

eca
edinburgh college of art

Annual Report

& Accounts

2008/09

Institutional Mission Statement

To create an internationally-renowned centre of excellence in Art, Design, Architecture and Landscape Architecture encouraging and enabling our students to attain their full potential through a first-class student experience provided by inspirational and committed staff.

College Secretary's Report

Scope of Financial Statements

The Financial Statements reflect the results of the Group and the College for the year to 31 July 2009.

Results for the year

The College's Income and Expenditure Account is summarised as follows:-

	Group 2009	Group 2008 Re-stated
	£'000	£'000
Total Operating Income	16,503	17,534
Total Operating Expenditure	18,634	17,742
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Total Operating Deficit	(2,131)	(208)
Gain on disposal of assets	0	1,695
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(Deficit)/Surplus for the year	(2,131)	1,487
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Operating Results

The College incurred a significant operating deficit in 2009 in what was a particularly challenging year for the institution. The operating deficit was influenced by: a) staff restructuring costs during the year of £251k which will generate future annual recurring savings in excess of £475k; b) higher staffing costs of £244k due to pay award of 5% during the year; c) additional payments to fund pension liabilities of £373k; and d) payment of interest of £235k to HMRC in relation to VAT paid in instalments on Evolution House. In addition the results for 2007/08 have been re-stated as a consequence of the release of deferred capital grants relating to the estates rationalisation programme that the College has recently completed. The year also saw a reduction in grants from Trusts and Charitable Foundations. Whilst overseas student recruitment matched 2008 numbers, there is still a need to increase income through overseas students in the future to off-set anticipated reductions in public sector grants.

The operating deficit has resulted in substantial cost-cutting measures being put in place, affecting both pay and non-pay costs, in order radically to reduce core spending in the 2009/10 year and beyond, including a further staff re-structuring programme to reduce staffing costs by £1m per annum, so that such costs are more closely aligned to the sector norm of 60% of total expenditure. The College has produced a detailed financial recovery plan, which includes cashflow forecasts to 2015/16, in consultation with the Scottish Funding Council. The College is grateful for the support of SFC, particularly the advance of grant-in-aid to facilitate the staff re-structuring programme.

The College has also satisfactorily re-negotiated its loan facilities with its bankers in relation to Evolution House.

The College has also appointed a consultant to support its finance function while further analysis is undertaken of the College's internal controls and risk management, including augmenting its finance capability.

College Secretary's Report

Fixed Assets

Purchases are in respect of the renewal and improvement of existing equipment and buildings, and the increase in provision of computer equipment.

Other Operating Expenses

Spending on non-pay budgets is monitored throughout the year with variances requiring explanation; while action is now being taken where there is a likelihood of any overspend in the year, this area of expenditure needs to be closely monitored and more robust controls are being put in place to control expenditure. The College makes best use of discounts available and consortium deals to ensure value for money in its non-pay expenditure.

Student Tuition Fees and Debt

The College continues to monitor closely any debts to the College incurred by students during their programmes of study. Whilst in general terms the level of debt within the HE sector is increasing year on year, the College has not suffered a significant increase in bad debts. However, in the present economic climate, more robust controls will be put in place to monitor aged debtors in particular.

Cash Flows

The cash flow of the College throughout the year is dependent upon the profile of the grant allocation from the Funding Council and the receipt of student fees at the start of the session and in the second and third terms. The College's cash balances normally remain positive until the latter part of the year. Forward grant of £350k was requested and received from the Scottish Funding Council to ease cash flow pressures toward the year end. Whilst the College has an agreed standing overdraft facility with its principal bankers it is in discussions with its bankers to increase the level of facility to address any funding issues in the current year.

Investments

The College operates and controls a Trust Fund for the investment of Endowments, Awards and Bequests: "The Edinburgh College of Art Andrew Grant Scholarship Fund", which is consolidated within these financial statements. Funds are pooled and managed by Baillie Gifford Investment Managers Limited. Investments are managed so as to provide a yield sufficient to support the funding of scholarships and prizes. The performance of these funds is closely and regularly monitored by the Finance Committee, ensuring both an adequate return and capital appreciation against appropriate benchmarks. The College has borrowed a total of £1.5m from these Funds to finance essential investment in the learning and teaching infrastructure and a formal agreement covering re-payment in the medium-term is in place.

Suppliers' Payments

The College follows a policy of timely payment to suppliers, such that all invoices are settled in the month following the invoice date. This helps the College maintain good relations with its suppliers and complies with the CBI Prompt Payment Code with regard to payments to creditors. The creditors' balance at 31 July 2009 represented 6.8% of invoiced purchases during the year.

Employment of People with Disabilities

The College has taken steps to ensure appropriate compliance with The Disability Discrimination Act. Applications for employment by people with disabilities are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of existing employees becoming disabled, every

College Secretary's Report

effort is made to ensure that their employment with the College continues and that appropriate training is arranged. It is the policy of the College to promote equality of opportunity for disabled staff and students in respect of recruitment, induction training and educational/career development.

Employee Involvement

The College places considerable value on the involvement of its employees and on good communication with them. All Staff are encouraged to participate in formal and informal consultations at the College, sometimes through the medium of formal committees. The College has formal mechanisms for staff review and development and has implemented a system of needs assessment for the provision of training for all categories and levels of staff.

Auditors

These Accounts are audited by Ernst & Young LLP who were appointed by the Board of Governors in June 2001 after a tendering process, and on the recommendation of the Audit Committee. The Auditors were re-appointed in June 2006, following a competitive tendering process, for a further period which ends on 31 January 2010.

Conclusion

Over the last three years the College has undertaken a major estates rationalisation programme to improve student teaching and research facilities, deliver academic synergy gains and operational efficiencies, which resulted in its largest ever single investment in its infrastructure. Whilst this investment was very favourably commented upon by the Quality Assurance Agency as part of their Enhancement-led Institutional Review carried out in Spring 2009, it must be accepted that this has also placed a strain on the College's finances at a time when there are sector-wide challenges of reducing public sector grants and rising costs.

Although the core business is very robust with 11 student applications for every place and with a rising curve of international recruitment, strategic and operational plans have been developed for the current and next financial year to ensure that necessary actions are taken to place the institution on a sustainable financial footing, which will require rigorous implementation and monitoring. The quantifiable reductions in expenditure already approved by the Board and the further robust measures that will be implemented during the course of the next twelve months will be critical in securing the future well-being of the College. In addition, the College will consider whether it can build on existing arrangements with other institutions to develop a stronger provision for students and generate greater efficiencies.

Michael W Wood
College Secretary

Statement of Governance Procedures applied by the Board of Governors

The following statement is given to assist readers of the Financial Statements to obtain an understanding of the Governance procedures applied by the College's Governing Body (hereinafter referred to as "the Board"). The College is committed to exhibiting best practice in all aspects of Corporate Governance. The College has charitable status and does not fall within the regulations of the London Stock Exchange, however, the College has applied where relevant the principles of Section 1 of the Combined Code of Corporate Governance. This statement summarises the significant principles applied during the year ended 31 July 2009.

The Board has also adopted the core recommendations of the Nolan Committee with regard to Standards in Public Life and these standards of conduct have been included within the Governors' Handbook.

Summary of the College's Structure of Corporate Governance

The College's Board comprises lay and academic persons appointed under the College's Order of Council (1995), the majority of whom are non-executive. The Board is responsible for the College's strategic direction, reputation, financial well-being, the well-being of the staff and students and for establishing and maintaining high standards of academic conduct and probity.

The role of Chairman of the Board is separated from the role of the College's Chief Executive and designated officer, the Principal.

The matters specially reserved to the Board for decision are set out in the Statutes of the College, by custom and under the Financial Memorandum with the Scottish Funding Council. The Board holds to itself the responsibilities for the on-going strategic direction of the College, approval of major developments and the receipt of regular reports from executive officers on the day-to-day operation of its activities.

The College's Board 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.

From December 2002, when the Board adopted a risk management strategy for the College, significant risks have been kept under regular review by the College's Internal Auditors who prepare an Annual Needs Assessment Report, which is considered and approved by the Board. Through this process, the Board aims to embed a culture of risk management throughout the institution, to encourage staff to take ownership of risks and to control the risk management programme through monitoring techniques in accordance with the internal control guidance for directors on the Combined Code as amended by the British Universities' Finance Directors' Group.

The Board has considered its current practices and has compared them with those advocated by the Scottish Funding Council in its Guide for Members of Governing Bodies of Scottish Higher Education Institutions and Good Practice Benchmarks. The Board has embraced this Guide and has adapted its practices to meet the benchmarks of good governing practice as far as its Statutes so permit.

Corporate Governance

The Board discharges its responsibilities as follows:

The Board meets at least four times a year, one meeting being for the specific purpose of approving the College's Strategic and Operational Plans. The Board considers strategic plans, annual budgets, monitors staffing, student, estates and finance issues, sets and approves performance measures and ensures that there is a clear definition of delegated powers and lines of accountability.

- The Board has the following Committees: Policy & Resources (with Finance, Estates and Health & Safety Sub-Committees), Audit and Chairman's (which acts also as the Remuneration and Nomination Committees). All of these Committees have been formally constituted with terms of reference and comprise mainly lay Governors. In addition to the Board and Chairman's Committee, the Chairman also chairs the Policy & Resources, Remuneration and Nominations Committees. The table below shows the frequency of meetings during the 2008/09 year:

Board/Committee	Frequency of Meetings	Average % of Attendance at Meetings
Board of Governors	4	75
Audit	4	90
Awards and Bequests	2	100
Estates	4	90
Finance	5	80
Joint Finance/Audit	1	100
Health and Safety	3	90
Policy and Resources	2	95
Joint Policy & Resources/Finance	1	90
Totals	26	90

- The Audit Committee is responsible for meeting four times annually with the External and Internal Auditors to discuss audit findings and to consider detailed audit reports and recommendations for the improvement of the College's systems of internal control, together with management's responses and implementation plans. The Audit Committee also receives and considers reports from SFC as they affect the College's activities and monitors adherence with regulatory requirements. The Committee reviews the College's annual financial statements together with the accounting policies. Whilst senior management attend meetings of the Audit Committee, as necessary, they are not members of the Committee and the Committee does meet with the external and internal auditors on their own for independent discussions. During the year, the Audit Committee carried out a competitive tender process for the appointment of External Auditors.
- The Policy and Resources Committee reviews and approves strategic developments, policies and procedures, monitors staffing and receives reports from the College's Finance and Health and Safety Sub-Committees.
- The Finance Sub-Committee *inter-alia* recommends to the Board the College's Financial Plans and Annual Budgets and monitors performance in relation to the approved budgets. The Awards & Bequest Sub-Committee reports to the Finance Committee.
- The College Secretary is Secretary to the Board of Governors.

Donald Workman
Chairman

Professor Ian G Howard
Principal

Responsibilities of the Board of Governors

Requirement to Present Audited Financial Statements

In accordance with the Statutory Instrument governing the College, the Board of Governors 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 is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Edinburgh College of Art (Scotland) Order of Council 1995, the Statement of Recommended Practice on 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 and the Board, the Board, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit and cash flows for that year.

Preparation of the Financial Statements

In causing the financial statements to be prepared, the Board has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgments 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 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 has taken reasonable steps to:

- ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given, and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds from other sources;
- safeguard the assets of the College and hence take reasonable steps to prevent and detect fraud;
- ensure economical, efficient and effective management of the College's resources and expenditure.
- ensure that all appropriate action is taken as a priority in implementing the recommendations of the Internal Auditors with regard to addressing instances of financial management and control that require improvement.

So far as each person who was a Governor at the date of approving this report is aware: i) there is no relevant audit information of which the College's auditors are unaware; and ii) each Governor 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.

Responsibilities of the Board of Governors

Internal Financial Control

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cashflow budgets;
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast out-turns;
- 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;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Board;
- a professional internal audit provision whose annual programme is approved by the Audit Committee.

Given business risks and recent experiences, the College is committed to enhancing its systems of financial control as referred to above. Any system of internal financial control can, however, only provide reasonable, but not absolute assurance against material misstatement or loss.

Donald Workman
Chairman

Professor Ian G Howard
Principal

Independent Auditors' Report to the Board of Governors of Edinburgh College of Art

We have audited the Group and College Financial Statements for the year ended 31 July 2009 which comprise the Statement of Principal Accounting Policies, Consolidated Income & Expenditure Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated and College Balance Sheets, Consolidated Cash Flow Statement, and the related notes 1 to 31. These Financial Statements have been prepared on the basis of the accounting policies set out in the Statement of Principal Accounting Policies.

This report is made solely to the Board of Governors of Edinburgh College of Art, as a body, in accordance with the Order in Council (1995). Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditors' 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 College and the Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Board of Governors and Auditors

As described in the Statement of Responsibilities of the Board of Governors, the Board is responsible for the preparation of the financial statements in accordance with the College's Statutory Instrument, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other applicable United Kingdom law and accounting standards (United Kingdom 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 in accordance with accounting principles generally accepted in the United Kingdom and are properly prepared in accordance the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions.

We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been applied for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Scottish Funding Council.

We also report to you if, in our opinion, the Report by the College Secretary is not consistent with the financial statements, if the College has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Report by the College Secretary and the Corporate Governance Statement and consider whether they are consistent with the audited Financial Statements. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Independent Auditors' Report to the Board of Governors of Edinburgh College of Art

Basis of Audit Opinion

We conducted our audit in accordance with International Auditing Standards (UK and Ireland) issued by the Auditing Practices Board and the Financial Memorandum issued by the Scottish Funding Council. 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 Board 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 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:

- (i) the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the College and of the Group as at 31 July 2009, and of the deficit of the Group's income over expenditure and Group's cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions;
- (ii) income from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the College have been applied for the purposes for which they were received; and
- (iii) income has been applied in accordance with the Further and Higher Education (Scotland) Act 1992 and, where appropriate, with the Financial Memorandum dated 1 January 2006 with the Scottish Funding Council.

Ernst & Young LLP
Registered Auditor
10 George Street
Edinburgh, EH2 2DZ

Statement of Principal Accounting Policies

Basis of Accounting

The financial statements are prepared under the historical cost convention, modified by the revaluation of endowment investments, in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and other applicable accounting standards.

Basis of Consolidation

The Group financial statements consolidate the financial statements of the College and all its subsidiary undertakings drawn up to 31 July each year. They also include The Edinburgh College of Art – Andrew Grant Scholarship Fund which is controlled by the College.

Prior Year Adjustments

Included within the Accounts is a prior year adjustment of £3,148k, relating to the release of deferred capital grants in respect of buildings no longer owned by the College. The effect on this prior year's opening reserves position is £2,599k. The effect upon the reported surplus for the prior year is an increase of £549k. Also included within the Accounts is a prior year adjustment of £132k, to correct the historical treatment of equipment-related deferred capital grants. The effect on the prior year's opening reserves position is £92k. The effect upon the reported surplus for the prior year is an increase of £40k.

The 2008 College balance sheet has been re-stated to remove the endowment investments and the endowment reserves which belong to The Edinburgh College of Art – Andrew Grant Scholarship Fund but are controlled by the College and are, therefore, included in the consolidation balance sheet. This adjustment has no effect on the 2008 consolidated income and expenditure account.

Recognition of Income

Recurrent grants from the Scottish Funding Council are recognized in the period in which they are receivable. Specific non-recurrent grants from the Scottish Funding Council are included in the income and expenditure account to the extent of the completion of the activity to which they were allocated. Income from tuition fees is recognisable in the year for which it is received and includes all fees chargeable to students or their sponsors. Income from grants, contracts or other services rendered is included to the extent of the completion of the contract of service concerned, together with any related contributions towards overhead costs. Income from donations is credited to the income and expenditure account in the year in which it is earned, unless specific restrictions apply. All income from short term deposits is credited to the income and expenditure account in the year in which it is earned. Income from specific endowments, not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to specific endowments.

Taxation Status

The College has been granted charitable status by HM Inland Revenue (Reference No SC009201), and accordingly the College is potentially exempt from taxation in respect of income or capital gains tax received within the categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The College receives no similar exemption in respect of Value Added Tax.

Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Statement of Principal Accounting Policies

Land and Buildings

Freehold land and buildings are stated at cost. Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings have been depreciated with effect from 1 August 1993 in order to write-off the cost over their expected useful lives on a straight-line basis. Details of depreciation rates are given in the accounting policy for depreciation.

Land and buildings acquired with the aid of specific grants from the former Scottish Office Education Department (SOED) and the Scottish Funding Council (SFC) are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings on a straight-line basis.

The portfolio of land and buildings is appraised regularly as part of the College estate strategy. Where assets with no future long-term operational use are identified, disposal is considered. Where the College resolves to dispose of an asset it is stated at the lower of its written down value or net realisable value and transferred to current assets.

Maintenance of Premises

The College has a rolling maintenance plan which is reviewed on an annual basis. The cost of routine corrective maintenance, refurbishment, and any building work not of a capital nature is charged to the income and expenditure account as incurred.

Equipment

Equipment costing less than £1,000 per individual item or group of related items and computers and software, costing less than £500, is written off in the year of acquisition. All other equipment is capitalised, stated at cost and depreciated over its expected useful life. Details of depreciation rates are given in the accounting policy for depreciation.

equipment acquired with the aid of specific grants from the former SOED and the SFC is capitalised and depreciated as above. The related grants are treated as deferred equipment grants and released to income over the expected useful life of the equipment.

Depreciation

Depreciation is provided on all tangible fixed assets excluding land, which is not depreciated, on a straight line basis in order to write-off assets over their expected useful lives. Expected useful lives for each asset category are as follows:

Freehold Buildings	100 years
Plant & Machinery	10 years
Fixtures, Fittings & Furniture	7 - 25 years
Teaching & Research Equipment	5 years
Computer Equipment	3 years

Operating Leases

Operating lease rental costs are charged to expenditure in equal annual amounts over the periods of the leases.

Statement of Principal Accounting Policies

Endowment Asset Investments

Endowment Asset Investments are stated at market value. Unrealised gains or losses representing the difference between investment book cost and market value are taken to the endowment reserve. Realised gains or losses on the sale of investments are reflected in the income and expenditure account in the year of disposal.

Stock

Stock held for resale has been valued at the lower of cost or net realisable value.

Consolidation of Students Representative Council

As the College's Board of Governors has no controlling influence over the operation of the Students' Representative Council (SRC), the SRC's results of the are not consolidated within the College financial statements. This is in keeping with other institutions within the higher education sector.

Pension and Other Retirement Benefit Schemes

LPF

The College is a member of the Lothian Pension Fund which is a defined benefit plan. The assets of this plan are held in separate trustee administered funds. The defined benefit plan's assets are measured using market values. Pension plan liabilities are measured by an actuary using the 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. The increase in the present value of the liabilities of the College's defined benefit pension plans expected to arise from employee service in the period is charged to operating profit. The expected return on the plan's assets and the increase during the period in the present value of the plan's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The pension plan's surpluses to the extent that they are considered recoverable, or deficits, are recognised in full and presented on the face of the balance sheet.

STSS

The College also participates in the STSS pension scheme which is a multi-employer scheme. The College is unable to identify its share of the underlying assets and liabilities of this scheme on a consistent and reasonable basis, and therefore, as required by FRS17 'Retirement Benefits', accounts for this scheme as if it were a defined contribution scheme. The amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Provisions

Provisions are recognised when the institution has a present legal or constructive obligation as a result of a past event, it is probable that the transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Review of Principal Accounting Policies

The Finance Sub-Committee has reviewed the College's Principal Accounting Policies during the year and agreed that they were appropriate to the financial management of the College. At the meeting of the Finance Sub-Committee on 5 October 2009, the decision was taken to revise the College's Capital Policy and to increase the capital equipment threshold from £1,000 to £15,000 for a single item.

Consolidated Income & Expenditure Account

for the year ended 31 July 2009

	Notes	Group 2009 £000	Group 2008 £000 restated
INCOME			
Funding Council Grants	1	9,541	10,534
Tuition Fees and Education Contracts	2	4,438	4,160
Research Grants and Contracts	3	709	686
Other Income	4	1,694	1,657
Endowment and Investment Income	5	121	497
		<hr/>	
Operating Income		16,503	17,534
EXPENDITURE			
Staff Costs	6	11,863	11,123
Staff Restructuring	6	232	95
Other Operating Expenses	8	4,732	5,033
Depreciation	9	1,007	825
Interest Payable	10	800	666
		<hr/>	
Total Expenditure		18,634	17,742
Deficit on continuing operations after depreciation of tangible fixed assets		(2,131)	(208)
Gain on disposal of assets		0	1,695
		<hr/>	
(Deficit)/Surplus on continuing operations after depreciation of tangible fixed assets and disposal of assets		(2,131)	1,487
		<hr/> <hr/>	

Included within the accounts are prior year adjustments totalling £3,280k. The nature and effect of these adjustments are outlined at Note 19.

Consolidated Statement of Total Recognised Gains & Losses

for the year ended 31 July 2009

	Notes	2009 £000	2008 £000 restated
(Deficit) / Surplus on continuing operations		(2,131)	1,487
(Depreciation)/Appreciation of Endowment Asset Investments	14	(184)	(338)
Net deferred capital grants (released)/received	19	697	(643)
New endowments/endowment disposals	14	0	(67)
Actuarial gain/(loss) recognised in the pension plan	28	(3,681)	(1,439)
Fair value adjustment upon transfer of subsidiary assets		0	1,292
Total recognised gains and losses since last report		(5,299)	292
Reconciliation			
Opening Net Assets		15,812	15,520
Total recognised (losses)/gains relating to the year		(5,299)	292
Closing Net Assets		10,513	15,812
Statement of historical cost surpluses and deficits			
(Deficit)/Surplus on continuing operations		(2,131)	1,487
Historical cost (deficit)/surplus		(2,131)	1,487

Included within the accounts is a prior year adjustment of £3,280k. The nature and effect of this adjustment is outlined at Note 19.

Consolidated and College Balance Sheets

as at 31 July 2009

		Group	College	Group	College
	Notes	2009 £000	2009 £000	2008 £000 restated	2008 £000 restated
FIXED ASSETS					
Tangible Fixed Assets	12	30,778	30,778	30,999	30,999
Total Fixed Assets		30,778	30,778	30,999	30,999
Endowment Asset Investments	14	3,398	0	3,582	0
CURRENT ASSETS					
Stocks & Stores in Hand		65	65	76	76
Debtors	15	609	609	792	792
Cash at Bank and in Hand		16	16	398	398
Total Current Assets		690	690	1,266	1,266
CREDITORS : Amounts falling due within one year	16	(2,719)	(2,719)	(2,019)	(2,019)
Net current liabilities		(2,029)	(2,029)	(753)	(753)
Total assets less current liabilities		32,147	28,749	33,828	30,246
Creditors : Amounts falling due after more than one year	17	(13,001)	(13,001)	(13,254)	(13,254)
Provisions for liabilities and charges	18	(2,755)	(2,755)	(2,579)	(2,579)
Net Pension Liability	28	(5,878)	(5,878)	(2,183)	(2,183)
NET ASSETS		10,513	7,115	15,812	12,230
Deferred Capital Grants	19	5,507	5,507	4,810	4,810
ENDOWMENTS					
Specific Endowments	22	3,398	0	3,582	0
RESERVES					
General Reserve excluding pension liability		7,486	7,486	9,603	9,603
Pension Reserve	28	(5,878)	(5,878)	(2,183)	(2,183)
General Reserve including pension liability	22	1,608	1,608	7,420	7,420
Total Reserves		5,006	1,608	11,002	7,420
TOTAL FUNDS		10,513	7,115	15,812	12,230

The Financial Statements on pages 10-27 were approved by the Board of Governors on 27 January 2010 and signed on its behalf by:

Donald Workman
Chairman

Professor Ian G Howard
Principal

Consolidated Cash Flow Statement

for the year ended 31 July 2009

	Notes	2009 £000	2008 £000 restated
Cash flow from operating activities	23	324	(563)
Returns on investments and servicing of finance	24	(679)	(372)
Capital expenditure and financial investment	25	84	(104)
Financing	26	(253)	1,500
(Decrease)/increase in cash in the period		(524)	461
Reconciliation of cash flow to movement in net funds/(debt)			
(Decrease)/Increase in cash in the period	27	(524)	461
Cash outflow/(inflow) from decrease/(increase) in loans		253	(1,500)
Net debt at start of period	27	(271) (12,852)	(1,039) (11,813)
Net debt at end of period		(13,123)	(12,852)

Notes to the Accounts

for the year ended 31 July 2009

	Notes	2009 £000	2008 £000 restated
1 Funding Council Grants - SFC			
SFC Recurrent Teaching Grant		6,841	6,667
Funding for Increased STSS Contributions		41	81
SFC Research Grants		1,233	1,339
Infrastructure Support Grants		694	1,139
Other SFC Grants		560	665
Releases of Deferred Capital Grants			
Building Grants	19	54	603
Equipment Grants	19	118	40
		9,541	10,534
Non-recurrent grant income included in the above amounted to £1,621k (£1,331k - 2008).			
Grants received from the Funding Council in respect of Hardship and Childcare Funds for students in financial difficulties, and payments to students from this fund, are excluded from the Consolidated Accounts (see Note 31)			
2 Tuition Fees and Education Contracts			
Full Time UK and EU Students		2,464	2,213
Full Time non-EU Students Charged Overseas Fees		1,494	1,495
Part Time Fees		59	70
Non-credit bearing course fees		421	382
		4,438	4,160
3 Research Grants & Contracts			
UK Government		343	268
Research Councils		297	291
UK Charities		17	4
UK Industry		1	17
EU Government		48	58
Other overseas		0	16
Other		3	32
		709	686
4 Other Income			
Residences, Catering & Conferences		229	247
Sales to students		655	672
Other Income		810	738
		1,694	1,657
5 Endowment and Investment Income			
Other Interest Receivable		7	81
Endowment Income		114	213
		121	294
Pension Finance Income		0	203
		121	497

Notes to the Accounts (continued)

for the year ended 31 July 2009

6 Staff Costs	Notes	2009	2008
Average Staff Numbers by Major Category		Number of employees	
Teaching Staff		83	87
Teaching Support		50	37
Research Grants & Contracts		18	14
Other Support Services		17	20
Administration & Central Services		69	51
Premises		44	43
Other Income Generating Activities		5	8
Catering & Residences		9	8
		295	268
Part time employees are included in the above on the basis of their full time equivalents.			
Analysed as:			
Staff on permanent contracts		275	250
Staff on temporary contracts		20	18
		295	268
Staff Costs for the above persons		£000	£000
Wages and Salaries		9,522	9,139
Social Security Costs		719	693
Pension Costs		1,622	1,291
Exceptional restructuring costs		232	95
		12,095	11,218
Teaching Staff		5,060	4,846
Teaching Support		1,174	1,133
Research Grants & Contracts		791	768
Other Support Services		958	908
Administration and Central Services		2,395	1,976
Premises		1,065	1,096
Other Income Generating Activities		225	218
Catering & Residences		195	178
Exceptional restructuring costs		11,863	11,123
		232	95
		12,095	11,218
Analysed as:			
Staff on permanent contracts		11,275	10,376
Staff on temporary contracts		820	747
		12,095	11,123
Pension Obligations			
Contribution to STSS		910	655
Costs for LGPS		712	636
Charge for Serving Employees		1,622	1,291
Charge in respect of Enhanced pensions to Former Employees	18	373	167
Total Pension charge		1,995	1,458

Notes to the Accounts (continued)

for the year ended 31 July 2009

7 Emoluments of the Principal and Higher Paid Employees	Notes	2009	2008
£60,000 - £69,999		1	0
£70,000 +		4	4
		<hr/>	
Staff Costs for the above persons		£000	£000
Wages and Salaries		442	349
Social Security Costs		46	37
Pension Costs		68	53
		<hr/>	
		556	439
		<hr/> <hr/>	

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

	2009	2008
	£	£
Salary	125,374	118,529
Pension Contributions	17,511	16,001

During the year, the Governors did not receive any payments from the College, other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

8 Other Operating Expenses	2009	2008	
	£000	£000	
Residences Catering and Conferences	171	156	
Consumable and Workshop Expenditure	939	1,002	
Books and Periodicals	194	159	
Heat Light Water and Power	543	351	
Repairs and General Maintenance	276	497	
Auditors' Remuneration:			
External Auditors' Remuneration	28	39	
Internal Auditors' Remuneration	67	44	
Other Services from External Auditors	137	91	
Professional Fees	487	431	
Equipment operating lease rentals	80	62	
Research Contract Expenditure	176	263	
Other Expenses	1,634	1,938	
		<hr/>	
		4,732	5,033
		<hr/> <hr/>	

9 Depreciation		2009	2008
		£000	£000
Funded by deferred capital Grants	19	172	94
Funded by General Income		835	731
		<hr/>	
Charge for the year	12	1,007	825
		<hr/> <hr/>	

10 Interest Payable		2009	2008
		£000	£000
Bank interest payable		513	666
Other interest payable		235	0
Pension finance cost		52	0
		<hr/>	
		800	666
		<hr/> <hr/>	

Bank Interest on loans repayable:

Between two and five years		0	15
In five years or more		513	651
		<hr/>	
		513	666
		<hr/> <hr/>	

11 Taxation

The College has been granted Charitable Status by HM Inland Revenue and accordingly the College is potentially exempt from taxation in respect of income or capital gains to the extent that such income or gains are applied exclusively for charitable purposes.

Notes to the Accounts (continued)

for the year ended 31 July 2009

12 Tangible Fixed Assets	Notes	Freehold Land	Freehold Buildings	Fixtures & Fittings	Owned Equipment	Total
Cost		£000	£000	£000	£000	£000
At 1 August 2008		938	27,100	3,751	4,039	35,828
Additions at Cost		0	35	639	112	786
Disposals in year		0	0	0	(61)	(61)
Reallocations		2,500	(2,500)	0	0	0
At 31 July 2009		3,438	24,635	4,390	4,090	36,553
Depreciation						
At 1 August 2008		0	(943)	(831)	(3,055)	(4,829)
Charge for the Year	9	0	(234)	(386)	(387)	(1,007)
Eliminated on disposals		0	0	0	61	61
At 31 July 2009		0	(1,177)	(1,217)	(3,381)	(5,775)
Net Book Value at 31 July 2009		3,438	23,458	3,173	709	30,778
Net Book Value at 1 August 2008		938	26,157	2,920	984	30,999

During the year, the College elected to reclassify land at Evolution House. Land is not depreciated in the College's financial statements. The effect of the reallocation is to reduce the depreciation charge by £25k.

Certain buildings have been funded from Treasury sources. Should the particular property be sold, the College is obliged to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum issued by SFC.

13 Fixed Asset Investments	2009	2008
	£000	£000
Subsidiary undertakings		
At 1 August 2008	0	611
Impairment upon hive up of subsidiary assets	0	(611)
As at 31 July 2009	0	0

The College holds 100% of the Share Capital of ECA (West Port) Ltd, a property development company registered in Scotland. The company ceased to trade in December 2007.

14 Endowment Assets	Group 2009	College 2009	Group 2008	College 2008
	£000	£000	£000	£000
At 1 August 2008			restated	restated
Unrealised (loss)/gain in year	22	0	3,996	0
Investment disposals in year		0	(347)	0
(Decrease)/increase in endowment asset debtors		0	(100)	0
			33	0
As at 31 July 2009	3,398	0	3,582	0
Represented by:				
Unit Trust Investments	1,884	0	2,068	0
Loan to general reserves	1,500	0	1,500	0
Current Assets	14	0	14	0
As at 31 July 2009	3,398	0	3,582	0
Investment Book Value				
Unit Trust Investments at Cost	2,206	0	2,206	0

All income from Endowment Assets is spent by way of prizes awarded to students by the Awards & Bequests Sub-committee

Endowment Assets comprise funds relating to the Andrew Grant Scholarship Fund (registered charity no. SC001097), which provides scholarships and travel bursaries to the College's students. The College has effective control over the operations of the Fund and consolidates its results within the accounts of the College, in line with UK GAAP. During the year ended 31 July 2009, the Andrew Grant Scholarship Fund recorded a surplus before realised and unrealised gains/losses of £nil (2008: £4k) and a net deficit of £185k (2008: £352k). Total charitable funds are as reflected above.

Notes to the Accounts (continued)

for the year ended 31 July 2009

	Group and College	
	2009	2008
	£000	£000
15 Debtors		
Amounts due within one year:		
Trade Debtors	231	106
Due from Students	216	262
Prepayments & accrued income	162	424
	<u>609</u>	<u>792</u>
	<u><u>609</u></u>	<u><u>792</u></u>
16 Creditors - Amounts falling due within one Year		
Bank overdraft	143	0
Creditors	564	231
Social Security and Taxation Payable	731	1,011
Accruals and Deferred Income	1,281	777
	<u>2,719</u>	<u>2,019</u>
	<u><u>2,719</u></u>	<u><u>2,019</u></u>
17 Creditors - Amounts falling due after more than one year		
Bank Loan	(a) 11,501	11,754
Loan from Endowment Fund	(b) 1,500	1,500
	<u>13,001</u>	<u>13,254</u>
	<u><u>13,001</u></u>	<u><u>13,254</u></u>
(a) Bank loans are repayable as follows:		
In one year or less	0	0
Between one and two years	0	0
Between two and five years	0	254
In five years or more	11,501	11,500
	<u>11,501</u>	<u>11,754</u>
	<u><u>11,501</u></u>	<u><u>11,754</u></u>

The bank loans were advanced on 3 April 2006 on an interest only basis until June 2011 and a capital repayment basis thereafter. Interest on the fixed rate element of £7.5m was 5.155% until 29 June 2011 and 5.175% thereafter and on the floating rate element based on the agreed margin linked to the bank's base rate.

From January 2010 interest on the fixed rate element was increased to 5.585% until the end of July 2010 and 5.885% thereafter and on the floating rate element on the revised margin linked to LIBOR. The repayment arrangements for the fixed rate element are unchanged and the for the floating rate element amended to 88 equal quarterly instalments from June 2014.

(b) Loan from Endowment Fund

The Board of Governors (Trustees of the Fund) have resolved to re-pay the loan within 5 years starting in the financial year 2011/12,

Notes to the Accounts (continued)

for the year ended 31 July 2009

	Group and College 2009 £000	Group and College 2008 £000
18 Provisions for Liabilities and Charges		
Opening Balance as at 1 August 2008	2,579	2,598
Increase in actuarial valuation of enhanced early retiral costs	373	167
Utilised to pay LGPS scheme for former employees	(23)	(18)
Utilised to pay enhanced pensions for former employees	(174)	(168)
Closing Balance at 31 July 2009	2,755	2,579

As part of an early retirement initiative in the 1990s, the College granted certain enhancements to the pension rights of employees accepting early retiree. These enhanced pensions extend beyond the normal pension rights arising from the funded pension schemes which have been detailed in Note 6.

The Pension provision includes a provision for 'New Blood' Initiative enhanced pensions (from the 1980s), provision for unfunded enhanced pensions and provision for under-funding in the Local Government Pension Scheme (LGPS) arising from contributions for former employees. Payments of £174,000 (£168,000 - 2008) for enhanced pensions made directly to former employees and payments of £23,000 (£18,000 - 2008) made to the LGPS on behalf of former employees during the year have been set against the provision.

19 Deferred Capital Grants	Notes	SFC Grants £000	Other Grants £000	TOTAL £000
Buildings Grants		7,702	143	7,845
Equipment Grants		205	0	205
As at 1 August 2008 (as previously stated)		7,907	143	8,050
Buildings Grants	1	(3,148)	0	(3,148)
Equipment Grants	1	(92)	0	(92)
Prior year adjustment		(3,240)	0	(3,240)
Buildings Grants	1	4,554	143	4,697
Equipment Grants	1	113	0	113
As at 1 August 2008 (restated)		4,667	143	4,810
Deferred Equipment Grants received during year		869	0	869
Buildings Grants	1	54	0	54
Equipment Grants	1	118	0	118
Released to Income & Expenditure during year		172	0	172
Closing Balances				
Buildings Grants		4,500	143	4,643
Equipment Grants		864	0	864
As at 31 July 2009		5,364	143	5,507

Included within the accounts is a prior year adjustment of £3,148k, relating to the release of deferred capital grants relating to buildings no longer owned by the College. The College obtained confirmation during the year that these amounts were not repayable to the respective funding bodies. The effect on the prior year's opening reserves position is £2,599k. The effect on the reported surplus for the prior year is an increase of £549k.

Also included within the accounts is a prior year adjustment of £132k, to correct the historical treatment of equipment related deferred capital grants. The effect on the prior year's opening reserves position is £92k. The effect on the reported surplus for the prior year is an increase of £40k.

Notes to the Accounts (continued)

for the year ended 31 July 2009

20 Operating Leases	Notes	2009 £000	2008 £000
Operating lease commitments for equipment hire for current financial year on leases expiring:			
Within one year		0	3
between two and five years		195	91
		195	94

21 Capital Commitments	2009 £000	2008 £000
Year-end Capital Expenditure - Committed, Contracted and Authorised	81	60

22 Reserves - Group	Endowment Reserve £000	General Reserve £000
As at 1 August 2008 (as previously stated)	3,582	4,180
Prior year adjustment	0	3,240
As at 1 August 2008 (restated)	3,582	7,420
Actuarial Gain/(Loss)	0	(3,681)
(Depreciation)/Appreciation of Endowment Investments	14	(184)
Endowment Income for the year	122	0
Endowment Expenditure for the year	(122)	0
Deficit for the year	0	(2,131)
	3,398	1,608

The General Reserve comprises the Group General Reserve of £7,486k less the Pension Reserve of £5,878k totalling £1,608k

Reserves - College	General Reserve £000
As at 1 August 2008 (as previously stated)	4,180
Prior year adjustment	3,240
As at 1 August 2008 (restated)	7,420
Actuarial Gain/(Loss)	(3,681)
Deficit for the year	(2,131)
	1,608

The General Reserve comprises the College General Reserve of £7,486k less the Pension Reserve of £5,878k totalling £1,608k

Notes to the Accounts (continued)

for the year ended 31 July 2009

23 Net Cash Inflow/(Outflow) from Operating Activities	Notes	2009 £000	2008 £000 restated
(Deficit)/Surplus on continuing operations		(2,131)	1,487
Depreciation	9	1,007	825
Net Pension Costs (FRS17)		14	(245)
Deferred Capital Grants released to Income	19	(171)	(644)
Gain on disposal of tangible fixed asset		0	(1,695)
Interest Receivable	5	(121)	(294)
Interest Payable	10	800	666
(Increase)/Decrease in Stocks		11	(11)
Decrease/(Increase) in Debtors		183	(376)
(Decrease)/Increase in Creditors		556	(257)
(Decrease)/Increase in Provisions		176	(19)
Net Cash Flow from Operating Activities		324	(563)
24 Returns on Investments and Servicing of Finance			
Income from Endowments	5	114	213
Other Interest Received	5	7	81
Interest Paid	10	(800)	(666)
Net Cash (Outflow)/Inflow from Returns on Investment and Servicing of Finance		(679)	(372)
25 Capital Expenditure and Financial Investment			
Purchase of Tangible Fixed Assets		(785)	(2,582)
Sales of Tangible Fixed Assets		0	2,478
Deferred Capital Grants received		869	0
Net Cash Flow from Capital Expenditure and Financial Investment		84	(104)
26 Financing			
Loan to College from endowment funds		0	1,500
Repayment of loan finance		(253)	0
Net Cash Flow from Financing		(253)	1,500
27 Analysis of Changes in Net Debt		At 1 August 2008	At 31 July 2009
Endowment Assets Cash In Hand		5	5
Cash at Bank		397	(127)
Total		402	(122)
Loans		(13,254)	(13,001)
Change in Net Debt		(12,852)	(13,123)

Notes to the Accounts (continued)

for the year ended 31 July 2009

28 Pension and Similar Obligations

The College provides pensions for the majority of its employees by means of membership of external pension schemes. The principal schemes are the Scottish Teachers' Superannuation Scheme (STSS), administered by the Scottish Office Pension Agency and the Local Government Pension Scheme (LGPS), administered by Lothian Pension Fund.

The Scottish Teachers' Superannuation Scheme (STSS)

The STSS is a defined benefit scheme, which is notionally funded; the Government Actuary using the aggregate method holds scheme assets in a notional fund that is valued every five years. The rate of contribution payable to the scheme is determined by the Secretary of State on the advice of the Government Actuary. Under the scheme, benefits are based on final pensionable salary for academic and related employees. During the financial year the level of contribution to the scheme was £537,000 (£488,000 - 2008).

The Lothian Pension Fund

The Lothian Pension Fund is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended. Lothian Pension Fund on the advice of the actuaries determine the rate of contributions payable. Lothian Pension Fund holds its LGPS assets in a separate fund. Under the scheme, benefits are based on a final pensionable salary for non-academic and other employees.

Within the Lothian Pension Fund, employer liabilities are based on the individual member profile for each employer. Assets have been tracked for each employer since 2002. Prior to 2002 assets were not tracked individually and the allocation was pro-rata based on the liability profile. It is recognised that the decision and methodology used to apportion the assets as at 2002 was to some extent arbitrary but going forward the approach seems consistent and reliable.

The scheme recently notified employers of their separate contribution rates calculated to reflect their experience profile and address the contribution shortfall within 15 years.

An actuarial valuation as at 31 July for FRS17 purposes was carried out by a qualified independent actuary. The major assumptions used by the actuary were:

	31 July 2009	31 July 2008	31 July 2007
Rate of increase in salaries	5.2%	5.3%	4.8%
Rate of increase in pensions payments	3.7%	3.8%	3.3%
Discount rate	6.0%	6.7%	5.8%
Inflation assumption	3.7%	3.8%	3.3%
Expected Return on Assets	6.9%	7.3%	

The College's share of assets within the scheme, and the expected rates of return were:

	Long term rate of return expected at 31 July 2009	Value at 31 July 2009 £000	Long term rate of return expected at 31 July 2008	Value at 31 July 2008 £000	Long term rate of return expected at 31 July 2007	Value at 31 July 2007 £000
Equities	7.3%	11,856	7.8%	11,662	8.0%	12,102
Bonds	5.3%	1,334	5.7%	1,397	5.2%	1,184
Property	5.3%	1,334	5.7%	1,801	6.0%	2,085
Cash	4.3%	296	4.8%	479	5.1%	994
Total market value of assets		14,820		15,339		16,365

Mortality Rates

Life expectancy is based on the PFA92 and PMA92 tables, projected to calendar year 2030 for non-pensioners and 2015 for pensioners. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	19.8 years	22.8 years
Future Pensioners	21.0 years	24.0 years

The College's net pension assets within the scheme were:	31 July 2009 £000	31 July 2008 £000	31 July 2007 £000
Estimated employer assets (A)	14,820	15,339	16,365
Present value of scheme liabilities	20,460	17,281	17,105
Present value of unfunded liabilities	238	241	249
Total value of liabilities (B)	20,698	17,522	17,354
Net pension liability (A-B)	(5,878)	(2,183)	(989)

The College has been required to increase its level of employers' contribution to the LGPS scheme to make good its share of the actuarial deficiency relating to current and former employees. The difference in the regular pension cost for current employees is considered immaterial and the additional contributions treated as part of the regular pension cost. During the financial year the level of contribution to the scheme for current employees was £712,000 (£636,000 - 2008) and for former employees was £20,000 (£18,000 - 2008). The pension provision has been used to offset the cost of these contributions on behalf of former employees, contributions on behalf of current employees are charged to the income and expenditure account.

The College also makes pension payments to former employees who have taken early retirement.

Notes to the Accounts (continued)

for the year ended 31 July 2009

28 Pension and Similar Obligations (cont'd)	2009 £000	2008 £000
Recognition in the profit or loss		
Current Service Cost	(532)	(589)
Interest Cost	(1,184)	(1,018)
Expected Return on Employer Assets	1,132	1,221
Past Service (Cost) / Gain	(178)	0
	<hr/>	<hr/>
Total	(762)	(386)
Actual Return on Plan Assets	(579)	(1,458)
Reconciliation of defined benefit obligation		
Opening Defined Benefit Obligations	(17,522)	(17,355)
Current Service Cost	(532)	(589)
Interest Cost	(1,184)	(1,018)
Contributions by members	(216)	(184)
Actuarial (Losses) / Gains	(1,665)	1,241
Past Service (Cost) / Gain	(178)	0
Estimated Unfunded Benefits Paid	16	16
Estimated Benefits Paid	583	367
	<hr/>	<hr/>
Closing Defined Benefit Obligation	(20,698)	(17,522)
	<hr/>	<hr/>
Reconciliation of fair value of employer assets		
Opening Fair Value of Employer Assets	15,339	16,366
Expected Return on Assets	1,132	1,221
Contributions by Members	216	184
Contributions by Employer	732	613
Contributions in respect of Unfunded Benefits	16	16
Actuarial Gains / (Losses)	(2,016)	(2,678)
unfunded Benefits Paid	(16)	(16)
Benefits paid	(583)	(367)
	<hr/>	<hr/>
Closing fair value of employer assets	14,820	15,339
	<hr/>	<hr/>

Amounts for the current and previous accounting periods	31 July 2009 £000	31 July 2008 £000	31 July 2007 £000	31 July 2006 £000	31 July 2005 £000
Fair Value of Employer assets	14,820	15,339	16,365	14,154	12,801
Present Value of Defined Benefit Obligation	(20,698)	(17,522)	(17,354)	(17,759)	(16,401)
Surplus / (Deficit)	(5,878)	(2,183)	(989)	(3,605)	(3,600)
Experience Gains / (Losses) on Assets	(2,016)	(2,678)	789	983	1,497
Experience Gains / (Losses) on Liabilities	423	0	5	(347)	7

Asset values for 2009 are presented at bid value while prior years are reported at mid-market value.

Amount Recognised in Statement of Total Recognised

Gains and Losses (STRGL)	31 July 2009 £000	31 July 2008 £000	31 July 2007 £000	31 July 2006 £000	31 July 2005 £000
Actuarial Gains / (Losses)	(3,681)	(1,439)	2,377	19	(523)
Cumulative Actuarial Gains	(3,039)	642	2,081	(296)	(315)

Analysis of projected amount to be charged to operating profit for the year to 31 July 2010	31 July 2010 £000	%age of pay
Projected Current Service Cost	660	18.1%
Interest on Obligation	1,250	34.4%
Expected Return on Plan Assets	(1,036)	(28.5%)
Total	874	24.0%

It is estimated that the Employer's contributions for the year to 31 July 2010 will be approximately £763,000.

Notes to the Accounts (continued)

for the year ended 31 July 2009

29 Post Balance Sheet Events

Since the end of the financial year to 31 July 2009 there have been no significant post balance sheet events which would lead to adjustment or require further disclosure within these accounts.

30 Related Party Transactions

Due to the nature of the College's operations and the composition of the Board of Governors (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 Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procedures. Transactions totalling £4,007, relating to consultancy work, took place with Quayle Munro Limited, a company of which Mr J.C. Elliot is a Director. Mr Elliot served on the Board of Governors until 31 December 2008. There were no amounts outstanding.

31 HE Bursaries and other student support funds

	2009	2009	2009	2008
	HE Childcare	HE Hardship	Total	Total
	£000	£000	£000	£000
Balance B/F	0	0	0	restated 0
Allocation received in year	21	77	98	98
Disbursed to students	(20)	(77)	(97)	(105)
Institution contribution to funds	0	0	0	7
Virements	0	0	0	0
Balance C/F	1	0	1	0

The above Funding Council Grants are available solely for students; the College acts only as a paying agent. These grants and related disbursements are therefore excluded from the College Income & Expenditure Account.

Board of Governors 2008/09

2008/09 Membership of Board of Governors Chairman

Mr Donald Workman, MA(Oxon)

Governors, ex officio

Professor Ian G Howard, MA, RSA,
Principal
(Convener, Health & Safety Sub-Committee)

Professor Brent D MacGregor, BA, MA, DPhil
Vice-Principal

Ms Jessie Buchanan, President S.R.C.

Appointed Members

Ms Ginnie Atkinson (from January 2009)

Professor Stephen Blackmore, FRSE

Mr Jo Elliot (retired 31 December 2008)

Professor Christine Hawley, CBE (from January 2009)

Mr Donald MacDonald, CBE, MA, LLB, CA

Mr Alastair Mackenzie, CBE, RIBA, MRTPI
(Convener, Estates Sub-Committee)

Ms Shonaig Macpherson, CBE, FRSE, DUniv
(Convener, Audit Committee)

Professor Ian F.Y. Marrian, MA, CA
(Convener Finance Sub-Committee)

Lady Mathewson, DA(Edin)
(Convener, Awards & Bequests Sub-Committee)

Mr Robert B Robertson, BSc, MSc, ARICS

Co-opted Members

Professor Richard Coyne PhD MLArch BArch(Hons)
ARAIA RIBA
(University of Edinburgh representative)

Professor D.Gareth Owen MA, PhD, CEng, FICE, FSUT

Elected Members

Professor Karen Forbes BA
Academic Council Governor

Ms Geraldine Prince, BA (Hons), MLitt, MPhil, FHEA
Academic Staff Governor

Ms Sylvia Nicholson
Non-Academic Staff Governor

Secretary to the Board

Mr Michael W Wood, BA, MBA

Advisers

Auditors
Ernst & Young LLP,
Chartered Accountants,
10 George Street,
Edinburgh, EH2 2DZ

Bankers
The Bank of Scotland
38 St Andrew Square
Edinburgh
EH2 2YR

Solicitors
Anderson Strathern, LLP
1 Rutland Court
Edinburgh, EH3 8EY

Morton Fraser, LLP
30/31 Queen Street,
Edinburgh, EH2 1JX

Investment Managers
Baillie Gifford
Calton Square
1 Greenside Row
Edinburgh, EH1 3AN

Constitution & Terms of Reference of Principal Board Committees

POLICY AND RESOURCES COMMITTEE

Summary Terms of Reference:

The Policy and Resources Committee, through the Strategic Plan, the Operational Plan, the Estates Strategy and otherwise, considers strategic policy for the academic and general development of the College and its financial management within the context of:

- (a) Funding, policy direction and guidance from SFC and the Scottish Executive;
- (b) Entrepreneurial activity relating to sponsorship, fund-raising and marketing;
- (c) Advice to the Governing Body in establishing and reviewing the broad direction of College developments through its Vision and Mission Statements.

Sub-Committees: Finance; Estates; Health and Safety

Membership:

Mr. Donald Workman (Convener)
Mr. Alastair Mackenzie
Professor Ian Marrian
Professor Ian G. Howard (Principal)
Professor Brent MacGregor (Vice-Principal)

FINANCE SUB-COMMITTEE

Summary Terms of Reference :

The Finance Sub-Committee shall maintain and review the financial management and operational systems of the College.

Membership:

Professor Ian F.Y. Marrian (Convener)
Professor Ian G. Howard, Principal
Mr. Donald MacDonald
Mr. Donald Workman

Constitution & Terms of Reference of Principal Board Committees

AWARDS AND BEQUESTS SUB-COMMITTEE

Summary Terms of Reference:

The Awards and Bequests Sub-Committee (a Sub-Committee of the Finance Sub-Committee) is responsible for the administration of the Andrew Grant Bequest under the terms of the Bequest, Act, Orders and College Regulations relating thereto. The Sub-Committee also administers other bequest funds and prize money.

Membership:

Lady Mathewson, (Convener)
Mr Alastair Mackenzie
Professor Richard Coyne
Professor Karen Forbes
Ms Geraldine Prince
Mr. Robert B. Robertson

ESTATES SUB-COMMITTEE

Summary Terms of Reference:

The Estates Sub-Committee (a Sub-Committee of the Policy and Resources Committee) shall monitor the management of building works in the College, approve the overall annual programmes for capital and non-capital building works, and recommend a long term estate management strategy to the Policy and Resources Committee

Membership:

Mr. Alastair Mackenzie, (Convener)
Professor Ian G. Howard, Principal
Mr. Robert B. Robertson
Vacancy

Constitution & Terms of Reference of Principal Board Committees

HEALTH AND SAFETY SUB-COMMITTEE

Summary Terms of Reference:

The Health and Safety Sub-Committee (a sub-committee of the Policy and Resources Committee) shall be responsible for the general supervision of safety arrangements within the College, for advising Heads of Schools and Departments of legal requirements and responsibilities and for proposing College policy on safety. The Sub-Committee presents an Annual Report on Health and Safety matters to the Board.

Membership:

Professor Ian G. Howard, Principal (Convener)
Professor Gareth Owen
President, S.R.C.

(In addition the Membership of the Sub-Committee comprises the Health and Safety Officer, Head of Human Resources, Student Health Adviser (University of Edinburgh), College Superintendent, Occupational Health (University of Edinburgh), Student Welfare Officer, Buildings Officer, Unison Amicus and EIS Representatives.

AUDIT COMMITTEE

Summary Terms of Reference:

The Audit Committee provides advice to the Board of Governors, to the Finance Sub-Committee, to College Management and to the Scottish Funding Council's Governance, Management, Appraisal Policy (GMAP) Department on the effectiveness of internal control and management systems of the College and on the appointment of internal and external auditors. The Committee is authorised by the Board of Governors to investigate any activity within its terms of reference.

Membership:

Ms Shonaig Macpherson (Convener)
Mr Alastair Mackenzie
Professor Stephen Blackmore
Professor D. Gareth Owen
Mr. Robert B. Robertson

Constitution & Terms of Reference of Principal Board Committees

CHAIRMAN'S COMMITTEE

Summary Terms of Reference:

The Chairman's Committee examines recommendations of Committees of the Board of Governors and of Academic Council prior to their consideration by the Board of Governors and briefs the Chairman on matters to be considered by the Board. The Committee also acts as Remuneration and Nominations Committees (see separate entries).

The Committee acts with all the powers of the Board during vacation and emergency periods excluding specific financial, staffing and constitutional matters (see detailed terms of reference).

Membership:

Mr. Donald Workman (Chairman/Convener)
Professor Ian G. Howard, Principal
Mr Alastair Mackenzie
Professor Ian F.H. Marrian

CHAIRMAN'S COMMITTEE ACTING AS REMUNERATION COMMITTEE

Summary Terms of Reference

The Chairman's Committee acts as a Remuneration Committee in relation to the salaries and other remuneration of the Principal and senior central management of the College and to consider any other matter relating to remuneration referred to it by the Board of Governors, including applications for premature retirement with enhancement of pension and the terms of any severance agreements.

Membership:

Mr. Donald Workman (Chairman/Convener)
Professor Ian F.Y. Marrian
Professor Ian G. Howard, Principal

CHAIRMAN'S COMMITTEE ACTING AS NOMINATIONS COMMITTEE:

Summary Terms of Reference:

The Chairman's Committee acts as a Nominations Committee in relation to the identification and selection of new independent lay members to the Board of Governors and to make recommendations to the Board in this regard. To consider lay Governor nominations for re-election to the Board and to make recommendations to the Board in this regard.

Membership:

Mr. Donald Workman (Chairman, Convener)
Professor Ian G. Howard, Principal
Lady Mathewson
Mr Robert Robertson

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