educational Maintenance Allowances (EMAs).

ASC maintained dialogue with the Student Awards Agency for Scotland (SAAS) to ensure the needs of HE students within the FE sector were being addressed.

SCOTTISH QUALIFICATIONS AUTHORITY (SQA)

ASC liaised regularly with SQA on a number of issues. These included:

FE Strategic Forum

The Forum considers issues of strategic importance to the FE sector in relation to SQA.

NQs

ASC was represented on two key NQ groups – the National Qualifications Steering Group and the National Qualifications Task Group. Through these groups ASC had input into the pre-consultation phase of major reviews on possible options on the future of Age and Stage regulations, the relationship between Standard Grade and the New National Qualifications, and the 3-14 curriculum.

HN Key Partners Group

This group looked at developing a Business Plan for financing the revision and modernisation of the HN portfolio,

FE Technical User Group (TUG)

ASC chaired regular meetings of FE TUG to monitor progress with SQA certification.

SCOTTISH CREDIT AND QUALIFICATIONS FRAMEWORK

The Scottish Executive made funding of £500,000 per year for three years (2003-06) available to assist with the implementation of the SCQF. ASC, on behalf of the FE sector, successfully bid for around £50,000 per year over three years to support three projects raising awareness of the SCQF in colleges. The overall aim of the Executive was to ensure that all parts of the education sector in Scotland were prepared when the major publicity campaign for the SCQF was launched (2004-06).

SCOTTISH FURTHER EDUCATION FUNDING COUNCIL (SFEFC)

ASC and SFEFC continued to hold quarterly Executive Liaison meetings. Following the election of ASC's new Board in October, ASC Executive had worked to increase the engagement of the Chair of the Funding Council (Esther Robertson) and Council members with ASC Board and the Principals' and Chairs Forums.

Specific issues involving SFEFC included:

Performance Indicators

ASC worked closely with SFEFC on the best (and fairest) method of publishing the PI report.

Activities Measurement

Combined action by ASC and its members resulted in SFEFC's proposal to revise their method of counting SUMs being refocused to a redefinition of full time study.

College Financial Benchmarking

ASC participated in the CFB Working Group. The group was responsible for overseeing the tender process. The project was seen by colleges and SFEFC as a management tool that could help deliver financial security by 2006.

Longitudinal Survey Steering Group

ASC was represented on the steering group for a new longitudinal survey which was conducted on behalf of both funding councils.

Working Group on Supply and Demand

SFEFC is mapping the supply of and demand for FE in Scotland for a second time in 2004. ASC is represented on the Advisory group for the project although not on the project steering group. This project will, to an extent, parallel Phase 3 of the Review of Higher Education, which provided an evidence base for the development of future policy.

Pensions Working Group

SFEFC's GMAP directorate set up a sector wide group looking at pensions issues for the sector. ASC is represented on the group and will work to ensure that any recommendations put forward by GMAP are in the best interest of the sector as a whole.

Joint SFEFC/SHEFC E-learning Group

ASC was represented on this group which comprises a wide range of interest groups, to look at the strategic potential of e-learning. The group was charged to investigate e-learning and the role e-learning could play in enhancing the quality of provision and extending the 'reach' of further and higher education in Scotland. The group published its final report in July 2003. ASC is working with the Funding Councils and the colleges to implement the greater use of e-assistance to learning.

QUALITY AND HMIE

ASC was involved in a Scottish Executive review of Quality in Post-compulsory Education in Scotland, which will make proposals for the future quality systems in the tertiary education sector.

ASC held two liaison meetings with HMIE during the year when issues of quality and college inspection were discussed.

UNIONS

ASC maintained a dialogue with the trades unions through the ASC/STUC Liaison Meetings and the ASC/STUC Joint Working Group, which looked at devising joint guidance on family friendly policies for colleges. Two sets of guidelines were issued to colleges – "Work-Life Balance" and "Equality and Diversity".

ASC also had regular meetings with NUS Scotland and provided support through membership of the advisory group for Student Quality in Scotland (SPARQS).

FENTO/ LIFELONG LEARNING SECTOR SKILLS COUNCIL

ASC continued with the Further Education National Training Organisation (FENTO) in developing occupational standards and related support for colleges in Scotland. The intention to wind up FENTO had been announced

but progress in negotiations towards a successor body proved more protracted, and difficult, than had been expected. As a result the temporary arrangement for ASC support of FENTO was extended beyond the year of this report.

ASC played a leading part in the negotiations on establishing a new Sector Skills Council for Lifelong Learning sectors. The original plan to bring together only the further education, higher education, and private training provider sectors of the UK was abandoned in favour of a broader organisation which would also include community education, and information and library services. The new body now to be known as Lifelong Learning UK will take over existing functions, and funding, of FENTO at a date yet to be decided.

PRINCIPALS' FORUM

The Principals' Forum continued to meet on a monthly basis to discuss issues of importance to the sector.

The Visioning Process

Initiatives by the Forum included the visioning process, which was a major restatement of the current reality, successes and aims for the future of Scotland's colleges. The document - "Scotland is Changing" - was launched at ASC's Conference in June to enthusiastic support from the Minister for Enterprise and Lifelong Learning, Jim Wallace. It was distributed to a wide range of policy formers and decisions makers across Scotland, and within colleges themselves.

Following on from this a number of strategic dialogues with a wide range of key partners had taken place during the year to inform the sector on how they are viewed by their partners and stakeholders. Thereafter 4 dinners would be held (in May 2004), hosted by colleges, at which Principals and the key partners could discuss how to meet future requirements.

CPD

As part of the Visioning Process, the Principals CPD programme was reviewed and developed further. A new CPD programme was devised for 2004, with the first activity taking place in March. Appropriate external advisors would be engaged to comment on and analyse the whole CPD process

EUROPEAN AND INTERNATIONAL ACTIVITY

ASC hosted fact-finding meetings with international representatives from various countries including Botswana, Holland, China and Malaysia.

ASC and colleges took part in the 15th Conference of Commonwealth Education Ministers (CCEM) in October by showcasing FE in Scotland. ASC and the sector were also represented at the Scotland Europa Conference in April 2004.

ASC EXECUTIVE NEWS AND INFORMATION

Communication with Membership

The main tools of communication are ASC Circulars, News Bulletins and Parliamentary Bulletins. However, ASC increasingly communicates with its members via e-mail, and receives responses by the same method.

ASC Website

ASC's website continues to be refurbished and developed with new printer friendly options available. In addition, interactive bulletin boards were established within the members' area to promote discussion of particular topics. These proved helpful in developing lines to take in complex discussions with ASC's partner organisations.

Key Facts

The Key Facts 2004 leaflet was published and distributed at the ASC Conference in June. This is a statistical, but readable leaflet which is well received throughout the sector and beyond.

Conference

The 2003 Annual Conference was held at Airth Castle Hotel. The theme of the Conference was "2020 Vision: the College of the Future" which showcased the achievements of the college sector and how colleges and their partners in business, industry, the community and other education sectors are central to making lifelong learning a reality. The newly appointed Minister for Enterprise and Lifelong Learning, and Deputy First Minister, Jim Wallace QC, gave the keynote address.

COMPANY BUSINESS

Sector Involvement

ASC continues to utilise sector expertise and provide opportunities for FE staff, for example through involvement on various groups and committees as ASC representatives.

Related Parties

ASC represents and supports its member colleges and associate members. Its Directors are Principals or Chairpersons of the Boards of Management of its member colleges. ASC use the services of a Dundee College staff member on a consultancy basis for copyright advice. Falkirk College run the staff payroll. The Scottish Further Education Unit (SFEU) provides accountancy and bookkeeping services, as well as office space for which the ASC pay an arm's length rental.

Financial Statements

The financial statements have been laid out to comply with the Statement of Recommended Practice (SORP) for charities.

There was an increase in income of £112,569. The subscription formula remained at 0.233% of SFEFC grant-in-aid (subject to a maximum of £16,000). Bank interest increased to £13,205 (£12,578 in 2003).

Expenditure for the year increased by £163,853.

The Association had a surplus in the year of £8387 (as against a budgeted surplus at the start of the year of £4000).

Contingent Liabilities

There are no quantifiable contingent liabilities to report at this point.

Balance Sheet

The Balance Sheet showed an increase in creditors to £166,115 and an increase in debtors to £52,458. In accordance with accounting policy fixed ITC assets are fully depreciated and written off in the year of purchase.

Unrestricted Reserves

The Unrestricted Reserves are held for unexpected financial liabilities which could not be met from operational income. The unrestricted reserves at 31 March 2004 were £194,088.

Directors

The following are Directors of the Company:

Robert Kay	Chairman	<i>resigned October 2003</i>
David Welsh	Chairman	<i>from October 2003</i>
Mick Roebuck	Vice Chair	<i>resigned October 2003</i>
Sue Pinder	Vice Chair	
Andy Bastow	Director	<i>from October 2003</i>
John Burnett	Director	<i>resigned October 2003</i>
Paul Carruthers	Director	<i>resigned October 2003</i>
Jim Edgar	Director	<i>from October 2003</i>
Ian Graham	Director	
Roger Harrison	Director	
Jim Logan	Director	<i>from October 2003</i>
Janet Lowe	Director	
Russell Marchant	Director	<i>from October 2003</i>
Howard McKenzie	Director	<i>from October 2003</i>
Ian Macpherson	Director	<i>from October 2003</i>
Candy Munro	Director	<i>from October 2003</i>
James Thomson	Director	<i>resigned October 2003</i>

Employees

The number of employees of ASC Executive was 9. During the year 3 out of a complement of 8 staff members left the organisation to pursue their careers elsewhere. All were successfully replaced and an extra member of the Policy Team was recruited, making a total of 4 Policy Advisers.

Health & Safety

ASC complies with current Health & Safety law and keeps staff informed of current practice.

Equal Opportunities

ASC is an equal opportunities employer.

E-Commerce

ASC does not bill its members or creditors electronically. Most payments are made by cheque though some payments made direct from the company's account, and some receipts paid direct by BACS transfer.

Data Protection Act

ASC is aware of the implications and its obligations under the Data Protection Act (DPA) which came into force in 2000. All personal data held on employees are kept in a secure place and any data held electronically is password, or otherwise, protected.

ASC is also aware of and applies the eight data protection principles and terms used in relation to the DPA.

Risk Management

The Executive carried out a risk analysis and formulated a Policy and Procedure in 2004. Risks were categorised into three areas:

- Operational
- Financial
- Reputational/Strategic

The Policy and Procedure was in place but the Action Plan was not yet final. This will be completed in 2004-05.

Donations

No UK political or charitable donations were made by ASC during the financial year.

Payments to Creditors

ASC normally settles its payments to creditors on a monthly basis. Its policy is to make payments properly due within 1 month unless a more extended period is offered by the creditor.

Charitable Status

ASC is a company limited by guarantee and gained recognition by the Inland Revenue as a registered charity in July 1995. The Association charity number is SC 023848. The nature of its charitable status is to support education in, and to promote the objectives of Scottish further education colleges and other institutions in the further education sector in Scotland.

Company Registration Number

ASC's Company Registration Number is SC143210.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Association of Scottish Colleges
August 2004

DIRECTORS' RESPONSIBILITY STATEMENT


We are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Law applicable to incorporated charities in Scotland requires the Directors of the company to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity at the end of the year and of its financial activities during the year then ended.

In preparing the financial statement for 2003-04 we have:-

- selected suitable accounting policies and then applied them on a consistent basis
- made judgements and estimates that are prudent and reasonable;
- followed applicable accounting standards;
- prepared the financial statements on the going concern basis.

The accounting policies applied to these financial statements are set out in the Notes to the Accounts.



DAVID WELSH
Chairman - Board of Directors

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ASSOCIATION OF SCOTTISH COLLEGES

We have audited the financial statements of the Association of Scottish Colleges for the year ended 31 March 2004 set out on pages 16 to 24.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Directors' responsibility statement on page 14, the Directors are responsible for preparing the directors' report and financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the company is not disclosed.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Charitable Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider 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 other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the Charitable Company's affairs as at 31 March 2004 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

Saltire Court
20 Castle Street
Edinburgh EH1 2EG

STATEMENT OF FINANCIAL ACTIVITIES (including INCOME AND EXPENDITURE ACCOUNT) for the year ended 31 March 2004

		Unrestricted Funds 2004 £	2003 £
	NOTE		
INCOMING RESOURCES			
Activities in furtherance of the charity's objectives:			
- Subscriptions from members	2	568,711	505,011
- Conference		0	0
- Investment Income		13,205	12,578
- Other Incoming Resources		101,763	53,521
Total Incoming Resources		683,679	571,110
RESOURCES EXPENDED			
Charitable Expenditure			
Costs of activities in furtherance of the charity's objectives:			
- equipment		27,690	6,042
- staff costs	3	386,069	339,580
- annual conference		(2,833)	6,823
- other expenditure	5	251,766	145,264
Resources expended on managing and administering the charity	6	12,600	13,730
Total Resources Expended		675,292	511,439
Net Movement in Funds		8387	59,671
Total Funds Brought forward:		185,701	126,030
Total sums carried forward		194,088	185,701

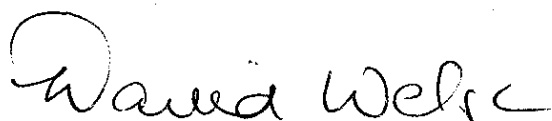
All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above. The surplus for the year for Company's Act purposes comprising the net movement in funds for the year was £8387. (2003: £59,671).

The notes on pages 19 to 24 form part of these accounts

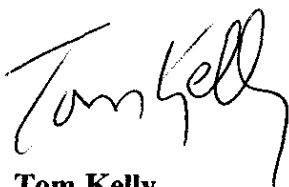
BALANCE SHEET AS AT 31 MARCH 2004

	NOTE	2004 £	2003 £
<u>Current Assets</u>			
Debtors		52,458	5,222
Cash at bank and in hand		307,745	289,523
Total Assets		360,203	294,745
<u>Current Liabilities</u>			
Creditors			
Amount falling due within one year:	8	166,115	109,044
Total Assets Less Current Liabilities		194,088	185,701
Represented by:			
Unrestricted Reserves	12	194,088	185,701

Approved by the Board of Directors on 30 August 2004.



David Welsh
Chairman – Board of Directors



Tom Kelly
Chief Executive and Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR
ENDED 31 MARCH 2004**

		2004	2003
		£	£
Net Cash inflow from Operating Activities	13	13,479	46,384
Returns on investment and servicing of finance	14	13,205	12,578
Capital Expenditure and financial investment		(8,462)	(1,175)
Increase in Cash		<hr/> 18,222	<hr/> 57,787
Movements in net funds:			
Net funds at 1 April 2003		289,523	231,736
Cash in Bank and in hand at 31 March 2004	15	<hr/> 307,745	<hr/> 289,523

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

1. ACCOUNTING POLICIES

1.1 Basis of accounting

The accounts have been prepared under the historical cost convention in accordance with the requirements of the Companies Act 1985 and accounting standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate, and the Statement of Recommended Practice "Accounting and Reporting by Charities (SORP 2000)".

The Board is of the view that it would be reasonable to assume that ASC will continue to operate for the foreseeable future and accordingly, the accounts have been prepared on the going concern basis.

1.2 Taxation

Non-recoverable Value Added Tax arising is charged to the income and expenditure account.

1.3 Status

The Company is limited by guarantee. The liability of each of the 41 Members of the Company is limited to £1.

1.4. Charitable Status

The Association of Scottish Colleges has been recognised as a charity by the Inland Revenue and is registered under Scottish Charity number SCO23848. As such the accounts are required to comply with the Charities Accounts (Scotland) Regulations 1992.

It is the Directors' belief that the accounts contain adequate information to meet the required disclosures of the regulations.

1.5 Tangible Fixed Assets

Non IT equipment costing greater than £500 is capitalised and written off over its existing useful life. All IT equipment and other equipment costing less than £500 is expensed as a revenue item in the year of purchase through the statement of financial activities.

1.6 Fund Accounting

Funds held by the charity are:

Unrestricted general funds – these are funds which can be used in accordance with the charitable objects at the discretion of the Board of Directors. These funds are used by ASC in its role as the policy and representative voice of Scotland's colleges. It fulfils this role by informing and advising Government and key audiences about the work of the Further Education sector and responding to Government and other agency

consultations. ASC also contributes a sense of collective purpose for the FE sector and is central to policy and decision making on relevant issues.

1.7 Resources Expended

Resources expended are included in the Statement of Financial Activities on an accruals basis and are recognised when there is a legal or constructive obligation to pay for expenditure. All costs have been directly attributed to one of the functional categories of resources expended in the SOFA. The charity is not registered for VAT and accordingly expenditure is shown gross of irrecoverable VAT.

1.8 Pension costs

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

2. SUBSCRIPTIONS FROM MEMBERS

The Company is funded mainly by direct subscription from its members.

Subscriptions are based on the level of SFEFC grant-in-aid allocated to each member. Subscriptions for 2003/04 were paid in full by all 41 college members and the 7 associate members of the Association.

3. STAFF COSTS AND NUMBERS

3.1 Salaries and related pay costs

	2004 £	2003 £
Staff		
Salaries	239,945	222,934
Social Security costs	20,059	17,018
Other pension costs (Note 10)	23,707	19,074
Short term and temporary staff		
Consultants & Temporary Staff	102,358	80,554
Total pay costs	386,069	339,580

The average number of staff employed by the Association during the year was 8.

3.2 Remuneration of the Chief Executive

	2004 £	2003 £
Salary	57,500	52,500
Pension Contributions	5,865	4,725
Total	63,365	57,225

4. REMUNERATION OF BOARD OF DIRECTORS

No members of the Board of Directors received remuneration.

5. RENTAL, ACCOMMODATION AND OFFICE EXPENDITURE

	2004	2003
	£	£
Meetings, Events and Subscriptions	40,948	31,972
Travel	12,608	11,676
Communications, Advertising and Library	46,708	23,151
Projects	84,049	19,972
Telephone, Postage & Stationery	21,791	13,406
Accommodation Rental and support service charges	45,662	45,087
	251,766	145,264

6. ADMINISTRATION COSTS

	2004	2003
	£	£
Professional fees	12,600	13,730

Auditors' remuneration in respect of audit services for the year amounted to £2,900 plus VAT.

7. TAXATION

ASC is recognised by the Inland Revenue as a charity for the purposes of Section 505, Income and Incorporation Taxes Act 1988 and is therefore exempt from corporation tax on its charitable activities.

8. CREDITORS – AMOUNT FALLING DUE WITHIN ONE YEAR

	2004	2003
	£	£
Trade Creditors	100,630	29,343
Accruals	65,485	79,701
	166,115	109,044

9. CAPITAL COMMITMENTS

There were no outstanding capital commitments at 31 March 2004.

10. PENSION AND SIMILAR OBLIGATIONS

The Association participates in the Falkirk Council Pension Fund, (FCPF), which is an unfunded defined benefit pension scheme where contributions payable are held in a trust separately from the Association. The main results and assumptions of the most recent valuation of the FCPF are as follows:

Valuation date	31 March 2004
Valuation method	Projected Unit Method
Market value of assets	£594 million
Funding level for accrued benefits	0
Assets :	
Equities	77%
Bonds/cash	14%
Property	9%

The Association paid contributions of 11% for the accounting period as recommended by the actuary. Surpluses and deficits are spread over employees' future service lives, and the pension charge recorded by the Association during the accounting period was equal to the contributions payable.

Under the transitional requirements of FRS 17, the Association is required to disclose further information on its share of assets and liabilities of the FCPF on an FRS 17 market value basis at the end of the accounting period. The information is set out below:

Actuarial assumption (in calculating FCPF assets and liabilities)	Discount rate	5.5%
	Salary increase rate	4.4%
	Pension increase rate	2.9%
	Rate of inflation	2.7%
Value of assets	Equities	£209,000
	Bonds	£25,000
	Other	£36,000
	TOTAL	£270,000
Value of liabilities		£366,000
Related deferred tax liability		-
Net pension liability		£96,000

Movement in deficit during the year

	2004
	£
Surplus/(deficit) in scheme at beginning of year	(95,000)
Current service cost	(34,000)
Contributions paid	24,000
Net return on assets	(2,000)
Actuarial gains	11,000
	<hr/>
Deficit in the scheme at end of year	(96,000)
	<hr/>

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

Analysis of other pension costs charged in arriving at operating profit/loss

	2004
	£
Current service cost	34,000
	<hr/>

Analysis of amount recognised in statement of total recognised gains and losses

	2004	2003
	£(000)	£(000)
Difference between the expected and actual return on assets	37	-
Percentage of assets	13.9%	0.2%
Experience gains and losses arising on scheme liabilities	1.0	(108)
Percentage of the total present value of liabilities	0.3%	(39.4%)
	<hr/>	<hr/>
Actuarial gain/loss recognised in statement of total recognised gains and losses	11	(109)
Percentage of present value of year end scheme liabilities	3%	(39.8%)
	<hr/>	<hr/>

11. TRAVEL AND SUBSISTENCE

	2004 £	2003 £
Travel and Subsistence		
Board of Directors and Others	2,267	3,019
Staff	10,341	8,657
	<u>12,608</u>	<u>11,676</u>

12. UNRESTRICTED RESERVES

	Total
Opening reserves	185,701
Surplus for financial year	8,387
Closing reserves	<u>194,088</u>

13. RECONCILIATION OF MOVEMENT IN FUNDS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2004 £	2003 £
Movement in funds	8,387	59,671
Depreciation	8,461	1,175
Investment Income	(13,205)	(12,578)
Release of deferred income from reserve	0	0
Increase in debtors	(47,236)	(2,505)
Increase in creditors	57,072	621
Net cash inflow from ASC operating activities	<u>13,479</u>	<u>46,384</u>

14. RETURNS ON INVESTMENT AND SERVICING OF FINANCE

	2004 £	2003 £
Interest received	<u>13,205</u>	<u>12,578</u>

15. ANALYSIS OF NET FUNDS

	At 1 April 2003 £	Cashflows £	At 31 March 2004 £
Cash at bank and in hand	<u>289,523</u>	<u>18,222</u>	<u>307,745</u>