

Reg Company No SC143210  
Reg Charity No SC02348



# Annual Report and Financial Statements 2006/2007

Argyll Court  
Castle Business Park  
Stirling FK9 4TY



**ASSOCIATION OF SCOTLAND'S COLLEGES**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

<b>Contents</b>	<b>Page</b>
<b>ASC DIRECTORS' REPORT .....</b>	<b>3</b>
<b>STATEMENT OF DIRECTORS' RESPONSIBILITIES.....</b>	<b>14</b>
<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>15</b>
<b>STATEMENT OF FINANCIAL ACTIVITIES.....</b>	<b>17</b>
<b>BALANCE SHEET .....</b>	<b>18</b>
<b>NOTES TO THE ACCOUNTS.....</b>	<b>19</b>

# ASSOCIATION OF SCOTLAND'S COLLEGES

## LEGAL AND ADMINISTRATIVE DETAILS

**Charity name** Association of Scotland's Colleges

**Company number** SC143210 (Company Limited by Guarantee)

**Registered charity number** SC023848

**Principal addresses** Argyll Court  
Castle Business Park  
Stirling  
FK9 4TY

### Directors

Ian Macpherson Suzanne Dawson Peter Finch Ian Graham Ray Harris Graeme Hyslop	Graham Johnston Hugh Logan Howard McKenzie Russell Marchant Sir Moray Stewart Ian Valentine
Co opted Sue Pinder	

**Company Secretary** Tom Kelly (until January 2007)  
Shena Mitchell (from March 2007)

**Bankers** Bank of Scotland  
1 Munro Road  
Stirling, FK7 7SY

**Solicitors** Thorntons Law LLP  
Whitehall House  
33 Yeamon Shore  
Dundee DD1 4BJ

**Auditors** Wylie & Bisset  
168 Bath Street  
Glasgow G2 4TP

**ASSOCIATION OF SCOTLAND'S COLLEGES  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2007**

The Association of Scotland's Colleges (ASC) is committed to exhibiting best practice in all aspects of governance

**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. ASC is registered with the Office of the Scottish Charity Regulator (OSCR).

**What ASC Does**

The mission of ASC is to support Scotland's colleges, be proactive in the development of policy, advance sector interests and represent college views.

**The Role Of ASC**

The Association of Scotland's Colleges is the policy and representative voice for Scotland's colleges. It fulfils this role by informing and advising government, the Scottish Parliament and key audiences about the work of further education, developing sector policy and strategy, and providing information and advice to colleges on a range of issues. ASC helps develop a sense of collective purpose for colleges by bringing colleges together to discuss issues affecting the sector.

**ASC's Strategy – Aims and Objectives**

The Association's strategy is focused on three main areas of activity:

- influence and representation,
- integration of Scotland's Colleges, and
- information and support to members

These are supported by four key aims:

- to influence decision makers in Scotland, the UK and Europe to the benefit of the College sector, its students and other customers,
- to work with partners to improve sector resources,
- to facilitate discussion and the formulation of policy, and
- to support college decision makers

**ASSOCIATION OF SCOTLAND'S COLLEGES  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2007**

**ASC Board of Directors**

ASC's Board meets four times a year and has three committees, which together look after the internal arrangements of the Association and the Executive:

- Finance Committee
- Remuneration Committee
- Audit Committee

The Finance Committee reviews and recommends to the Board the quarterly financial statements, annual budgets and monitors performance in relation to the approved budget

The Remuneration Committee makes recommendations to the Board or determines the increase in annual pay scales for all ASC employees

The Audit Committee meets once a year with the external auditors in attendance. The Audit Committee advises the Board on the appointment of external auditors

**ASC Executive**

Tom Kelly, Chief Executive of ASC, retired in January 2007. Howard McKenzie, Vice Chair of ASC and Principal of Jewel & Esk Valley College took over the role of Acting Chief Executive in February 2007. Day to day management of the charity was delegated to the Company Secretary, Shena Mitchell. The Acting Chief Executive and Company Secretary oversee the Budget (approved by the Board). The Chair of the Finance Committee authorises expenditure.

The ASC team is headed by the Chief Executive, assisted by the Company Secretary. The policy team consists of

- Jane Polglase – Education and skills,
- Neil Cuthbert – Public Affairs Adviser
- Julie Gilstrap – Funding, Student Support and Statistical Analysis
- Penny Neish – Principals' Forum, links with STUC, college practice in HR, and Health & Safety

Supporting the policy team are Maria Corrieri, Lindsay Johnston and Marie Bermingham

**ASSOCIATION OF SCOTLAND'S COLLEGES  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2007**

**Corporate Strategy**

The main policy and strategic direction of the Association is decided by the Board and its membership, assisted by the following forums and groups

- general meetings of the membership,
- the Principals' Forum,
- the Chairpersons' Forum, and
- ad hoc working groups

**Principals' Forum**

The Principals of Scotland's colleges meet on a regular basis to discuss a range of strategic issues. The Principals' Forum invites senior representatives from organisations both within and outwith the sector to discuss initiatives and developments of importance to colleges. The Forum meetings provide principals with the opportunity to discuss and exchange views on a number of strategic topics.

**Chairpersons' Forum**

Each of Scotland's colleges are governed by Boards of Management, who are responsible for the college's overall strategic direction, control and financial health. The senior member of the Board of Management is the Chairperson.

The ASC Chairpersons' Forum meets three times a year to discuss a range of strategic and governance issues. The Forum meetings provide Chairpersons with the opportunity to discuss and exchange views on a number of strategic topics, particularly those relating to governance and accountability of Scotland's Colleges.

**Support for College Boards**

ASC's development programme for Board of Management members continued to expand through 2006-07.

ASC has a programme of national training events, the two main components of which are

- induction seminars for new members from different colleges
- specialised seminars or workshops on topics such as capital building projects, audit and finance

The ASC national programme aims to supplement local training by college Boards themselves.

**ASSOCIATION OF SCOTLAND'S COLLEGES  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2007**

**2006-07 OVERVIEW  
Achievements of ASC**

**Public Affairs**

ASC continues to maintain close contact with all the main political parties and organised fringe events at party conferences. This helped raise the profile of Scotland's Colleges through close contact with key decision makers. ASC has informal contact with MSPs and party spokespersons on a regular basis. ASC also contributes articles designed to promote public awareness of the contribution to Scotland's economy and skills made by colleges to both the national press and appropriate periodical magazines.

ASC pursued an effective, high profile, lobbying and positioning strategy which focused on the May 2007 Holyrood elections.

During 2006/07 a major focus of activity was on the Scottish Parliamentary elections in May 2007, and developing a high profile sector position with all of the political parties. Scotland's Colleges Election Prospectus *Forward Together* was the main means of achieving this high profile with 1,500 copies being distributed to all parties and election candidates.

Following the election ASC had early discussions with the new administration on how Scotland's Colleges can help deliver on specific pledges in the SNP manifesto, in particular on easing the burden of student debt and widening access. Specific policy issues requiring the attention of the Cabinet Secretary for Education and Lifelong Learning included charitable status, the Review of Scotland's Colleges, and the importance of continuing investment in college estates.

**Review of Scotland's Colleges (RoSco)**

The Scottish Executive's Review of Scotland's Colleges (RoSco) was launched by the then Minister for Enterprise & Lifelong Learning Jim Wallace MSP at the ASC Annual Conference in June 2005. The review was fundamental and wide ranging. Its objective was to provide Scottish Ministers with a robust evidence base for decisions in the 2007 Comprehensive Spending Review. The final report of RoSco was published in June 2007, with implementation phases to follow.

**Developments in Human Resources (HR)**

The *Principals' Forum HR Project* which aimed to undertake a collective exercise to identify and share good HR practice in the sector was concluded. The report has been shared with the sector, Scottish Funding Council (SFC), Scottish Executive, and Scottish Trades Union Congress (STUC). All colleges participated in the project survey so the Project Report contains a wealth of information on HR practices across the whole of the sector.

**ASSOCIATION OF SCOTLAND'S COLLEGES  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2007**

Following the introduction of the Age Discrimination Regulations in October 2006 colleges are continuing to revise and implement their policies appropriately

As part of the public sector, colleges were required to produce and publish a Disability Equality Scheme by 4th December 2006 Through Equality Forward, ASC sought to keep colleges informed of the requirements to fulfil this Duty

The Gender Equality Duty came into force in April 2007, with the deadline for the publication of individual institution Gender Equality Schemes being 29 June 2007, and statements on equal pay policy required by 28 September 2007 ASC is working with colleges to enable these deadlines to be met

**Developments in Health and Safety**

During the period, the SFC project Co ordinating Health and Safety in Tertiary Education (CHASTE) has developed a good working relationship with colleges The sector has found CHASTE a valuable source of information and support in identifying and tackling health and safety issues This has been especially welcome in a period of estate refurbishment and new buildings In partnership with the Scottish Further Education Unit (SFEU), CHASTE ran several successful events for sector practitioners These events have also enabled closer informal contact between the Health and Safety Executive (HSE), colleges and ASC ASC and STUC have jointly written to the Scottish Funding Council seeking continued support for the CHASTE project after the end of November 2007 when the project is officially set to close

**Joint Working with the Scottish Trades Union Council (STUC) at sector level**

ASC and STUC continue to meet at regular intervals to consider current and emerging issues

The jointly commissioned research project, 'Profiling the Workforce of Scotland's Colleges' was completed by SFEU in the autumn of 2006 and shared with the Review of Scotland's Colleges workstream on staffing The report provided valuable information on the composition of the workforce, the implications of these findings, and also on the generally positive attitude of staff towards their work and their respective colleges

**International Activity**

Scotland's Colleges International (SCI) was launched as a free-standing body with its own funds and governance during June 2006, with a membership of 32 colleges The purpose of establishing SCI was to provide the focus,



**ASSOCIATION OF SCOTLAND'S COLLEGES  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2007**

capability and capacity, to enable Scotland's Colleges to expand and develop and to promote their international activity

ASC retains a broader, strategic interest in international matters to

- Maintain the strategic relationships with Education UK Scotland, British Council, Scottish Development International
- Promote and argue the sector's role with the Scottish Executive, Scottish Funding Councils, and Scottish Qualifications Authority
- In the wider UK context, ASC represents the sector at the Joint Education Taskforce meetings set up by the Home Office and UKVisas, as well as liaising with the Associations in England, Wales and Northern Ireland

**The Scottish Credit and Qualifications Framework (SCQF)**

In April 2006, ASC accepted an invitation to join the four original partners (the Scottish Executive, The Quality Assurance Agency (Scotland), the Scottish Qualifications Authority and Universities Scotland) in the creation of a company to manage the next phase of development of this vital tool for Scotland. This marked the conclusion of a successful campaign to emphasise the central role of Scotland's Colleges in Scottish qualification development. An ASC Board member is now *ex officio* also a member of the SCQF Partnership Company.

**Qualifications**

Scotland is in a period of major change for the majority of its school and College qualifications. The range of qualifications offered by Scotland's Colleges means that College personnel and ASC officers have been extensively involved in the national processes planning and overseeing these changes.

**School College Partnerships, Skills for Work Qualifications and Child Protection**

The year has seen the continued strengthening of School College Partnerships, supported by specific funding from the Executive, lobbied for by ASC as part of the 2004 Spending Review bid. In addition, the pilots for Skills for Work Qualifications for S3/4 students have been expanded to include almost every senior school in Scotland.

ASC has continued to work with the Scottish Executive and Scotland's Police Forces on the development of specific aspects of child protection policy.

**ASSOCIATION OF SCOTLAND'S COLLEGES  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2007**

**Early Years Qualifications**

ASC's promotion of an alternative to "academic" qualifications included the recognition that the new requirement for those managing child care facilities should be designed at SCQF Level 9 either as an ordinary degree or a vocational equivalent. The aim of this is to ensure that those who have learnt in a vocational style and context have the opportunity to progress within their chosen profession and that through this route Scotland has an adequate number of qualified individuals to run the child care facilities it needs.

**The Skills Agenda**

The development of a UK Skills Strategy (encapsulated in the Leitch Report) and, in response, the refresh of Scotland's Lifelong Learning Strategy by the Scottish Executive has provided ASC with a major opportunity to promote the central role of Scotland's Colleges in up skilling Scotland. This has been through direct contribution to Scotland's policy development and through interaction with all political parties during and after the election. This is currently being carried forward into Scotland's own Skills Strategy.

In parallel and in partnership with Colleges and SFEU, ASC has been monitoring the development of the UK Sector Skills Councils in Scotland.

**Knowledge Transfer/Exchange**

In addition to providing skills, education and qualifications, Scotland's Colleges are currently clarifying and developing their role in the exchange of new knowledge of economic importance. This is through

- interpreting new knowledge from anywhere in the world for colleges' local companies and using it as a basis for training
- disseminating knowledge of and developing skills in areas such as sustainable production and consumption and
- taking new industrial/business practice into the curriculum (knowledge exchange)

ASC is working to enhance and promote this capacity.

**THE CHALLENGES AHEAD**

ASC's aims and objectives will remain constant in 2007. They are

- to influence decision makers in Scotland, the UK and Europe to the benefit of the College sector, its students and other customers,
- to work with partners to improve sector resources,
- to facilitate discussion and the formulation of policy, and
- to support college decision makers

**ASSOCIATION OF SCOTLAND'S COLLEGES  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2007**

A priority for ASC will be to prepare for the 2007 Strategic Spending Review  
Key objectives are

- Put forward a good case for increased resources for colleges consistent with ASC's contribution to ROSCO,
- implementation phase of RoSCo,
- working with the new CEHR and the equalities agenda

ASC is preparing a detailed spending review submission concentrating on the economic contribution of colleges and their role in widening access to education. This detailed submission will give colleges an excellent platform going forward into the spending review expected later this year.

Whilst the new situation in the Scottish Government will present challenges, it will also present opportunities. Parliamentary committees free from the need to spend most of their time scrutinising Executive legislation will be much more likely to initiate wide ranging inquiries into subjects of their own choosing. There will also, for the first time, be a real prospect of recommendations arising from those inquiries passing into legislation through committee Bills. There should be significant opportunities for Scotland's Colleges to shape the policy environment still further by suggesting likely topics or subjects for parliamentary committees to examine in greater detail.

2007 seems likely to be a watershed year in funding and policy for the sector. There are many political and fiscal contingencies – both at UK and Scottish level – which could have a significant impact on funding and policy requirements for the colleges. ASC Board is aware of these challenges and taking appropriate steps to meet them in the best interests of colleges and their students.

ASC is participating in a review of sector support agencies – The Association of Scotland's Colleges, The Scottish Further Education Unit, Colleges Open Learning Exchange Group and Scotland's Colleges International. The outcome of the review should be available in late 2007. The situation will be monitored to assess whether the outcome of the review could constitute a risk to ASC.

**ASSOCIATION OF SCOTLAND'S COLLEGES  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2007**

**COMPANY BUSINESS**

**Disclosure of information to auditors**

The directors who held office at the date of approval of this trustees' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

**Financial Statements**

The financial statements have been laid out to comply with the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005) for charities

Income increased by £5,639 The subscription formula was 0.265% of SFC grant in aid, (subject to a maximum of £18,000) Bank interest was £16,328 (£17,300 in 2005/06)

Expenditure in the year increased by £13,061

Before adjustment for FRS17 – retirement benefits – ASC had unrestricted reserves of £204,798 Adjustment for FRS17 resulted in a surplus of £37,798 In 2006 unrestricted reserves stood at £195,417 Adjustment for FRS17 resulted in a deficit of £63,583

**Contingent Liabilities**

A contingent liability was identified in 2005 for potential dilapidation charges in the event of ASC quitting its current premises This remains, and the Board agreed that unrestricted reserves should be assigned to cover this liability

**Balance Sheet**

The Balance Sheet showed a decrease in creditors of £66,427 and a decrease in debtors of £39,397

**Net Assets**

At 31 March 2007 the charity had net assets, excluding pension liabilities, of £204,798 However, the pension liability under FRS17 of £167,000 resulted in overall net assets of £37,798

# ASSOCIATION OF SCOTLAND'S COLLEGES DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2007

## Cashflow

At 31 March 2007 ASC had cash at bank of £268,644

It is the policy of ASC to invest cash in an interest bearing current account which allows access to ensure the continued flexibility to meet the charity's obligations as they fall due

## Directors

The following are Directors of the Company

Ian Macpherson	Chairman	
Sue Pinder	Vice Chair	Resigned August 2006
Suzanne Dawson	Director	
Peter Finch	Director	
Ian Graham	Director	
Ray Harris	Director	Elected October 2006
Graeme Hyslop	Director	
Graham Johnstone	Director	Elected March 2007
Hugh Logan	Director	
Russell Marchant	Director	
Howard McKenzie	Director	Vice Chair from September 2006
Sir Moray Stewart	Director	
Ian Valentine	Director	
Sandy Watson	Director	Resigned November 2006

Directors are nominated and elected by the membership. The Articles of Association provide for 12 people to comprise the Board of Directors: six Chairpersons and six Principals, provided the Board does not at any time include both the Chairperson and Principal of any one college. Half the Board must stand down every second year but can stand for re-election if they wish.

Sue Pinder was co-opted to the Board in March 2007 as a consequence of being elected Convenor of Principals' Forum.

## Employees

The average number of employees of ASC Executive was eight. During the year the Chief Executive retired. The Vice Chair was seconded on an "as needed basis" as Acting Chief Executive.

## Health and Safety

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

**ASSOCIATION OF SCOTLAND'S COLLEGES  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2007**

**Equal Opportunities**

ASC is an equal opportunities employer

**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 Risk Management Policy and Procedure (RMPP) in 2004.

The RMPP was approved by the Board in 2004 and is reviewed annually.

**Donations**

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

**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. ASC is registered with the Office of the Scottish Charity Regulator (OSCR).

**Company Registration Number**

ASC's Company Registration Number is SC143210.

**Statement to Auditors**

In accordance with company law, as the company's Directors, we certify that So far as we are aware, there is no relevant audit information of which the company's auditors are unaware, and as the Directors of the company we have taken all steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the charity's auditors were made aware of that information.

**ASSOCIATION OF SCOTLAND'S COLLEGES  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2007**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL  
STATEMENTS**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year

The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company and of the excess of expenditure over income for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue its activities

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities



**IAN MACPHERSON**  
Chairman - Board of Directors  
4 September 2007

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ASSOCIATION OF SCOTLAND'S COLLEGES LIMITED**

We have audited the financial statements of the Association of Scotland's Colleges Limited for the year ended 31 March 2007 which comprise the Statement of Financial Activities (including Income and Expenditure Account), the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable 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 charitable 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 charitable company and its 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 Statement of Directors' Responsibilities on page 14, the company's trustees, who are also the directors of Association of Scotland's Colleges Limited for the purposes of company law, are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Trustees' Report is not consistent with the financial statements, if the charitable 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 other transactions is not disclosed.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the trustees 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.



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ASSOCIATION OF SCOTLAND'S COLLEGES LIMITED

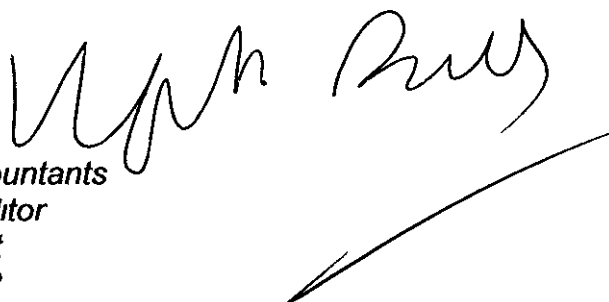
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 March 2007 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Trustees' Report is consistent with the financial statements

Wylie & Bisset  
Chartered Accountants  
Registered Auditor  
168 Bath Street  
Glasgow G2 4TP



4 September 2007

**ASSOCIATION OF SCOTLAND'S COLLEGES**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**(including INCOME AND EXPENDITURE ACCOUNT)**  
**for the year ended 31 March 2007**

	NOTE	Unrestricted Funds (ex FRS17) 2007 £	Effect of FRS17	Unrestricted Funds (inc FRS17) 2007	Unrestricted Funds 2006 £
<b>INCOMING RESOURCES</b>					
<b>Incoming resources from generated funds</b>					
Voluntary income	2	668,722	668,722	668,722	646,107
Investment Income	2	16,328	16,328	16,328	17,300
Other incoming resources		95,089	95,089	95,089	111,093
<b>Total Incoming Resources</b>		<b>780,139</b>	<b>780,139</b>	<b>780,139</b>	<b>774,500</b>
<b>RESOURCES EXPENDED</b>					
<b>Charitable Activities</b>	5	742,389	3,000	745,389	768,909
<b>Governance Costs</b>	6	28,369		28,369	29,910
Net finance (income)/expense	10		(2,000)	(2,000)	(14,000)
<b>Total Resources Expended</b>		<b>770,758</b>	<b>1,000</b>	<b>771,758</b>	<b>784,819</b>
Net outgoing resources		9,381	(1,000)	8,381	(10,319)
<b>Other recognised gains and losses</b>					
Actuarial (loss)/gain recognised in the pension scheme			93,000	93,000	(140,000)
Net movement in funds		9,381	92,000	101,381	(150,319)
<b>Reconciliation of funds</b>					
Total Funds Brought forward		195,417	(259,000)	(63,583)	86,736
<b>Total Funds carried forward</b>		<b>204,798</b>	<b>(167,000)</b>	<b>37,798</b>	<b>(63,583)</b>

All of the above results are derived from continuing activities All gains and losses recognised in the year are included above

**ASSOCIATION OF SCOTLAND'S COLLEGES**  
**BALANCE SHEET**  
**as at 31 March 2007**

		<b>2007</b>	<b>2006</b>
	<b>NOTE</b>	<b>£</b>	<b>£</b>
<b><u>Current Assets</u></b>			
Debtors		2,311	41,708
Cash at bank and in hand		268,644	286,293
<b>Total current assets</b>		270,955	328,001
<b><u>Current Liabilities</u></b>			
Creditors amounts falling due within one year	8	66,157	132,584
<b>Net assets excluding pension liability</b>		204,798	195,417
Net pension liability	10	(167,000)	(259,000)
<b>Net assets including pension liability</b>		37,798	(63,583)
<b><u>Represented by</u></b>			
Unrestricted reserves		204,798	195,417
Pension reserve		(167,000)	(259,000)
<b>Total unrestricted reserves</b>		37,798	(63,583)

The notes on pages 19 28 form part of these accounts

Approved by the Board of Directors on 4 September 2007

  
**Ian Macpherson**  
Chairman – Board of Directors

  
**Howard McKenzie**  
Acting Chief Executive

**ASSOCIATION OF SCOTLAND'S COLLEGES**  
**NOTES TO THE ACCOUNTS**  
**for the Year Ended 31 March 2007**

**1. ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements

- Statement of Recommended Practice Accounting and Reporting by Charities (issued February 2005)

The recognition and measurement requirements of FRS 17 'Retirement benefits' have also been adopted. The accounting policies made under these requirements are set out below together with an indication of their adoption

***Basis of preparation***

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Companies Act 1985, the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005 and applicable accounting standards

***Status***

The Company is limited by guarantee and does not have any share capital. The liability of each of the 39 full members of the Company is limited to £1 by the recommendation of the Association.

***Charitable Status***

The Association of Scotland's Colleges has been recognised as a charity by the Office of the Scottish Charity Regulator and is registered under Scottish Charity number SC023848. As such the accounts are required to comply with the Charities Accounts (Scotland) Regulations 2006.

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

***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 and have not been designated for any specific purpose. 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 College sector and responding to Government and other agency consultations. ASC also contributes a sense of collective purpose for the sector and is central to policy and decision making on relevant issues.

**ASSOCIATION OF SCOTLAND'S COLLEGES**  
**NOTES TO THE ACCOUNTS**  
**for the Year Ended 31 March 2007**

***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. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with use of the resources. The charity is not registered for VAT and accordingly expenditure is shown gross of irrecoverable VAT.

Costs in furtherance of the charity's objectives include staff costs and project costs and resources expended on managing and administering the charity represent professional fees.

Governance costs are associated with the strategic planning and management of the Association and reflect an element of the costs of the office of the Chief Executive and other staff members. They also include professional advice for the Directors, audit fees and Directors' expenses. Support costs are those which enable charitable activities to be undertaken. Note 6 gives further information on what support costs include and the basis of apportionment to cost categories.

All IT equipment, and other equipment costing less than £500 is expensed in the year of purchase through the Statement of Financial Activities (SoFA). Non IT equipment costing greater than £500 is capitalised and written off over its existing useful life.

A contingent liability has been identified for potential dilapidation charges in the event of ASC quitting its current premises.

***Taxation***

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

***Operating lease rental***

Rentals payable in respect of an operating lease are charged in the statement of financial activities for the period to which they relate.

***Post-retirement benefits – Falkirk Council Pension Fund***

The company participates in the Falkirk Council Pension Fund, a pension scheme providing benefits based on final pensionable pay, on behalf of certain employees. The assets of the scheme are held separately from those of the company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

**ASSOCIATION OF SCOTLAND'S COLLEGES**  
**NOTES TO THE ACCOUNTS**  
**for the Year Ended 31 March 2007**

The pension scheme deficit is recognised in full. The movement in the scheme deficit is split between operating charges, finance items and actuarial gains and losses.

**2. INCOMING RESOURCES POLICY**

Incoming resources from charitable activities represent subscription income and funding for projects. The Company is mainly funded mainly by direct subscription from its members.

Subscriptions are based on the level of SFC grant in aid allocated to each member. Subscriptions for 2006/07 were paid in full by all 39 college members and the seven associate members of the Association.

Other income received by ASC is for specific items of work or projects undertaken on behalf of the college sector. These payments support or contribute to the expenditure occurred on execution of the work or projects.

Interest income arising on cash balances is recognised when receivable.

**3. STAFF COSTS AND NUMBERS**

**3.1 Salaries and related pay costs**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Staff</b>		
Salaries	266,942	287,939
Social Security costs	18,989	24,890
Pension costs (Note 10)	35,404	58,213
<b>Short term and temporary staff</b>		
Consultants & Temporary Staff	132,376	105,999
<b>Total pay costs</b>	<b>453,711</b>	<b>477,041</b>

The average number of staff employed by the Association during the year was eight (2006: nine).

95% of staff costs are allocated to charitable activities and 5% to governance (central management and administration).

Consultants are used for specific and on going projects, providing additional knowledge and experience for the Executive.

Temporary staff are used to cover short and long term absences.

**ASSOCIATION OF SCOTLAND'S COLLEGES**  
**NOTES TO THE ACCOUNTS**  
**for the Year Ended 31 March 2007**

**3 2     Remuneration of the Chief Executive, Tom Kelly**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Salary	50,000	60,000
Pension Contributions	6,600	7,560
<b>Total</b>	<b>56,600</b>	<b>67,560</b>

No other employees received emoluments as defined for taxation purposes over £50,000 in the year

Howard McKenzie's expenses as Acting Chief Executive (from February 2007) were paid to Jewel & Esk Valley College

**4.     REMUNERATION OF BOARD OF DIRECTORS**

No members of the Board of Directors received remuneration during the year  
5 Board members received travel expenses totalling £1932

**5.     CHARITABLE ACTIVITIES**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Staff Costs	305,268	352,043
Consultants and Temporary staff	132,376	105,999
Equipment	84	12,132
Conference	2,189	4,405
Meetings, Events and Subscriptions	40,860	37,872
Travel	23,426	23,275
Communications, Advertising and Library	63,253	51,150
Projects	91,712	105,150
Accounting fees	10,680	13,335
Insurance	356	345
Bank charges	302	332
Legal fees	2,356	0
Telephone, Postage & Stationery	15,136	13,945
Accommodation Rental and support service charges	54,391	48,926
	<b>742,389</b>	<b>768,909</b>

**ASSOCIATION OF SCOTLAND'S COLLEGES**  
**NOTES TO THE ACCOUNTS**  
**for the Year Ended 31 March 2007**

**6. RESOURCES EXPENDED**

	Direct costs £	Support costs £	2007 Total £	2006 £
Charitable activities	437,121	305,268	742,389	768,909
Governance costs	<u>12,302</u>	<u>16,067</u>	<u>28,369</u>	<u>29,910</u>
	<u>449,423</u>	<u>321,335</u>	<u>770,758</u>	<u>798,819</u>

The activities underlying the costs above, under each heading are

Charitable activities – include staff and project costs as well as the costs of running the annual conference

Governance costs – expenditure incurred in providing strategic planning and management and the costs of professional advice for the directors, audit fees and directors expenses as follows

	2007 £	2006 £
Audit fees - current year	5,288	5,985
prior year under-accrual	2,144	
Board expenses	1,932	1,503
Legal fees	2,938	4,970
Support Costs	<u>16,067</u>	<u>17,452</u>
	<u>28,369</u>	<u>29,910</u>

**Allocation of Support Costs**

Activity	Charitable activities £	Governance £	Total £	2006 £
Central management and administration	<u>305,268</u>	<u>16,067</u>	<u>321,355</u>	<u>371,042</u>



**ASSOCIATION OF SCOTLAND'S COLLEGES**  
**NOTES TO THE ACCOUNTS**  
**for the Year Ended 31 March 2007**

**Allocation of Support Costs (continued)**

Central management and administration are the support departments that enable the activities to be carried out. They include senior management, finance, IT, personnel, PR, management and general administration. The governance costs are allocated first and these reflect the costs of strategic planning and management and of professional advice for the directors, audit fees and directors expenses. The balance of the support costs has been apportioned on the basis of staff time. Auditors' remuneration in respect of audit services for the year amounted to £4,500.

95% of staff costs are allocated to charitable activities and 5% to governance (central management and administration).

**7. TAXATION**

The company is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

**8. CREDITORS – AMOUNT FALLING DUE WITHIN ONE YEAR**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Trade Creditors	38,079	63,992
Accruals	<u>28,078</u>	<u>68,592</u>
	<u>66,157</u>	<u>132,584</u>

**ASSOCIATION OF SCOTLAND'S COLLEGES**  
**NOTES TO THE ACCOUNTS**  
**for the Year Ended 31 March 2007**

**9. CAPITAL COMMITMENTS**

- a There were no outstanding capital commitments at 31 March 2007
- b Annual commitments under non cancellable operating leases are as follows

	<b>2007</b>		<b>2006</b>
	Land and buildings £	Other £	Land and buildings £
			Other £
Operating leases which expire.			
Within one year			
In the second to fifth years inclusive			
Over five years	26,381		26,381
	<u>26,381</u>		<u>26,381</u>

**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 2007
Valuation method	Projected Unit Method
Market value of assets	£944 million
Funding level for accrued benefits	0
Assets	
Equities	73%
Bonds/cash	14%
Property	11%

The Association paid contributions of 12.8% (£35,404) 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.

**ASSOCIATION OF SCOTLAND'S COLLEGES**  
**NOTES TO THE ACCOUNTS**  
**for the Year Ended 31 March 2007**

The expected rates of return on the assets in the scheme were

	Long term rate of return		
	2007	2006	2005
Equities	7.8%	7.4%	7.7%
Bonds	4.9%	4.6%	6.8%
Property	5.8%	5.5%	5.7%
Cash	4.9%	4.6%	4.8%

The assumptions used by the actuary are the best estimates chosen from a range of actuarial assumptions which, due to the timescale covered, may not necessarily be borne out as best practice

The actuarial valuation at 31 March 2006 was updated by the actuary on an FRS17 basis at 31 March 2007. The fair value of scheme assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of scheme liabilities which are derived from cashflow projections over long period and thus inherently uncertain, were

Actuarial assumption		2007	2006	2005
	Discount rate	5.4%	4.9%	5.4%
	Salary increase rate	4.7%	4.6%	4.4%
	Pension increase rate	3.2%	3.1%	2.9%
	Rate of inflation	3.2%	3.1%	2.9%
<b>Value of Assets</b>				
	Equities	£622,000	£547,000	£259,000
	Bonds	£116,000	£98,000	£39,000
	Other	£113,000	£101,000	£52,000
	<b>TOTAL</b>	<b>£851,000</b>	<b>£746,000</b>	<b>£350,000</b>
<b>Value of liabilities</b>		<b>£1,018,000</b>	<b>£1,005,000</b>	<b>£461,000</b>
<b>Related deferred tax liability</b>		<b>--</b>		
<b>Net pension liability</b>		<b>£167,000</b>	<b>£259,000</b>	<b>£111,000</b>

**ASSOCIATION OF SCOTLAND'S COLLEGES**  
**NOTES TO THE ACCOUNTS**  
**for the Year Ended 31 March 2007**

**Analysis of amount charged to other financial income**

	2007	2006
	£	£
Expected return on pension scheme assets	62,000	41,000
Interest cost	<u>(57,000)</u>	<u>(27,000)</u>
Net return	<u>5,000</u>	<u>14,000</u>

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

	2007	2006
	£	£
Actual return less expected return on pension scheme assets	(7,000)	99,000
Experience gains and losses on liabilities	-	(100,000)
Changes in financial assumptions underlying the scheme liabilities	<u>89,000</u>	<u>(139,000)</u>
Actuarial loss recognised in STRGL	<u>82,000</u>	<u>(140,000)</u>

**Movement in deficit during the year**

	2007	2006
	£	£
Deficit in scheme at beginning of year	(259,000)	(111,000)
Current service cost	(54,000)	(55,000)
Contributions paid	34,000	33,000
Past Service Costs	17,000	
Net finance income	2,000	14,000
Actuarial (loss)/gain	93,000	(140,000)
Deficit in the scheme at end of year	<u>(167,000)</u>	<u>(259,000)</u>

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

	2007	2006
	£	£
Current service cost	<u>54,000</u>	<u>55,000</u>

**ASSOCIATION OF SCOTLAND'S COLLEGES**  
**NOTES TO THE ACCOUNTS**  
**for the Year Ended 31 March 2007**

**History of Experience Gains and Losses**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Difference between the expected and actual return on assets	(7,000)	99,000
Value of Assets	851,000	746,000
<b>Percentage of assets</b>	(0.8%)	13.2%
Experience gains and losses arising on scheme liabilities		(100,000)
Total present value of liabilities	1,018,000	1,005,000
<b>Percentage of the total present value of liabilities</b>	-	(10.0%)
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	82,000	(140,000)
Total present value of liabilities	1,018,000	1,005,000
<b>Percentage of present value of liabilities</b>	(8.1%)	(13.9%)

**11. 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.

Due to the nature of the company's activities and the composition of its Board of Directors it is inevitable that transactions will take place with companies or other organisations in which a director may have an interest. All transactions involving companies or organisations in which a director may have an interest are conducted at arm's length and in accordance with normal project rules. Directors are not permitted to participate in discussions or decisions on transactions involving their related business.

ASC paid Jewel & Esk Valley College for the services of Howard McKenzie as Acting Chief Executive from February 2007.

Association of Scotland's Colleges  
September 2007