

## Finance and General Purposes Committee

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Tuesday 26 August 2014

2.00 pm  
Room 2009

### A G E N D A

- 1 Apologies for Absence
- 2 Declaration of Interest
- 3 Minute of 2 June 2014 (attached)
- 4 Matters Arising
  - 4.1 Item 4.1 Retention Monies (verbal update)
- 5 Management Accounts - June 2014 (report attached)
- 6 Aged Debt Report - June 2014 (report attached)
- 7 Annual External Development Income and Expenditure Report (to follow)
- 8 ONS Reclassification of FE Colleges (verbal update)
- 9 Final Accounts - March 2014 (attached)
- 10 Draft Annual F&GP Committee Report (for the period Aug 13 to March 14) (to follow)
- 11 Hospitality Development Update (verbal update)
- 17 Any Other Business
- 18 Date and Time of Next Meeting

**Minute of the Meeting of the Finance and General Purposes Committee of the Board of Management of Dumfries and Galloway College, held on Tuesday 26 August 2014 at 2.00 pm in Room 2009, Dumfries campus**

**Present:** J Henderson (Chair)  
K Henry  
C Turnbull

**In attendance:** J Brown, Vice Principal (Corporate Services and Governance)  
and Secretary to the Board  
K Hunter, Finance Manager  
B Johnstone, Regional Chair  
S Sutherland, PA to the Principal

**1 Apologies for Absence**

None.

**2 Declaration of Interest**

Members agreed to declare any conflict of interest as appropriate throughout the meeting.

**3 Minute of Previous Meeting**

The Minute of the Finance and General Purposes Committee held on 2 June 2014 was approved.

**4 Matters Arising**

**4.1 Item 4.1 Retention Monies**

The Principal reported that following the meeting on 27 May, no letter from Millers had been forthcoming. In the interim further defects had been uncovered. Finally a letter had arrived but this had not been clear on whether Millers accepted the College position. The Assistant Principal (Quality and Estates) had sent this to the legal team who were composing a form of words in response, clearly stating the College's position, which it was hoped would be issued by the end of the week.

The Committee noted the position.

**4.2 Item 9 Self Insurance**

The Principal advised that Colleges Scotland was finalising a draft business case that all colleges should be able to continue with commercial insurance, which she would bring to the College as soon as it was available.

**5 Management Accounts for the Quarter ended 30 June 2014**

The Finance Manager spoke to the report which had been issued.

The Committee noted that the changes to the financial reporting calendar and cycle now included submitting monthly cash flow projections to SFC in order to draw down grant income, and periodic budget returns to the SFC to monitor budgets within each financial year and allow them to forecast the overall College sector out-turn for the year. College systems were being revised to ensure that the information required to forecast accurately was available and that reporting mechanisms were in place to highlight any variances for reporting and action by the Executive Team.

The Finance Manager highlighted that whilst, the statements were for the first quarter of 2014/15 financial year, it was the end of the 2013/14 academic year and this resulted in some timing differences when trying to make comparison with the previous year.

The Vice Principal advised that the funds which had been returned from the Scottish Colleges Foundation required to be spent by the end of December 2014, which would be the case. The SCF had already received a cash flow statement following the appointment of the main contractor. Should there be an underspend then the money would need to be transferred to the SCF in February 2015.

Members noted the report.

#### **6 Aged Debt Report as at 30 June 2014**

The Finance Manager spoke to the report which had been issued.

She advised that again the timing difference did not allow for like for like comparison, but reported that no concerns had been identified.

Members noted the report, and approved the write off sum of £485.20.

#### **7 Annual External Development Income and Expenditure Report: Aug 2013 – March 2014**

The Finance Manager spoke to the report which had been issued.

Again this was for an eight month period which made comparison with previous years difficult.

Members noted the report and the overall contribution of external development activities to the College. During discussion, Members were advised that the cost of courses was very sensitive, and that the College had made a special case to SFC to enable it to reduce costs to smaller SMEs in the Region who were not able to pay full cost recovery costs.

#### **8 ONS Reclassification of FE College**

The Vice Principal advised that there was nothing significant to report.

#### **9 Financial Statements for the period ended 31 March 2014**

The Finance Manager spoke to the draft accounts and summary report which had been issued.

The Committee noted the key changes, in particular the change to the financial year end to 31 March 2014 which meant results related to an eight month period.

The results showed an operating deficit after the donation to the Scottish Colleges Foundation and taking account of FRS 17 pension valuation and a reduction in future Lennartz costs. Members noted that because of the changes, every college in Scotland would also be returning a deficit position.

The Committee agreed that the Principal prepare a draft statement in anticipation of interest from the media, and noted that Colleges Scotland and Audit Scotland would also be making national statements regarding the position for colleges.

The Vice Principal confirmed the External Audit opinion recommended approval, and Members were advised of the statement by the Auditors referring to the excellent quality of the Accounts.

The Finance and General Purposes Committee added their recommendation to that of the Audit Committee for approval of the Accounts by the Board on 16 September 2014.

#### **10 Draft Annual F&GP Committee report to the Board 2013/14**

The Finance Manager spoke to the report which had been issued, which provided the board with a summary of the activity and decisions of the Committee during the financial period 2013/14.

The report confirmed that it was the Finance and General Purposes Committee's opinion that the College's financial affairs were planned, conducted and controlled so that its total income was sufficient, taking one period with another, to meet its total expenditure, and its financial viability was maintained.

Members approved the report to go to the Board on 16 September 2014.

#### **11 Hospitality Development Update**

The Principal advised that Phase 1 of the development had been completed on time and under budget, and that Phase 2 was proceeding. Scaffolding would be in place until the October break, but all the necessary Health and Safety checks had been undertaken.

#### **12 Any Other Business**

None

#### **13 Date and Time of Next Meeting**

The next meeting of the Committee would take place on 9 December 2014.

**Minute of the Meeting of the Finance and General Purposes Committee of the Board of Management of Dumfries and Galloway College, held on Monday 2 June 2014 at 2.00 pm in Room 2089, Dumfries campus**

**Present:** R Gunnell  
J Henderson (Chair)  
K Henry  
C Turnbull

**In attendance:** K Hunter, Finance Manager  
J Brown, Assistant Principal (Learner Services) and Clerk to the Board  
S Sutherland, PA to the Principal

**1 Apologies for Absence**

None.

**2 Declaration of Interest**

Members agreed to declare any conflict of interest as appropriate throughout the meeting.

**3 Minute of Previous Meeting**

The Minute of the Finance and General Purposes Committee held on 17 March 2014 was approved.

**4 Matters Arising**

**4.1 Item 4.1 Retention Monies**

The Principal reported on a meeting on 27 May with representatives of Miller Construction, which had not resolved the continuing impasse. The Principal, and Assistant Principal (Estates), had pointed out all defects which had already been rectified and the concern following the recent incident with the balustrades, so much so that a full building survey had been ordered for health and safety reassurance. The College confirmed its preference that Miller waive the retention monies and the College would carry out any outstanding works, with the exception of latent defects. The representatives indicated that they would take this offer back to their Board.

The Committee discussed whether the situation may result in a legal case which, whilst it was not the Board's original preference, in view of the number of recent building defects may be the only way forward.

**Standing Items**

**5 SI Summary Income and Expenditure and Balance Sheet – March 2014**

The Finance Manager spoke to the report which had been issued, providing a summary of the draft income and expenditure account for the eight month period ended 31 March 2014, and the Balance

Sheet at that date, and highlighting the main assumptions used and changes which had affected the results for the period.

Members noted the difficulty of comparison given that the draft financial statements related to an eight month account period to 31 March 2014, whereas the previous amounts related to a twelve month period to 31 July 2013.

The main changes were to the SFC Core Grant, and a large increase in pension liability, but it was noted that this was a national situation. The Finance Manager had provided her notes on how monies had been apportioned as Annex 3 to the report

Members noted the report and requested at future meetings the report showed actual figures compared to budget as had been prepared in the past.

## **6 SI Aged Debt Report – March 2014**

The Finance Manager spoke to the report which had been distributed. She reported on two examples of student debts as requested at the previous meeting.

Members noted that a new debt collection agency, TNC, had been appointed with effect from May.

Members approved the proposed write-offs of £1601.70

## **7 SI External Development (Income and Expenditure)**

The Finance Manager gave a verbal update that again it was difficult to make a clear comparison because of the 8/12 month figures, but looking at the figures pro-rata for the previous year it would appear that there had been an increase in income. A full report would be available for the next meeting.

## **8 SI Institutional Sustainability**

The Assistant Principal (Learner Services) spoke to the report which had been issued, advising Members of the need for a review of the IS framework which had been established in 2009/10. Following the ONS reclassification, the College was now a government entity for the purposes of accounting and budgeting. This change had wide implications as budgeting, reporting and accounting practices would require revision to align with government organisations, including institutional sustainability.

Following discussion the Committee agreed to recommend the revision to the Board at their meeting on 16 June, for a revised IS framework to be presented to the Board in September 2014 for consideration.

## **9 SI ONS Reclassification of Colleges**

### **9.1 Scottish College Foundation – grant request**

The Assistant Principal (Learner Services) confirmed that the College's request to the Scottish Colleges Foundation had been granted and £2.1M had been transferred into the College's bank account, to cover the cost of the Hospitality Development. A copy of the letter from SCF had been distributed, and it was noted that the College would require to provide regular progress reports on the use of the money.

### **9.2 Student Support and OA 2014/15**

The Assistant Principal (Learner Services) spoke to the SFC letter, a copy of which had been issued. SFC was aligning student support funds with outcome agreements.

The letter advised that, as in previous years, there would be an in-year redistribution but that it would be more important than ever for colleges to give accurate estimates of their expected spend. The Committee acknowledged that prediction of student support was fraught with difficulty and could change on a daily basis.

The letter also advised College Boards to take similar over-commitment risks but to inform SFC of the likely scale of this so that they could obtain a sector wide view and plan for any mitigating action. The Principal advised that in the previous year many colleges, including DAGCOL, had to use reserves to provide extra bursary support, but there had been no response from SFC as to how this could be treated in the future as the College longer had reserves.

The College was one of three regions involved in a parallel running exercise to assess a new funding system in 2014-15, and in particular in relation to student support eligibility.

The Committee noted the position

## **Business**

### **10 Changes to the Financial Memorandum**

The Assistant Principal (Learner Services) spoke to the report which had been issued on the consultation draft of the SFC Financial Memorandum with Colleges.

Members noted the Consultation Draft, Financial Memorandum and the work in progress regarding insurance.

### **11 New Catering Contract**

Members noted the report which had been issued, and that Baxter Storey had been awarded the contract for the period August 2014 – July 2017.

### **12 Hospitality Development – tender process**

The Assistant Principal (Learner Services) reported that the tender process had been completed and APK Scotland had been appointed as main contractor. A first meeting had taken place on 23 May and a sum of £1.3M + VAT was agreed, which was within budget. Works would commence on 16 June.

The Principal advised that the main concern was that Phase 1 was completed over the Summer recess, as the works in this phase would be very noisy and dirty. She had informed University partners regarding possible disruption in the Library.

### **13 Students Association Funding**

The Principal spoke to the SFC letter of 22 April, a copy of which had been issued, advising the College of £71k per year for two years towards the cost of developing single college Students Associations in each of the four single college regions.

She advised that NUS had negotiated this funding with SFC and initially the offer of paid sabbatical posts had been made. However, consultation with Students Associations had identified that not all ,

including DUMGAL, wished the funds to be used this way, and so an additional paragraph was added to allow individual SAs to decide how monies would be used.

The Assistant Principal, Quality and Estates was working with the Student Association to agree how best to use the funding.

#### **14 Regional Outcome Agreement: Annex A**

Members noted Annex to the Dumfries and Galloway College ROA, which identified overall funding allocations related to the OA for the annual year 2014-15.

#### **15 Financial Forecast Return (FFR) – main assumptions**

The Finance Manager spoke to the report which had been issued, to advise the Committee on the key assumptions for 2015/16 FFR which was required to be submitted to SFC at the end of June 2014.

#### **16 Cash Flow Projections**

The Finance Manager spoke to the report which had been issued, updating the Committee on the revised format which had been provided for the monthly Cash Flow Projections.

In order to comply with the Scottish Public Finance Manual (SPFM), SFC have established a calendar of monthly cash flow returns to provide detailed cash flow projections. Funding now required to be drawn down to meet needs as required rather than in line with a fixed profile.

Members noted the position, and discussed the revised format in respect of Lennartz payments and the hospitality development income and expenditure.

#### **17 Any Other Business**

##### **17.1 Membership of the Committee**

The Chair thanked Rona Gunnell for her service on the Committee as this would be her last meeting.

#### **18 Date and Time of Next Meeting**

The next meeting was scheduled to take place on Tuesday 26 August 2014 at 2.00 pm.

## Board of Management

### Financial Report for the Quarter ended 30 June 2014

#### 1. Changes to Financial Reporting and Budgeting

The ONS reclassification of Colleges has impacted the budgeting and reporting framework for the College, with effect from 1 April 2014. The main focus for budgeting and financial reporting going forward will be to achieve a balanced budget each year, manage cash balances throughout the year, and maintain broadly the same level of working capital year on year.

In addition, the College will require to comply with the proposed new Financial Memorandum with SFC, which will incorporate the requirements of HM Treasury's Consolidated Budgeting Guidance and the Government's Financial Reporting Manual. The changes proposed include provisions on cash management and banking, as well as insurance, and other delegated financial limits.

Changes to the College financial reporting calendar and cycle now includes submitting monthly cash flow projections to SFC in order to draw down grant income, and periodic budget returns to allow the SFC to monitor budgets within each financial year and allow them to forecast the overall College sector out-turn for the year.

The College systems and procedures are being revised in order to ensure that the information required to forecast accurately is available, and that reporting mechanisms are in place to highlight any variances for reporting and action by the Senior Management Team. The current procedures involve at least monthly meetings between the Finance Manager and Assistant Principal Learner Services who updates the Senior Management Team, and on a three-monthly basis, the Finance Manger attends Senior Management Team meetings in order to provide updates on budgets and forecasts.

#### 2. Summary of Results

Income and expenditure for the period April to June 2014 and the forecast for the period to March 2015 is summarised as follows:

	PERIODS 1 TO 3			FORECAST TO MARCH 2015		
	Actual	Budget	Variance	Forecast	Budget	Variance
	£000	£000	£000	£000	£000	£000
Income	<u>5,597</u>	<u>5,625</u>	<u>-28</u>	<u>16,402</u>	<u>16,431</u>	<u>-29</u>
Staffing Costs	1,842	1,837	<u>-5</u>	7,516	7,511	<u>-5</u>
Other Costs	1,577	1,621	<u>44</u>	8,873	8,918	<u>45</u>
Total Expenditure	<u>3,419</u>	<u>3,458</u>	<u>-39</u>	<u>16,389</u>	<u>16,429</u>	<u>-40</u>
<b>Operating Surplus/- Deficit *</b>	<u>2,178</u>	<u>2,167</u>	<u>11</u>	<u>13</u>	<u>2</u>	<u>11</u>

*\*Any forecast operational surplus which is likely to be achieved by 31 March will be ear-marked for transfer to the Foundation, or used within the year for development.*

## Board of Management

Overall income and expenditure for the first three months of the financial year are lower than the original budget profile, however as this is considered to be a timing difference, no action is required for the time being. The budget and forecasts will be monitored closely over the year to ensure that changes are highlighted in order to ensure that the budget out-turn is within forecasts. A break-even position is budgeted for the period to March 2015.

### 3. Key Financial Performance Indicators

The Key Performance Indicators which require to be monitored will be updated and targets set following completion of the revised Financial Memorandum, and are likely to include monitoring of the forecast out-turn for the year, and working capital.

Some KPI's for these areas at 30 June 2014 are set out below:

#### Income and Expenditure:

Operating Surplus as % of income	0.08%
Non-SFC income as % of total income	26.78%

#### Balance Sheet:

Current Assets: Current liabilities	2.71
Days cash to annual expenditure (excluding depreciation)	82

### 4. Budget changes

As the budget year and academic year now relate to different periods, the format of the budget has been revised, and the profile will be reviewed in detail as the year progresses.

The original budget which was approved by the Finance Committee in March 2014 has been updated to reflect the revised amount of SFC core grant which will be 'earned' for the period for accounting purposes.

As the current academic year is now almost complete, the main focus will be on monitoring the 2014/15 academic year, and the forecasts will be revised and updated as the year progresses.

Regular meetings will be held with the Director of Human Resources to monitor forecasts for staffing costs for the year, and regular updates will take place with budget holders across the College to highlight any changes in order to plan ahead as far as possible.

No significant changes have been highlighted for the period to date, or for the expected out-turn for the year.

### 5. Cash Flow

The cash flow projections for the year are attached at Appendix 2. The revised format shows more detailed information than previously, in order to provide the additional information which is now required for the monthly cash flow return for SFC.

## Board of Management

The cash flow projections have been split into three sections in order to differentiate between the 'core' college income and expenditure, Lennartz transactions, and capital developments.

SFC core grant of £1,749,455 was requested for the quarter, which represents 20.68% of the annual grant.

£2,000,000 has been received from the Scottish Colleges Foundation as grant towards the hospitality developments, which is expected to be spent over the coming months.

The projections have been based on prudent assumptions, and overall cash balances are expected to decrease for the period to March 2015.

The cash flow will be updated to reflect changes to the income and expenditure profile as the year progresses.

### 6. Results for the period April to June 2014

#### 6.1 Income

**SFC & Other grant income** – as grant funding from SFC now requires to be drawn when required, based on the level of unrestricted cash reserves and planned expenditure, the budget profile has been revised to show core grant released evenly over the year as the grant is earned.

**Fee income** – the actual income for the period to date is lower than the budget, and includes SDS income and other course fees. The variance will be reviewed as the year progresses, as this may relate to a timing difference.

**Other income** – miscellaneous income for the period includes income from the training restaurant and hair and beauty treatments.

#### 6.2 Expenditure

**Salary costs** – overall salary costs were higher than the budget for the period, which reflects some savings from the original budget including some vacant posts which have been filled at a lower pay scale, and other changes to contracts.

**Other costs** – the profile of expenditure for supplies and services and other areas has been higher than actual costs for April to June, and a saving against budget is reflected in the total other costs.

#### 6.3 Student Support

The costs to date for student support were lower than originally budgeted. The grant available for the 2014/15 academic year will be assessed against forecast commitments in due course, when applications from students have been received.

### 7. Balance Sheet

### Board of Management

The balance sheet movement for the period between March and June is as follows:

	<b>June '14</b>	<b>March '14</b>	<b>Movement</b>
	£000	£000	£000
Fixed Assets	40,225	40,521	-296
Current Assets	4,669	3,128	1,541
Current Liabilities	(1,726)	(2,459)	733
Long Term Liabilities	(1,184)	(1,184)	0
Provisions	(750)	(750)	0
Pension Liability	(3,928)	(3,928)	0
<b>Net Assets</b>	<b>37,306</b>	<b>35,328</b>	<b>1,978</b>
Deferred Capital Grants	(26,784)	(26,980)	196
Revaluation Reserve	(6,564)	(6,614)	50
I&E Account	(3,958)	(1,734)	-2,224
	<b>(37,306)</b>	<b>(35,328)</b>	<b>-1,978</b>
<b>Cash at Bank</b>	<b>3,422</b>	<b>2,127</b>	<b>1,295</b>
<b>Net current assets</b>	<b>2,943</b>	<b>669</b>	<b>2,274</b>

**Fixed Assets** – there were no additions or disposals of fixed assets during the period.

**Current Assets and Liabilities** – the increase in current assets reflects the net increase in bank balances. The grant of £2,000,000 for the hospitality developments has been offset by a reduction in SFC core grant drawn for the period, and outstanding commitments at the year-end have been paid.

## Board of Management

### Aged Debt Report as at 30 June 2014

	March 2014 Total £	June 2014 Total £	Current £	> 1 mth £	> 2 mths £	> 3 mths £	3+ £	*No Debts 3+
Client	47,615	35,742	18,287	11,346	2,533	-	3,577	23
Student	(2,823)	(10,694)	(100)	(3,278)	(30)	-	(7,286)	32
Bursary 2008/09	290	260	-	-	-	-	260	1
Bursary 2011/12	-	-	-	-	-	-	-	-
Bursary 2012/13	661	591	-	-	-	-	591	3
Bursary 2013/14	5,443	7,164	120	661	-	-	6,384	21
<b>Grand Total</b>	<b>51,186</b>	<b>33,064</b>	<b>18,307</b>	<b>8,728</b>	<b>2,503</b>	<b>-</b>	<b>3,526</b>	<b>80</b>

*\*The No Debts 3+ column shows the number of debtors that are classed as "bad debts" and are being pursued through a Debt Collection agency i.e. it excludes those paying by instalments.*

#### General Comments

The total level of debt has decreased by £18,122 or 35.4% since the last Aged Debt Report at March 2014.

The system of regular reminder letters for overdue debts is in place to ensure that debtor balances are current. As previously reported, debts are now handled by the College's new debt collection agency TNC.

#### Client Debt

Client debt has decreased by £11,873 or 24.9% since March 2014. The balance includes two invoices totalling £14,247, which were issued on 27<sup>th</sup> June. The balance also includes invoices to Care Visions totalling £12,163, half of which have since been paid. The balance also includes a number of smaller invoices.

There are no balances in dispute at 30 June 2014.

#### Student Debt

The total level of student debt has decreased by £7,871 since March 2014. This includes three payments totalling £12,671 for overseas fees paid in advance. There are some smaller balances where students are paying with regular instalments.

## Board of Management

### Bursary Debt

The overall level of bursary debt has increased by £1,621 or 25.4% since March 2014. This includes a number of invoices relating to overpayments of childcare and bursary costs due to students not informing the College that they had left.

### Provision for Bad Debts

At 30 June 2014 the provision included in the accounts amounted to £1,577 which reflects the low level of older debts at the year-end.

### Debt Collection Company

The total balances currently at the final stage of debt collection amounts to £7,414.79. These have been forwarded to TNC.

### Proposed Write-offs:

<u>Reference</u>	<u>Amount</u>	<u>Position @ 30 June 2014</u>	<u>Debt Type</u>	<u>Date</u>
0903347	120.00	W5 – Irrecoverable	Bursary	2013-14
1300001	365.20	W5 – Irrecoverable	Bursary	2013-14

### Summary of amounts previously written-off:

Year debt was written-off	Year of original debt:						
	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07
2013/14	8,107.20	634.42					
2012/13		200.00		50.00	50.00		
2011/12			2,033.17		320.58		
2010/11			220.00	1,237.00	3,942.00	191.00	
2009/10					25,653.00	6,276.00	90.00
2008/09						26,210.00	4,826.00
2007/08						1,539.00	12,990.00
	<b>8,107.20</b>	<b>834.42</b>	<b>2,253.17</b>	<b>1,287.00</b>	<b>29,965.58</b>	<b>34,216.00</b>	<b>17,906.00</b>

## External Development Income and Expenditure for the Period August 2013 to March 2014

Income	Actual Period 13/14	Budget Period 13/14	Actual 2012-13	Actual 2011-12	Actual 2010-11
Fees/Contracts etc	542,672	699,221	1,012,973	785,519	616,196
Contribution to Headcount	-				
<b>Total Income</b>	<b>£ 542,672</b>	<b>£ 699,221</b>	<b>£ 1,012,973</b>	<b>£ 785,519</b>	<b>£ 616,196</b>
<i>WSUMs generated</i>	<i>3,346</i>	<i>2,250</i>	<i>2,578</i>	<i>2,721</i>	<i>2,787</i>
WSUM Contribution	635,740	427,500	489,820	516,990	557,406
<b>Total Income + contribution</b>	<b>£ 1,178,412</b>	<b>£ 1,126,721</b>	<b>£ 1,502,793</b>	<b>£ 1,302,509</b>	<b>£ 1,173,602</b>
<b>Expenditure</b>					
Supplies & Services	175,508	189,156	241,557	245,429	146,775
Re-charge Staff Costs	87,011	111,584	153,636	79,192	125,322
Team Staff Costs	388,274	441,930	464,307	465,110	422,051
<b>Total Expenditure</b>	<b>£ 650,793</b>	<b>£ 742,670</b>	<b>£ 859,500</b>	<b>£ 789,731</b>	<b>£ 694,148</b>
<b>Contribution to College</b>	<b>£ 527,619</b>	<b>£ 384,051</b>	<b>£ 643,293</b>	<b>£ 512,778</b>	<b>£ 479,454</b>

### NOTES

This report has been prepared to provide an overview of the total income for the period to date from External Development activities, in order for the Finance and General Purposes Committee members to gain an understanding of the financial position as well as information and explanations on the other factors which are relevant for this area.

The income and expenditure reflects an eight-month period to March 2014, and corresponds with the change in the College accounting period. Income and expenditure for external development areas, other than team salary costs, has not accrued evenly throughout the period, with some costs being incurred for the start-up of some projects, and registration fees charged by awarding bodies.

Funding has been sourced through Energy Skills Partnership and Skills Development Scotland Challenge Fund to support the development and delivery of Overhead Linesmen provision in partnership with Scottish Power Energy Network and their contractors. Funding is being sourced to continue with this provision during 2014/15.

Some of the costs for Work-based learning has been included with curricular department costs previously, and work is being carried out to ensure that the costs for external development areas are being identified separately for reporting purposes. In addition, a review of the fees charged for Work-based learning is also being undertaken, in line with the model for CTS and Open Learning fees, to ensure that fees charged are appropriate.

In line with the findings from an Internal Audit 'Value for Money' review of Open Learning provision, the systems for co-ordination and delivery are in the process of being updated and a review of the pricing for all open learning units are being reviewed. This will be based on information gathered over the previous year to give accurate information regarding the cost of delivery. A new HNC in Management has been developed for Open Learning through the Transform project and is currently being piloted.

## **External Development Income and Expenditure for the Period August 2013 to March 2014**

The College contract with Skills Development Scotland relates to the period April to March. For the 2013/14 contract period, a total of 85 candidates were enrolled through the Employability Fund programme for stages 2 and 4. The contract for 2014/15 is for 88 places across stage 2,3 & 4.

A new delivery model has been introduced for the Employability Stage 2 courses, with the Employability team delivering training rather than lecturing staff.

64 Modern Apprenticeship places were started during the previous contract period 2013/14. The College has been allocated 66 places for the MA contract with Skills Development Scotland for the period 2014/15.

During 2012/13 the College recruited a number of students from India through an Agency, but these numbers declined during 2013/14. Study visits have continued during the 2013/14 academic year for groups of Chinese students. A Mandarin teacher has been employed during the period to work jointly with the College and local schools to teach Mandarin. Dumfries and Galloway Council have met the salary costs for this post.

## External Development Income and Expenditure for the Period August 2013 to March 2014

Income	Actual Period 13/14	Budget Period 13/14	Actual 2012-13	Actual 2011-12	Actual 2010-11
Fees/Contracts etc	542,672	699,221	1,012,973	785,519	616,196
Contribution to Headcount	-				
<b>Total Income</b>	<b>£ 542,672</b>	<b>£ 699,221</b>	<b>£ 1,012,973</b>	<b>£ 785,519</b>	<b>£ 616,196</b>
<i>WSUMs generated</i>	<i>3,346</i>	<i>2,250</i>	<i>2,578</i>	<i>2,721</i>	<i>2,787</i>
WSUM Contribution	635,740	427,500	489,820	516,990	557,406
<b>Total Income + contribution</b>	<b>£ 1,178,412</b>	<b>£ 1,126,721</b>	<b>£ 1,502,793</b>	<b>£ 1,302,509</b>	<b>£ 1,173,602</b>
<b>Expenditure</b>					
Supplies & Services	175,508	189,156	241,557	245,429	146,775
Re-charge Staff Costs	87,011	111,584	153,636	79,192	125,322
Team Staff Costs	388,274	441,930	464,307	465,110	422,051
<b>Total Expenditure</b>	<b>£ 650,793</b>	<b>£ 742,670</b>	<b>£ 859,500</b>	<b>£ 789,731</b>	<b>£ 694,148</b>
<b>Contribution to College</b>	<b>£ 527,619</b>	<b>£ 384,051</b>	<b>£ 643,293</b>	<b>£ 512,778</b>	<b>£ 479,454</b>

### NOTES

This report has been prepared to provide an overview of the total income for the period to date from External Development activities, in order for the Finance and General Purposes Committee members to gain an understanding of the financial position as well as information and explanations on the other factors which are relevant for this area.

The income and expenditure reflects an eight-month period to March 2014, and corresponds with the change in the College accounting period. Income and expenditure for external development areas, other than team salary costs, has not accrued evenly throughout the period, with some costs being incurred for the start-up of some projects, and registration fees charged by awarding bodies.

Funding has been sourced through Energy Skills Partnership and Skills Development Scotland Challenge Fund to support the development and delivery of Overhead Linesmen provision in partnership with Scottish Power Energy Network and their contractors. Funding is being sourced to continue with this provision during 2014/15.

Some of the costs for Work-based learning has been included with curricular department costs previously, and work is being carried out to ensure that the costs for external development areas are being identified separately for reporting purposes. In addition, a review of the fees charged for Work-based learning is also being undertaken, in line with the model for CTS and Open Learning fees, to ensure that fees charged are appropriate.

In line with the findings from an Internal Audit 'Value for Money' review of Open Learning provision, the systems for co-ordination and delivery are in the process of being updated and a review of the pricing for all open learning units are being reviewed. This will be based on information gathered over the previous year to give accurate information regarding the cost of delivery. A new HNC in Management has been developed for Open Learning through the Transform project and is currently being piloted.

## **External Development Income and Expenditure for the Period August 2013 to March 2014**

The College contract with Skills Development Scotland relates to the period April to March. For the 2013/14 contract period, a total of 85 candidates were enrolled through the Employability Fund programme for stages 2 and 4. The contract for 2014/15 is for 88 places across stage 2,3 & 4.

A new delivery model has been introduced for the Employability Stage 2 courses, with the Employability team delivering training rather than lecturing staff.

64 Modern Apprenticeship places were started during the previous contract period 2013/14. The College has been allocated 66 places for the MA contract with Skills Development Scotland for the period 2014/15.

During 2012/13 the College recruited a number of students from India through an Agency, but these numbers declined during 2013/14. Study visits have continued during the 2013/14 academic year for groups of Chinese students. A Mandarin teacher has been employed during the period to work jointly with the College and local schools to teach Mandarin. Dumfries and Galloway Council have met the salary costs for this post.

# Dumfries and Galloway College

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**Professional Advisers**

**External Auditors:**

Grant Thornton UK LLP  
Chartered Accountants  
7 Exchange Crescent  
Edinburgh

**Internal Auditors:**

Baker Tilley Business Services Ltd  
2 Wellington Place  
Leeds

**Bankers:**

Bank of Scotland  
Level 6  
110 St Vincent Street  
Glasgow

Barclays  
90 St Vincent Street  
Glasgow

**Solicitors:**

AB & A Matthews  
The Old Bank  
Buccleuch Street Bridge  
Dumfries

MacRoberts Solicitors  
152 Bath Street  
Glasgow

## Operating and Financial Review

### NATURE, OBJECTIVES AND STRATEGIES

The Board presents its report and the audited financial statements which cover the eight month period 1 August 2013 to 31 March 2014.

#### Legal Status

The Board of Management of Dumfries and Galloway College was established under The Further and Higher Education (Scotland) Act 1992 for the purpose of conducting Dumfries and Galloway College. The College is a registered charity (Scottish Charity Number SC021189) for the purposes of the Charities and Trustee Investment (Scotland) Act 2000.

#### Scope of the Financial Statements

The Financial Statements cover all activities of the College.

#### Context

Dumfries and Galloway College is a medium sized general Further Education college, delivering a broad curriculum to 5,500 students annually (1,600 full time and 3,900 part time). The College serves one of the largest, most sparsely populated regions with a population of 148,000 people spread over 2,500 square miles. There are only two settlements, Stranraer, with a population over 10,000. A large proportion of the population of Dumfries and Galloway live in dispersed areas.

As the College is the only general purpose Further Education provider in a challenging catchment area, it offers a curriculum unusual for its size from two campuses. The College's larger campus is adjacent to the Crichton Campus in Dumfries and the campus in Stranraer, 75 miles away, delivers approximately 17% of student activity. Building adjacent to the Crichton campus has significantly enhanced the student experience and provides a flexible environment to support learning and teaching in the 21st century. The College has also invested in the campus at Stranraer to ensure the facilities for students and staff are equivalent to the Crichton campus.

#### Mission Statement

The College's mission, as approved by the Board of Management, is:

***"To support the individual, social and economic development of the people, communities and businesses in Dumfries and Galloway by providing inclusive, accessible and relevant vocational and other learning opportunities in a positive and supportive environment."***

The vision is to be:

- A first choice provider of learning and training for all the communities of Dumfries and Galloway.
- A responsive organisation that continuously improves its services and develops these to reflect changing demands.
- A committed user and advocate for new technologies.
- An organisation for economic, social and cultural worth.

#### Implementation of Strategic Plan

The College Strategic Plan sets out its plans for 2010/11 to 2012/13.

In pursuit of the vision and mission the future Strategic Aims of the College are:

- ***To encourage participation in lifelong learning through widening access, and promoting and enabling inclusion and equality of opportunity.***
- ***To provide high quality, flexible learning opportunities to enable learners to achieve, progress and attain the personal, social, academic and vocational development.***
- ***To work in collaboration and partnership to meet the needs and aspirations of learners, business and the community and to support the economic and social development of the region.***
- ***To continuously enhance the quality of our service and provision in order to maximise the learner experience.***
- ***To develop and invest in the potential of our staff and resources so that through enterprise and innovation we provide the best possible environment for learning.***
- ***To continue to maintain and improve the College's financial health and security.***
- ***To continue to develop and ensure effective leadership, governance and management throughout the organisation.***

## Operating and Financial Review (continued)

### NATURE, OBJECTIVES AND STRATEGIES

#### Implementation of Strategic Plan (continued)

The main focus for the College during the 2012/13 academic year was continued monitoring the impact of funding reduced price per WSUM in SFC core grant, as well as the ongoing developments for Scottish Colleges inclu towards a Regional Board structure in Dumfries and Galloway. The Dumfries and Galloway College Regio Agreement for Academic year 2013/14 was agreed with SFC, which set out in broad terms what the College air during the year, and how this was to be delivered, including targets and milestones. The Outcome Agreement sets objectives, and planned activities and timescales in order to meet those objectives. In addition, a new Region appointed with effect from 3 March 2014.

#### Achievements made during the 2012/13 academic year include:

- a. A new Principal was appointed following the retiral of the former Principal, and a new Senior Management structt introduced;
- b. The Board of Management and Senior Management strategic dialogue focused on the move towards a Regional structure, with Dumfries and Galloway a single college region;
- c. Planning and ongoing development, with the objective of maintaining the breadth of curriculum, and maximising ; spaces across the Crichton and Stranraer campuses;
- d. Monitoring of the progress of the aims and objectives embedded in the College Outcome Agreement with SFC;
- e. A successful Education Scotland Annual engagement visit in May 2013, which considered the progress mad three main points for action from the full review in March 2012. Improvements have been achieved in Learner Outcomes, curriculum teams are working well to better contextualise essential skills, and a number of quality in been introduced to support teaching staff in planning high quality learning and teaching;
- f. The successful completion of the Knowledge Transfer Project, and working in partnership with the Crichton Insti based in the Crichton Campus, taking forward economic development of the Dumfries and Galloway Region.

#### ONS Reclassification of Colleges

In October 2010, the UK's Office of National Statistics (ONS) has re-classified incorporated further educa throughout the UK as part of Central Government for the purposes of reporting government income, expenditure associated matters. The changes are effective for Dumfries and Galloway College from 1 April 2014, and include a 31 March accounting year from 31 March 2014. From 1 April 2014 onwards, for budgeting purposes, all o income and expenditure will count as part of the Scottish Governments income and expenditure, and all expei income requires budget cover from the Scottish Government's own budget limits.

The ONS re-classification will have a significant impact on the College's financial objectives and finance s forward. The College processes for budgeting and financial reporting will require to be revised in order to coi requirements of the HM Treasury's Consolidated Budgeting Guidance and the Government's Financial Reporting

In order to try to mitigate the impact of the re-classification, particularly in relation to cash reserves which have by the College over a number of years, the College is participating in the Scottish Colleges Foundation, an inde which has been established with the purposes of supporting further and higher education colleges in Scotland. Galloway College will be able to apply to the Scottish Colleges Foundation for financial support for future projec the planned hospitality developments, which will not be able to be met from reserves after 1 April 2014.

#### Financial Objectives

The College has a Finance Strategy in place, which is concerned with financing and resourcing the College's s and maintaining institutional sustainability. These aims will be reviewed and updated as required following the ch from ONS re-classification.

The overriding financial objectives are to:

- a. Continuously improve long term financial sustainability.
- b. Facilitate the efficient procurement and effective deployment of resources to achieve strategic aims.

## Operating and Financial Review (continued)

### Financial Objectives (continued)

The long term financial sustainability of the College has been dependent upon several factors, including:

- Meeting budget targets in future years for revenue and capital budgets.
- Managing cash flow to meet revenue and capital investment needs.
- Successful financial management of the Crichton Campus.
- Maintaining appropriate internal controls to mitigate risks.
- Compliance with requirements of external regulation.

These aims will continue to be relevant following re-classification, but additionally the College will require to manage income and expenditure against Scottish Government budget control limits, and maintain broadly the same level of capital year on year.

### Performance indicators

In accordance with SFC requirements, the College is required to publish and report progress against targets for its key priorities. A 'Key Indicator Report' is reviewed at each meeting of the Board of Management as a measure of actual performance against target. The following areas are included within the report:

- Weighted SUMs/Headcount
- Enrolments
- Retention
- Finance
- Staffing

In addition, the Board receives regular reports to enable it to review the performance of Dumfries and Galloway College against its comparators.

The performance indicators for 2013/14 and 2012/13 are as follows:

	<b>2013/14</b>	<b>2012/13</b>
WSUMS achieved *		39,015
WSUMS per staff FTE		195
<i>Target WSUMS</i>	<i>42,529</i>	<i>38,720</i>

\* The College is on schedule to achieve its WSUM target for the 2013/14 academic year.

Operating (deficit)/ surplus (inclusive of FRS 17 adjustments)	(£1,651,000)	£34,000
Operating surplus - excluding transfer to Foundation	£469,000	
Surplus excluding transfer to Foundation as a % of total income	5.25%	0.28%
Surplus excluding transfer to Foundation as a % of total expenditure	4.43%	0.28%
Staff costs as a % of total expenditure excluding transfer to Foundation	59.1%	56.5%
Ratio of current assets to current liabilities	1.27	1.92
Days cash to total expenditure excluding depreciation and transfer to Foundation	67	155
	22.1%	21.9%

Non SFC income as a % of total expenditure excluding transfer to Foundation

## FINANCIAL POSITION

### Financial Results

The College operating results are for an eight month accounting period, and include a substantial donation to the College's Foundation, as noted above, which amounted to £2,120,000. This donation from accumulated College funds has resulted in an overall deficit for the period of £1,651,000.

The College balance sheet at 31 March 2014 shows a decrease in total reserves of £2,717,000 from 31 July 2013. This includes the transfer to the Foundation as well as the increased pension liability for the Local Government Pension Scheme as detailed at Note 24.

The demand for bursaries and other student support was higher than expected during the period, and the College was unable to meet commitments for student support amounting to £95,000 from its own funds during the period.

## Operating and Financial Review (continued)

### Taxation Status

The College has been entered into the Scottish Charity Register (Reference SC021189) and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue & Customs as a charity for the purposes of Section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on its charitable activities. The College receives no similar relief in respect of Value Added Tax.

### Treasury Policies and Objectives

The College funds have been managed, on a day-to-day basis, by the Finance Manager. Accounts were aggregated to maximise the interest earned and any additional funds available for deposit are identified from cash flow projections. In 2013/14, interest of £17,000 was earned on College funds. With the exception of cash and bank deposits, the College does not have any other investments. The College had no borrowing requirements during the period to 31 March 2014.

### Cash Flows/Liquidity

The College has built up cash reserves over a number of years, and has retained sufficient funds in order to remain compliant with HMRC's Lennartz scheme. Due to the changes to budgets taking place after 1st April 2014, the College's cash flows have been carefully monitored during the period.

### Creditor Payment Policy

The College has implemented the 'Better Payment Practice Code'. As such, we aim to pay suppliers within the terms and deal with all disputes and complaints as quickly as possible. The proportion of year-end creditors to total invoiced amounts during the year was 4.0% (2012/13 3.2%). The College did not pay any interest on late payments defined under the Late Payment of Commercial Debts (Interest) Act 1998.

## CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE

### Changes to budgeting and financial reporting

The ONS re-classification of incorporated further education colleges throughout the UK as part of central government purposes of reporting government income, expenditure, finance and associated matters will have a significant impact on the College's budgeting and financial reporting, which are effective from 1 April 2014. As noted above, from 1 April 2014 all of the College income and expenditure will count as part of the Scottish Government's income and expenditure. The reporting requirements net of income requires budget cover from the Scottish Government's own budget limits. The reporting timetable will require to be revised, in order to provide the information required to feed into the Scottish Government's budgeting and ongoing monitoring will be required in order to ensure the budget targets are achieved each year.

The College is participating in the Scottish Colleges Foundation, an independent trust which has been established for the purposes of supporting further and higher education colleges in Scotland. Dumfries and Galloway College will be able to benefit from the Scottish Colleges Foundation for financial support for future projects, including hospitality developments, which will be met from reserves after 1 April 2014.

### Student Numbers

During the 2012/13 academic year, the College achieved its WSUMs target of 38,720 (including an additional allocation of 2,200 WSUMs) for 2012/13 with a final out-turn of 39,015. Total numbers for student enrolments were 6,293 in 2011/12 to 5,541 in 2012/13, a decrease of 11.7%. The continued decrease in overall student numbers is in line with SFC guidance that the College should prioritise the provision of Full Time courses, particularly for those aged 16-19. These overall numbers there was an increase of 6.1% in full time students from 1,523 to 1,616, which maintained the total number of HE students. However, part-time numbers decreased by 17.4% from 4,770 to 3,938.

The Regional Outcome Agreement has an increased WSUMS target of 42,529 - an increase of 9.8% on pre-2012/13. The College is working towards this target, and is on schedule to achieve this by the end of the academic year.

## Operating and Financial Review (continued)

### Student Achievements

Annual Engagement Visit from Education Scotland - we received 'the best feedback ever' with learners fully engaged in learning, extremely well supported by their tutors and numerous examples of active learning. In addition, the development (working in partnership with NHS and DGC) was identified as an example of excellent practice.

Two Aspect Visits from Education Scotland took place during the period – one focussing on Maximising Learner one on Learner Support. Both visits were successful and good practice was identified in respect of the self evaluation the Learning and Teaching Mentor programme, partnership working with the schools in respect of the senior phase rolled out next session, which will involve HNC's being delivered as a mix of online and tutor support in the school the work we do with the Buttle Trust.

Students have continued to be involved in College life, and have engaged in activities in the local community. student life during the year has included HN Sports students organising an event at the Dumfries sports centre a course, which was the biggest disability sport event ever to be hosted in the region. Princes Trust student volunteering at a local community centre and Dumfries YMCA on a range of duties including gardening, fundraising, collecting, washing down outdoor equipment, wood carving and turning an old tyre into a flowerbed. The Prince now have the best performance PIs in Scotland and the previous team had the best PI in the UK.

### Curriculum Developments

The College's curriculum continues to be shaped to support e-learning and blended learning approaches. developments for the Transform project are currently being made. The first year of the new degree in Applied Engineering successfully completed, and was delivered jointly by the College and University of the West of Scotland staff.

The Engineering curriculum area continues to develop. Recent areas include work with Scottish Power and Subsea to maximise qualifications and learning for the overhead linesperson programmes; introduction of Performance Qualifications to run along with other full time programmes to enable progression to Modern Apprenticeship Programme 3; and development of renewable energies and micro renewable work is ongoing. Development of the CREST programme creating an enhanced provision for our BPEC approved gas assessment centre. The college has also commenced development project to support its continued development towards a centre of excellence status, and recent talks have been held with SDS Innovation Manager to look at pathways to Advanced Modern Apprenticeships.

### Post-Balance Sheet Events

There were no post balance sheet events.

### Future Developments

Achieving the increased targets for student numbers set out in the Regional Outcome Agreement from 2013/14 is the main focus for the Board and Senior Management team going forward.

The Crichton Campus will be a key factor for future developments for the College. Dumfries and Galloway College Building, adjacent to the Crichton Campus in Dumfries, provides a hub for improved learner experiences for University of Glasgow and University of the West of Scotland students, with a library service available to students at this institution, as well as Student Services and Student Association facilities based in the College building. The Joint Planning Group will plan, design and deliver joint academic provision, and the new degree in Applied Enterprise following the success of the first group of students during 2012/13.

The College will continue to develop a curriculum that provides breadth of choice, enhances learners' employability and provides access to progression from FE to HE through HNC, HND and University articulation routes. The challenge for the College will be providing a broad curriculum across the Dumfries and Stranraer Campuses, and maintaining this provision while ensuring efficiencies are made in reducing costs.

New programmes taking place during 2013/14 include new curriculum areas related to energy, which will meet industry needs, and a new programme will be undertaken for Dumfries and Galloway Employability Partnership which provides opportunities for development and certification of employability skills, and work placement, for some disadvantaged learners in the region.

The College plans to re-introduce Hospitality and Catering courses at the Dumfries campus, in direct response to demand from industry. A brand new state of the art training kitchen and restaurant and associated storage and service areas will provide skills training to support this key sector in our region.

## Operating and Financial Review (continued)

### RESOURCES

The College receives the majority of its income from the Scottish Funding Council in the form of grants. This is supplemented by fees charged to private individuals and companies.

### ENVIRONMENTAL CONSIDERATIONS

The College has signed up to the Universities and Colleges Climate Change Commitment. As such, we are reducing our environmental impact and promoting sustainable development through education. The College recognises the scale and speed of climate change, and agrees that early action is needed to achieve the Scottish Government's target of reducing emissions by 80% by 2050.

The College is developing a 5 year Carbon Management Plan to achieve reduced emissions. This is designed to meet government targets and minimise the environmental impact of any changes and developments where possible. The plan is being developed with support from the Carbon Trust and includes baseline data from a Carbon Audit. Initiatives, plans are underway to roll out a programme of awareness raising for staff and students. This was identified in our Carbon Audit. Awareness of sustainability and renewable issues have been further embedded in the curriculum during the year through the Sustainability Officer with workshops being delivered for staff and students. The full term of the College Green Travel Plan is now complete and a review is planned to confirm progress made. Initiatives continue regarding sustainable travel for staff and students such as 'Walk to Work' week, and car sharing through collaboration with Dumfries and Galloway 'DGTripshare' website. A pool cycle and bikebin is now available for staff at the Stranraer campus, which mirrors what is available at the Crichton campus.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Risk Register is reviewed by the Board of Management at every meeting. The principal risks that may impact the College's long-term financial position are:

- **External financial environment.** *The depressed state of the economy, unknown political environment and uncertainty of public sector financial allocations continue to be closely monitored by the Board.*
- **Diversify income streams.** *The impact of the economic downturn has increased the importance of finding other income, and the College will continue to develop external funding bids and projects and collaborate with other organisations in order to increase non-SFC income. The challenge of attracting international students has increased due to changes in immigration legislation.*
- **Capital funding.** *There is potential for significant changes in the SFC allocation process for capital funding. The College will continue to monitor this.*
- **Student achievement and attainment.** *The learners in the College generally achieve well, including wider achievement. However, some areas are not producing consistently high levels, and this will continue to be monitored.*
- **Staff communication, deployment and turnover.** *Effective staff communication and deployment is essential to ensure the College is working efficiently towards its strategic aims and objectives. A balance in the level of staff turnover is required to ensure a good skills base, whilst maintaining a stable workforce. The senior managers and Board continue to monitor this.*
- **Maintain high quality facilities.** *The planned and reactive maintenance programmes should ensure that there is sufficient investment in the estate to address backlog maintenance and maintain high quality facilities for learners and staff dependent on available resources. Developments to the timetabling system and monitoring of room occupancy should ensure continued good practice in energy monitoring and environmental sustainability should increase efficiency and ensure the best use of money.*

**Operating and Financial Review (continued)****STAKEHOLDER RELATIONSHIPS**

In line with other colleges, Dumfries and Galloway College has many stakeholders. These include:

- **Students** - The College must maintain an excellent reputation for high quality, flexible learning opportunities in or first choice provider of learning and training.
- **Scottish Funding Council** - the College aims to maintain its good relationship with the Scottish Funding Council ensure continued strategic development;
- **Staff** - The College recognises the value of its staff and has a number of measures to enhance communication;
- **Local Employers, the Local Authority and community** - these groups provide a major input into the services r the College in order to enhance the economic and social development of the region;
- **Government offices** - positive reports from Education Scotland and other external reviews on the work carried o College have a positive impact on the College's reputation in the local and wider community;
- **Other FE and HE institutions** - continued collaboration and benchmarking with other institutions is essential in c maintain high quality learning;
- **Trade Unions** - the College aims to maintain a positive working relationship with all recognised representative bc
- **Professional Bodies** - continued close relationships with professional bodies will help to ensure programmes ar and of the highest quality.

**Equal Opportunities and employment of disabled persons**

The College is committed to a policy of equal opportunities for all staff and students. We aim to create an envirc enables everyone to participate fully in their chosen studies and college life. The College supports inclus widening access in all forms, particularly in relation to gender, ethnicity and disability. We aim to design our cur as accessible as possible for all students and provide extra support where this is reasonable. This includes the alternative formats for curriculum material, physical access and financial assistance where students are eligible support such as scribes and signers.

All individuals within Dumfries and Galloway College have a responsibility for compliance with legislation and attitude towards equal opportunities. All external persons connected to Dumfries and Galloway College will be e hold the same responsibility and commitment.

**Disclosure of information to auditors**

The Board members who held office at the date of approval of this report confirm that, so far as they are each a no relevant audit information of which the College's auditors are unaware; and each Board member has taken that he or she ought to have taken to be aware of any relevant audit information and to establish that the Colle are aware of that information.

Approved by order of the members of the Board on

and signed on its behalf by:

**Brian Johnstone**  
Chairman

**C Turnbull**  
Principal

## Statement of Corporate Governance and Internal Control

### Corporate Governance Statement

Dumfries and Galloway College is committed to exhibiting best practice in all aspects of corporate governance. This statement describes the manner in which the College has applied the principles of the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

### Statement of full UK Corporate Governance Code compliance

In the opinion of the Board of Management, the College complies with all the provisions of the Code, in so far as they apply to the further education sector, and it complied throughout the period ended 31 March 2014.

### Introduction

#### Board of Management

The members who served on the Board of Management during the year and up to the date of signature of this statement are set out on the next page. It is the Board's responsibility to bring independent judgement to bear on issues of financial performance, resources and standards of conduct.

The Board is provided with regular and timely information on the overall financial performance of the College and other information such as performance against targets, capital expenditure, quality matters and personnel resources such as health and safety and environmental issues.

Dumfries and Galloway College Board of Management met four times during the 2013/14 financial period and conducted its business through a number of committees. All of these committees are formally constituted with terms of reference approved by the Board of Management. The committees comprise mainly lay members of the Board of Management chaired by a Member of the Board. These committees include a Staffing Committee, a Finance and General Administration Committee, a Nominations Committee, a Remuneration Committee, a Quality and Curriculum Committee and a Project Board.

The Clerk to the Board maintains a register of financial and personal interests of the members of the Board of Management. The register is available for inspection at Bankend Road, Dumfries.

All Board Members are able to take independent professional advice in furtherance of their duties at the College and have access to the Clerk to the Board of Management, who is responsible for ensuring compliance with procedures and regulations. The appointment, evaluation and removal of the Clerk are matters for the Board of Management as a whole.

Formal agendas, papers and reports are supplied to Board Members in a timely manner, prior to Board meetings. Informal reports are also provided on an ad hoc basis.

The Board of Management has a strong and independent non-executive element and no individual or group dominates the decision making process. The Board of Management considers that each of its non-executive members is independent of management and free from any business or other relationship, which could materially interfere with the exercise of independent judgement.

There is a clear division of responsibility in that the roles of the Chairman and Principal are separate.

**Statement of Corporate Governance and Internal Control (continued)****Members**

The Members who served on the Board of Management during the year, and up to the date of the accounts being were as follows:

Board Member	Committees Served	Status of Appointment	Date of Appointment	Date of Retiral
Burgess, S	Audit	Full Member	01.09.08	31.08.16
Griggs, R (Chairman to 02.03.14)	Remuneration, Nominations	Full Member	01.11.04	02.03.14
Henderson, J	Finance, Remuneration	Full Member	01.09.08	02.03.15
Holland, D	Audit, Nominations, Quality & Curriculum, Remuneration	Full Member	01.08.07	02.03.15
Hydes, T	Staffing, Quality & Curriculum	Full Member	01.05.09	31.07.14
Turnbull, C	Ex officio member of all committees (excluding Audit, Nominations & Remuneration)	Principal (from 01.09.12)	01.08.12	N/A
S Lockhart	Quality & Curriculum	Student Representative	01.08.12	31.07.13
R. Malloney	Quality & Curriculum	Student Representative	01.08.13	31.07.14
Nyondo, A	Staffing	Lecturing Staff Representative	01.11.06	31.11.14
Sanderson, F	Audit, Quality & Curriculum	Full Member	01.07.03	17.12.13
Henry, K	Finance, Quality & Curriculum	Support Staff Representative	30.06.10	29.06.14
Carr, H	Audit, Nominations	Full Member	01.01.10	01.07.14
Johnstone, B	Finance (until 02.03.14)	Full Member Regional Chair	19.04.10 03.03.14	02.03.14 02.03.18
Gunnell, R	Finance, Quality & Curriculum	Full Member	26.10.10	01.07.14
MacGillivray Fallis, K	Audit, Staffing	Full Member	26.10.10	01.07.14
C Grant		Full Member	01.08.13	02.03.15
J. Goldie		Full Member	01.09.13	02.03.15
A. Hannah		Full Member	01.09.13	02.03.15
S. Martin	Audit	Full Member	01.09.13	02.03.15

J Brown acted as Clerk to the Board throughout the period.

**Appointments to the Board of Management**

Any new appointments to the Board of Management are a matter for consideration by the Board as a whole. The Nominations Committee, which is responsible for the selection and nomination of any new member for consideration. The Board of Management is responsible for ensuring that appropriate training is provided as req

**Staffing Committee**

The primary purpose of the Staffing Committee is to advise the Board of Management on all staffing matters College.

## Statement of Corporate Governance and Internal Control (continued)

### Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration of the Principal and other senior post-holders. Details of the remuneration of senior post-holders for the period ended 2014 are set out in note 8 to the financial statements.

### Audit Committee

The Audit Committee comprises a minimum of three members of the Board of Management (excluding the Chair). The Committee operates in accordance with written terms of reference approved by the Board of Management.

The Audit Committee meets a minimum of three times a year, and provides a forum for reporting by the College's regularity and financial statements auditors. The auditors have access to the Committee for independent discussion in the presence of College management.

The College's internal auditors monitor the systems of internal control, risk management controls and governance in accordance with an agreed plan of input, and report their findings to management and the Audit Committee. The College is responsible for the implementation of agreed audit recommendations and internal auditors undertake periodic reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Board of Management on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

### Project Board

The role of the Project Board was to oversee the project to build the campus in Dumfries. The Project Board comprised members of the Board of Management. The Project Board did not meet in 2013/14.

### Finance and General Purposes

The Finance and General Purposes Committee inter alia recommends to the Board of Management the College's revenue and capital budgets and monitors performance in relation to the approved budgets.

### Quality and Curriculum

The primary purpose of the Quality and Curriculum Committee is to advise the Board of Management on all quality matters affecting the College.

### Risk Management and Internal Control

#### ***Scope of Responsibility***

The Board of Management is ultimately responsible for the College's system of internal control and for its effectiveness. However, such a system is designed to manage, rather than eliminate, the risk of failure to achieve objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Board of Management has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for the establishment of a sound system of internal control that supports the achievement of the College's policies, aims and objectives, and for safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Dumfries and Galloway College and the SFC. She is also responsible for reporting to the Board of Management any material weaknesses or breakdowns in internal control.

#### ***Purpose of the system of internal control***

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk. It is designed to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of their achievement. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at Dumfries and Galloway College for the period ended 31 March 2014 and up to the date of approval of the annual accounts.

#### ***Capacity to handle risk***

The Board of Management has reviewed the key risks to which the College is exposed together with the operational and compliance controls that have been implemented to mitigate those risks. The Board of Management is of the opinion that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that are in place for the period ending 31 March 2014 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Management.

**Statement of Corporate Governance and Internal Control (continued)*****Risk and control framework***

The system of internal control is based on a framework of regular management information, administrative including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- the adoption of formal project management disciplines, where appropriate.

The College manages the risks faced by adopting robust management practices. The planning processes, and sector review, and audit processes are designed to identify and manage risks. A detailed risk register is maintained on a regular basis. The risk register is discussed at each meeting of the Audit Committee.

Dumfries and Galloway College has an internal audit service, the work of which is informed by an analysis of the risks the College is exposed to, and annual internal audit plans are based on this analysis. The analysis of risks and the plans are endorsed by the Board of Management on the recommendation of the Audit Committee. An annual report is provided to the Board of Management detailing internal audit activity in the College. The report includes auditors' independent opinion on the adequacy and effectiveness of the College's system of risk management, governance processes.

***Review of effectiveness***

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors;
- the work of the senior managers within the College who have responsibility for the development and maintenance of the internal control framework;
- comments made by the College's financial statements auditors and the regularity auditors in their management and other reports.

The Principal has been advised on the implications of the results of her review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor, and a plan to address weaknesses to ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers points of issues brought to their attention by early warning mechanisms, which are embedded within the departments and risk awareness training. The senior management team and the Audit Committee also receive regular reports from the internal auditor, which include recommendations for improvement. The Audit Committee's role in this area is confined to the review of the arrangements for internal control. The Board of Management's agenda includes a regular item for the review of risk and control and receives reports thereon from the senior management team and the Audit Committee. The focus is on obtaining the relevant degree of assurance and not merely reporting by exception. At its August 2014 meeting, the Board of Management carried out the annual assessment for the period ended 31 March 2014 by considering reports from the senior management team and internal audit, and taking account of events since 31 March 2014.

**Going Concern**

After making appropriate enquiries, the Board of Management considers that the College has adequate resources to ensure operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis for the financial statements.

**Conclusion**

The Audit Committee's opinion is that the College has an appropriate framework of internal control, and provides assurance regarding the effective and efficient deployment of resources to achieve the College aims.

Approved by order of the members of the Board on

and signed on its behalf by

**Brian Johnstone**  
Chairman

**C Turnbull**  
Principal

## Statement of the Board of Management's Responsibilities

The Board of Management is required to present audited financial statements for each year.

In accordance with the Further and Higher Education (Scotland) Act 1992, the Board of Management is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control. It is required to present audited financial statements for each financial year.

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the Statement of Recommended Practice on Financial Statements for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College, the Board of Management, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit at the end of that year.

In preparing the financial statements, the Board of Management has ensured that:

- Suitable accounting policies are selected and applied consistently;
- Judgements and estimates are made that are reasonable and prudent;
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Financial statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation. The Board of Management is satisfied that it has adequate resources to continue in operation in the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of financial statements.

The Board of Management has taken reasonable steps to:

- Ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been provided in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and other resources;
- Safeguard the assets of the College and prevent and detect fraud;
- Secure the economical, efficient and effective management of the College's resources and expenditure.

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

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure and cash flow budgets;
- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving reporting and updates of forecast outturns;
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management;
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee, Finance and General Purposes Committee;
- Professional internal audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Management and whose head provides the Board of Management with a report on internal audit activity within a year and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

Approved by order of the members of the Board on

2014 and signed on its behalf by:

**Brian Johnstone**  
Chairman

## **Independent auditor's report to the members of the Board of Management of Dumfries and Galloway College, the Auditor General for Scotland and the Scottish Parliament**

I have audited the financial statements of Dumfries and Galloway College for the period ended 31 March 2014 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Income and Expenditure Account, the Statement of Historical Costs, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice issued by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their capacities, or to third parties.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Board of Management and auditor**

As explained more fully in the Statement of Responsibilities of the Board of Management, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. I am also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Generic scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to provide reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Management; and the overall presentation of the financial statements. It also involves obtaining evidence about the expenditure and income. In addition, I read all the financial and non-financial information in the annual report to identify any material inconsistencies with the audited financial statements and to identify any information that is apparent to be incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for the report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions thereunder by the Scottish Funding Council of the state of the body's affairs as at 31 March 2014 and of its financial performance for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of The Charities Accounts (Scotland) Regulations 2006.

### **Opinion on regularity**

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

### **Opinion on other prescribed matters**

In my opinion the information given in the Operating and Financial Review for the financial period for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the members of the Board of Management of Dumfries and College, the Auditor General for Scotland and the Scottish Parliament (continued)**

**Matters on which I am required to report by exception**

I am required to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council re

I have nothing to report in respect of these matters.

Gary Devlin, for and on behalf of Grant Thornton  
7 Exchange Crescent  
Edinburgh  
EH3 8AN

*Date*

Gary Devlin is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

**Income and Expenditure Account for the period ended 31 March 2014**

	Note	Period ended 31 March 2014 £000
<b>INCOME</b>		
SFC grants	2	7,062
Tuition fees and education contracts	3	1,211
Other grant income	4	283
Other operating income	5	352
Endowment and investment income	6	24
<b>Total Income</b>		<u>8,932</u>
<b>EXPENDITURE</b>		
Staff costs excluding exceptional costs		5,004
Exceptional costs - severance costs		<u>0</u>
Staff costs including exceptional costs	7	5,004
Other operating expenses	9	2,672
Transfer to Arms Length Foundation	9	2,120
Depreciation	12	787
Interest payable	10	<u>0</u>
<b>Total Expenditure</b>		<u>10,583</u>
(Deficit)/ Surplus on continuing operations after depreciation of assets at valuation and before tax		(1,651)
Taxation		<u>0</u>
<b>(Deficit)/ Surplus on continuing operations after depreciation of assets at valuation and after tax</b>		<u>(1,651)</u>
<b>(Deficit)/ Surplus for the period retained within general reserves</b>		<u>(1,651)</u>

The income and expenditure account is in respect of continuing activities.

**Statement of Historical Cost Surpluses and Deficits for the period ended 31 March 2014**

	Note	Period ended 31 March 2014
		£000
(Deficit)/ Surplus on continuing operations before taxation		(1,651)
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	18	<u>132</u>
<b>Historical cost (deficit)/ surplus for the period before and after taxation</b>		<b><u><u>(1,519)</u></u></b>

**Statement of the Total Recognised Gains and Losses for the period ended 31 March 2014**

	Note	Period ended 31 March 2014
		£000
(Deficit)/ surplus on continuing operations for the year after depreciation of assets at valuation and tax		(1,651)
Unrealised deficit on revaluation of fixed assets	12	0
Impairment of previously revalued fixed assets	12	0
Actuarial (loss)/ gain recognised since last annual report	18,24	<u>(1,066)</u>
<b>Total recognised (loss) relating to the period</b>		<b>(2,717)</b>
<b>Total (loss) recognised since last annual report</b>		<b><u><u>(2,717)</u></u></b>
<b>Reconciliation</b>		
Opening reserves		11,060
<b>Total recognised (losses) for the year</b>		<b><u><u>(2,717)</u></u></b>
		<b><u><u>8,343</u></u></b>

**Balance Sheet as at 31 March 2014**

	Note	Period ended 31 March 2014 £000
<b>Fixed Assets</b>		
Tangible assets	12	<u>40,521</u>
<b>Current Assets</b>		
Debtors	13	1,001
Cash at bank and in hand		<u>2,127</u>
Total current assets		3,128
<b>Less: Creditors - amounts falling due within one year</b>	14	<u>(2,464)</u>
<b>Net Current Assets</b>		<u>664</u>
<b>Total Assets less Current Liabilities</b>		41,185
Less: Creditors - amounts falling due after more than one year	15	(1,184)
Less: Provision for liabilities	16	<u>(750)</u>
<b>Net Assets excluding pension liability</b>		39,251
<b>Pension liability</b>	24	<u>(3,928)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u><u>35,323</u></u>
<b>Deferred capital grants</b>	17	<u>26,980</u>
<b>Reserves</b>		
Income and expenditure account excluding pension reserve		5,657
Pension reserve	18	<u>(3,928)</u>
Income and expenditure account including pension reserve	18	1,729
Revaluation reserve	18	<u>6,614</u>
Total reserves		<u>8,343</u>
<b>Total Funds</b>		<u><u>35,323</u></u>

The financial statements on pages 17 to 39 were approved by the Board of Management on  
on its behalf by:

2014 and w

Brian Johnstone  
Chairman

C Turnbull  
Principal

**Cash Flow Statement for the period ended 31 March 2014**

	Note	Period ended 31 March 2014 £000
<b>Net cash inflow from operating activities</b>	19	<b>(2,514)</b>
Returns on investments and servicing of finance	20	17
Capital expenditure and financial investment	21	<u>2</u>
(Decrease)/ increase in cash in the period		<u><u>(2,495)</u></u>

**Note to the Cash Flow Statement****Reconciliation of net cash flow to movement in net funds**

(Decrease)/ increase in cash in the period		<u>(2,495)</u>
Movement in net funds in period		<b>(2,495)</b>
Net funds at 1 August 2013	22	<u>4,622</u>
<b>Net funds at 31 March 2014</b>	22	<u><u>2,127</u></u>

## Notes to the Financial Statements

### 1 Statement of Principal Accounting Policies

#### Basis of preparation

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

#### Basis of accounting

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain fixed assets.

#### Recognition of income

Income from SFC recurrent grant has been recognised on a time basis to match the College's performance for the period in to SFC Outcome Agreement targets for the 2013/14 academic year.

Income from other grants, contracts, tuition fees and other services rendered is included to the extent of completion of the contract service concerned.

Income from donations is credited to the income and expenditure account in the year in which it is received, unless specific rules apply.

Income from short-term deposits and endowments is credited to the income and expenditure account in the period in which it is received.

#### Fixed assets

##### Tangible assets

##### *Land and buildings*

The majority of the College's buildings being specialised buildings, open market value is not an appropriate basis of valuation. Buildings are therefore valued on the basis of depreciated replacement cost with the exception of the Catherinefield building which is valued on an open market value. Land is not depreciated and buildings are depreciated over their estimated life as identified in the valuation.

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

Finance costs, which are directly attributable to the construction of land and buildings, are capitalised as part of the cost of the asset.

A review for impairment of tangible fixed assets is carried out if events change or if changes in circumstances indicate that the carrying value of the tangible fixed assets may not be recoverable.

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

##### *Subsequent expenditure on existing fixed assets*

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

- Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed asset in excess of the previously assessed standard of performance;
- Where a component of the tangible fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful economic life, is replaced or restored; or
- Where the subsequent expenditure relates to a major inspection or overhaul of a tangible fixed asset that restores the economic benefits of the asset that have been consumed by the entity and have already been reflected in depreciation.

##### *Equipment*

Equipment costing less than £10,000 per individual item and motor vehicles costing less than £5,000 are written off to the income and expenditure account in the year of acquisition. All other equipment and vehicles are capitalised and depreciated in accordance with the depreciation policy.

Where items of equipment are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related costs are credited to a deferred capital grant account and released to income and expenditure account over the estimated life of the asset on a basis consistent with the depreciation policy.

**Notes to the Financial Statements (continued)****1 Statement of Principal Accounting Policies (continued)****Depreciation**

Depreciation is provided to write off the cost or valuation of tangible fixed assets on a straight-line basis over the expected use assets.

i) Buildings	10 to 60 years
ii) Leasehold	length of lease
iii) Furniture, equipment and vehicles	3 to 10 years

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the short term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-func

Rental costs in respect of operating leases are charged to income and expenditure account on a straight line basis.

**Revaluation reserve**

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

**Maintenance of premises**

The costs of maintenance are charged to the income and expenditure account in the period in which they are incurred.

**Liquid resources**

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

**Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate inputs themselves are tangible fixed assets by nature.

**Provisions**

The College provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date at the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, estimated cash flows are discounted using the discount rate prescribed by the Scottish Funding Council.

Unfunded pensions are accounted for under FRS 12.

**Agency arrangements**

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

**Notes to the Financial Statements (continued)****1 Statement of Principal Accounting Policies (continued)****Retirement Benefits**

All new members of staff have the option of joining a pension scheme. The schemes currently open to new members are the Dumfries and Galloway Council Pension Fund and the Scottish Teachers' Superannuation Scheme. Existing employees maintain their membership of the Scottish Teachers' Superannuation Scheme.

***Dumfries and Galloway Council Pension Fund***

The Dumfries and Galloway Council Pension Fund is a pension scheme providing benefits based on final pensionable pay. The liabilities of the scheme are held separately from those of the College. Pension scheme assets are measured using bid values and scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality portfolio of equivalent term and currency to the liability. Contributions to the Scheme are determined by an actuary on the basis of valuations using the Age Attained Method. Variations from regular cost are spread over the expected average remaining working lives of members of the schemes, after making allowances for future withdrawals. The amount charged to the income and expenditure account represents the service cost expected to arise from employee service in the current year.

***Scottish Teachers' Superannuation Scheme (STSS)***

The College participates in the Scottish Teachers' Superannuation Scheme pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the College. The College is unable to identify its share of assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Schemes', the College accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the year.

***Leased Assets***

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if they had been purchased outright and are capitalised at the present value of minimum lease payments at the inception of the lease. The asset is depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element of the lease is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded.

Rental costs in respect of operating leases are charged to income and expenditure account on a straight line basis.

## Notes to the Financial Statements (continued)

	Note	Period ended 31 March 2014 £000
<b>2 SFC Grants</b>		
FE recurrent grant (including fee waiver)		5,554
FE and HE childcare funds		123
Release of deferred capital grants	17	445
Infrastructure grant		791
Other SFC grants		149
<b>Total</b>		<u><u>7,062</u></u>
<b>3 Tuition Fees and education contracts</b>		
FE fees - UK		230
HE fees		452
SDS contracts		219
Education contracts		4
Other contracts		306
<b>Total</b>		<u><u>1,211</u></u>
<b>4 Other grant income</b>		
European funds		150
Release of deferred capital grants	17	77
Other grants		56
<b>Total</b>		<u><u>283</u></u>
<b>5 Other operating income</b>		
Residences and catering		310
Other income-generating activities		16
Other income		26
<b>Total</b>		<u><u>352</u></u>

## Notes to the Financial Statements (continued)

	Period ended 31 March 2014 £000
<b>6 Endowment and investment income</b>	
Bank interest	17
Net return on pension asset/ liability	<u>7</u>
<b>Total</b>	<b><u>24</u></b>
<b>7 Staff costs</b>	
Wages and salaries	4,062
Social security costs	265
Past service credit (note 24)	0
Other pension costs (including FRS 17 adjustments of £95k (2013 - £53k))	<u>677</u>
Staff costs excluding exceptional costs	5,004
Exceptional costs - severance costs	<u>0</u>
<b>Staff costs including exceptional costs</b>	<b><u>5,004</u></b>
Academic/ Teaching departments	2,546
Academic/ Teaching services	455
Administration and central services	1,735
Premises	212
Other expenditure	56
Catering and residences	<u>0</u>
<b>Total</b>	<b><u>5,004</u></b>

The average number of full-time equivalent employees, including higher paid employees, during the year was:

	No.
Academic/ Teaching departments	84
Academic/ Teaching services	16
Administration and central services	86
Premises	13
Other expenditure	3
Catering and residences	<u>0</u>
<b>Total</b>	<b><u>202</u></b>

Notes to the Financial Statements (continued)

7 Staff costs (continued)

The number of staff, including senior post-holders and the Principal, who received emoluments in the following rang

	Period ended 31 March 2014		Year ended 31
	Number senior post-holders	Number other staff	Number senior post-holders
£50,001 to £60,000 per annum	0	0	0
£60,001 to £70,000 per annum	2	0	3
£70,001 to £80,000 per annum	2	0	1
£80,001 to £90,000 per annum	0	0	0
£90,001 to £100,000 per annum	0	0	0
£100,001 to £110,000 per annum	1	0	1
	<b>5</b>	<b>0</b>	<b>5</b>

8 Senior post-holders' emoluments

2014  
No.

The number of senior post-holders, including the Principal was:

**5**

Senior post-holders' emoluments are made up as follows:

Period ended  
31 March

2014

£

Salaries	216,691
Benefits in kind	0
Pension contributions	38,609
Total emoluments	<b>255,300</b>

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

£

Salary (including holiday pay)	60,000
Benefits in kind	0
	<b>60,000</b>
Pension contributions	<b>11,647</b>

**Notes to the Financial Statements (continued)****8 Senior post-holders' emoluments (continued)**

The Principal and two other senior post-holder were members of the Local Government pension Scheme and two holders were members of the Scottish Public Pensions Agency. All pension contributions were paid at the same rate as members of staff.

The members of the Board of Management, other than the Principal and staff members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. Total reimbursed to six members of the Board of Management during the year amounted to £3,056.

	Period ended 31 March 2014
	£000
<b>9 Other operating expenses</b>	
Teaching departments	797
Administration and central services	1,036
Premises costs (including additional Lennartz credit of £111,000. 2013 - £68,000)	184
Planned maintenance	144
Other employee related costs	67
(Gain)/ Loss on disposal of fixed assets	(2)
Agency Staff Costs	38
Other income generating activities	0
Residences and catering	313
Overspend on student support funds	95
	<u>2,672</u>
Transfer to Arms Length Foundation	<u>2,120</u>
<b>Total</b>	<u><u>4,792</u></u>

Other operating costs include:

Auditors' remuneration	- external audit of these financial statements	16
	-internal audit services	13
	- other services	7
Hire of plant and machinery - operating leases		57
Hire of other assets - operating leases		<u>0</u>

The College is participating in the Scottish Colleges Foundation, an independent trust which has been established for the purposes of supporting further and higher education colleges in Scotland. Total donations from the College to the Foundation for the period to 31 March 2014 amounted to £2,120,000. The College will be able to apply to the Foundation for funding for future projects, which will not be able to be met from reserves after 1 April 2014 due to the re-classification for reporting purposes.

**10 Interest payable**

Net interest cost on pension liability (note 24)	<u><u>0</u></u>
--	-----------------

**11 Taxation**

The Board does not consider that the College was liable for any corporation tax arising out of its activities during the year.

## Notes to the Financial Statements (continued)

## 12 Tangible Fixed Assets

	Land and Buildings £000	Equipment £000	Motor Vehicles £000
<b>Cost or valuation</b>			
At 1 August 2013	41,498	310	267
Additions	0	0	0
Disposals	0	0	0
Transfers	0	0	0
Revaluation adjustment	0	0	0
<b>At 31 March 2014</b>	<b>41,498</b>	<b>310</b>	<b>267</b>
<b>Depreciation</b>			
At 1 August 2013	264	268	235
Provided during period	767	9	11
On disposals	0	0	0
Revaluation adjustment	0	0	0
<b>At 31 March 2014</b>	<b>1,031</b>	<b>277</b>	<b>246</b>
NBV at 1 August 2013	41,234	42	32
<b>NBV at 31 March 2014</b>	<b>40,467</b>	<b>33</b>	<b>21</b>
Inherited	4,053	0	0
Financed by capital grant	36,414	33	12
Other	0	0	9
<b>At 31 March 2014</b>	<b>40,467</b>	<b>33</b>	<b>21</b>

Land and buildings were revalued at 31st July 2013 by J&E Shepherd, Chartered Surveyors in the capacity of valuer. The basis of valuation adopted was depreciated replacement cost for all but the Catherinefield Nursery which at Market Value, and the valuation was made in accordance with the Royal Institution of Chartered Surveyors' / Valuation Manual.

The Crichton campus, which was completed in January 2009, is a key part of the strategic plan that will provide financial sustainability for the College.

Land and Buildings with a net book value of £40,467,000 have been partially financed by exchequer funds. Should be sold, the College may be liable, under the terms of the Financial Memorandum with the Council, to surrender the

## Notes to the Financial Statements (continued)

## 12 Tangible Fixed Assets (continued)

If inherited land and buildings had not been revalued they would have been included at the following amounts:

	<b>£000</b>
Cost	0
Aggregate depreciation based on cost	<u>0</u>
	<u><u>0</u></u>

## 13 Debtors: Amounts falling due within one year

**Period ended 31  
March  
2014  
£000**

Trade debtors - net of provision for doubtful debts	121
European Funding	0
Prepayments and accrued income	<u>880</u>
	<u><u>1,001</u></u>

**Period ended 31  
March  
2014**

## 14 Creditors: Amounts falling due within one year

	<b>£000</b>
Trade creditors	134
VAT	61
HMRC Lennartz Scheme	355
Other taxation and social security	138
Pension	122
Contract retentions	120
Accruals and deferred income	1,513
Bursaries and Access funds for future disbursement	<u>21</u>
	<u><u>2,464</u></u>

## Notes to the Financial Statements (continued)

15 Creditors: Amounts falling due after more than one year	Period ended 31 March 2014
	£000
HMRC Lennartz Scheme	<u>1,184</u>

16 Provisions for liabilities and charges	2013-14		
	Early retirement pension costs	Other	Total
At 1 August 2013	771	188	959
Expenditure in the period	(32)	0	(32)
Additional provision required in period	(13)	0	(13)
Revaluation adjustment	0	(179)	(179)
Interest charged	15	0	15
<b>At 31 March 2014</b>	<u>741</u>	<u>9</u>	<u>750</u>

The pension provision has been revalued using actuarial tables supplied by SFC. The net interest rate applied was

Other provisions relate to redundancy costs which were expected to arise on completion of an externally funded project to rectify heating system defects.

17 Deferred Capital Grants	SFC	Other
	£000	£000
At 1 August 2013		
Land and Buildings	22,782	4,369
Equipment	312	39
	<u>23,094</u>	<u>4,408</u>
<b>Cash Receivable</b>		
Land and Buildings	0	0
Equipment	0	0
	<u>0</u>	<u>0</u>
<b>Released to Income and Expenditure Account</b>		
Land and Buildings	(397)	(73)
Equipment	(48)	(4)
	<u>(445)</u>	<u>(77)</u>
<b>At 31 March 2014</b>		
Land and Buildings	22,385	4,296
Equipment	264	35
	<u>22,649</u>	<u>4,331</u>

## Notes to the Financial Statements (continued)

<b>18 Reserves</b>	<b>Period ended 31 March 2014 £000</b>
<b>Revaluation Reserve</b>	
At 1 August 2013	6,746
Revaluations in the period	0
Transfer to Income & expenditure account in respect of:	
Depreciation on revalued assets	<u>(132)</u>
<b>At 31 March 2014</b>	<b><u><u>6,614</u></u></b>
<b>General Reserve</b>	
At 1 August 2013	4,314
(Deficit)/ Surplus for the period	(1,651)
Transfer from revaluation reserve	132
Actuarial (losses)/ gains on pension scheme	<u>(1,066)</u>
<b>At 31 March 2014</b>	<b><u><u>1,729</u></u></b>
Represented by:	
<b>Income &amp; expenditure account</b>	
At 1 August 2013	7,088
(Deficit)/ Surplus for the period	(1,651)
Transfer to pension reserve	88
Transfer from revaluation reserve	<u>132</u>
	<b><u><u>5,657</u></u></b>
<b>Pension Reserve</b>	
At 1 August 2013	<u>(2,774)</u>
Current service cost	(377)
Employer contributions	282
Past service costs	0
Gains/ (losses) on curtailments and settlements	0
Net return on assets	<u>7</u>
Transfer to income & expenditure	<u>(88)</u>
Actuarial (losses)/ gains	<u>(1,066)</u>
<b>At 31 March 2014</b>	<b><u><u>(3,928)</u></u></b>
<b>Summary</b>	
Income & expenditure account	5,657
Pensions reserve	<u>(3,928)</u>
<b>At 31 March 2014</b>	<b><u><u>1,729</u></u></b>

## Notes to the Financial Statements (continued)

<b>19 Reconciliation of operating surplus/(deficit) to net cash flow from operating activities</b>	<b>Note</b>	<b>Period ended 31 March 2014 £000</b>
Operating (deficit)/ surplus after depreciation of assets at valuation and tax		(1,651)
Pension costs	24	95
Depreciation	12	787
(Gain)/net loss on disposal of fixed assets	9,12	(2)
Deferred capital grants released to income	17	(522)
Increase in debtors	13	(449)
Decrease in creditors	14,15	(539)
Decrease in provisions	16	(209)
Interest receivable - bank interest	6	(17)
Net return on pension liability	18	(7)
Net cash (outflow)/ inflow from operating activities		<u><u>(2,514)</u></u>
<b>20 Returns on investments and servicing of finance</b>		
Interest received	6	17
Interest element of finance lease repayments		<u>0</u>
Net cash inflow from returns on investments and servicing of finance		<u><u>17</u></u>
<b>21 Capital expenditure</b>		
Purchase of tangible fixed assets	12	0
Sales of tangible fixed assets		2
Deferred capital grants received	17	<u>0</u>
Net cash inflow/(outflow) from capital expenditure		<u><u>2</u></u>

Notes to the Financial Statements (continued)

22 Analysis of Net Funds

	At 1 August 2013	Cash Flows	Other Changes
	£000	£000	£000
Cash	4,622	(2,495)	0
Finance lease/hire purchase contracts	0	0	0
<b>TOTAL</b>	<u>4,622</u>	<u>(2,495)</u>	<u>0</u>

23 Lease commitments

Period ended 31  
March  
2014

The annual commitments under operating leases for equipment are as follows:

Expiry - within one year	3
- within two to five years	44
- after five years	<u>0</u>

**Notes to the Financial Statements (continued)****24 Pensions and similar obligations**

The College's employees belong to two principal pension schemes, the Scottish Public Pensions Agency (SPPA) and Government Pension Scheme (LGPS).

The total pension costs for the institution was :

		<b>8 months to March 2014 £000</b>
Contribution to SPPA		<b>276</b>
Contribution to LGPS		<b>293</b>
Pension costs as a result of implementing FRS 17	18	<b>95</b>
Total pension cost		<b>664</b>

Contribution rates:

SPPA - 13.5% increased to 14.9% from 1 April 2009

LGPS - 20.5% decreased to 20% from 1 April 2012

**The Scottish Public Pensions Agency**

College lecturing staff are entitled to become members of the Scottish Teachers' Superannuation Scheme. The last valuation of this scheme was carried out as at 31 March 2005.

The assumptions which have the most significant effect on the valuation and other relevant data are as follows:

Rate of return on investments in excess of rate of increase in salaries

Rate of return on investments in excess of rate of increase in pensions

Market value of the assets as at 31 March 2005

The actuarial value of the SPPA scheme at 31 March 2005 showed a deficiency of £836m, which requires a special provision by all members of 3.15% per annum for a period of 15 years.

The College is unable to identify its share of the underlying assets and liabilities in the SPPA scheme. Consequently, the requirements of FRS 17 - Retirement Benefits, the College accounts for contributions to this scheme as if it were a contribution scheme.

**The Local Government Pension Scheme (LGPS)**

The LGPS is a defined benefit scheme, with the assets held in separate trustee administered funds.

The latest actuarial valuation of the scheme was at 31 March 2011. The assumptions that have the most significant valuation and other relevant data at 31 March 2014 are as follows :

	<b>31 March 2014</b>
	<b>% p.a.</b>
Pension Increase Rate	2.8%
Salary Increase Rate	5.1%
Expected Return on Assets	5.7%
Discount Rate	4.6%

Life expectancy is based on the S1NMA and S1NFA year of birth tables with medium cohort improvements as underpin, applied from 2008, and are the same as those used in the previous accounting period.

## Notes to the Financial Statements (continued)

## 24 Pensions and similar obligations (continued)

## Local Government Pension Scheme

	Period ended 31 March 2014
	£000
Fair value of plan assets	13,366
Present value of funded defined benefit obligations	<u>(17,269)</u>
	(3,903)
Present value of unfunded defined benefit obligations	<u>(25)</u>
Deficit	<u><u>(3,928)</u></u>

## Movements in present value of defined benefit obligation

At 1 August 2013	15,440
Movement in year :	
Current service cost	377
Past service costs relating to retrospective changes to members' benefits	0
Past service (gains) in respect of future pension increases	0
Interest cost	473
Curtailment	0
Actuarial gains/(losses)	1,084
Contributions by members	85
Benefits paid	(165)
<b>At 31 March 2014</b>	<u><u>17,294</u></u>

## Movements in fair value of plan assets

At 1 August 2013	12,666
Expected return on plan assets	480
Actuarial gains/(losses)	18
Contributions by employer	282
Contributions by members	85
Benefits paid	(165)
<b>At 31 March 2014</b>	<u><u>13,366</u></u>

## Expense recognised in the income and expenditure account

Current service cost	377
Losses on settlements and curtailments	0
Past service cost/(gain)	0
Interest on defined benefit pension plan obligation	473
Expected return on defined benefit pension plan assets	(480)
<b>Total</b>	<u><u>370</u></u>

The expense is recognised in the following line items in the income and expenditure account:

Staff costs	377
Investment income	(7)
Interest costs	0
	<u><u>370</u></u>

## Notes to the Financial Statements (continued)

## 24 Pensions and similar obligations (continued)

Period ended 31  
March  
2014  
£000

**Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL):**

Actual return less expected return on pension assets	18
Change in financial assumptions underlying the scheme liabilities	(1,084)
	(1,066)
	(1,066)

The fair value of the plan assets and return on those assets were as follows:

2014  
Fair value  
£000

Equities	10,025
Corporate bonds	2,005
Property	1,069
Other	267
	13,366
	13,366

Actual return on plan assets	498
	498

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated the plan's investment portfolio.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	As at 31/03/14
	%
Discount rate	4.30%
Expected rate of return on plan assets	6.00%
Future salary increases	5.10%
Inflation/ pension rate increase	2.80%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on stan mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to e year old person to live for a number of years as follows:

- Current pensioner aged 65: 23 years (male), 25.6 years (female).
- Future retiree upon reaching 65: 24.9 years (male), 27.7 years (female).

**Notes to the Financial Statements (continued)****24 Pensions and similar obligations (continued)****History of plans**

The history of the plans for the current and prior periods is as follows:

<i>Balance sheet</i>	<b>Period ended 31/03/14 £000</b>	Year ended 31/07/13 £000	Year ended 31/07/12 £000	Year ended 31/07/11 £000
Present value of scheme liabilities	<b>(17,269)</b>	(15,415)	(14,127)	(12,352)
Present value of unfunded liabilities	<b>(25)</b>	(25)	(25)	(22)
Fair value of scheme assets	<b>13,366</b>	12,666	11,033	10,569
Deficit/ surplus	<b><u>(3,928)</u></b>	<u>(2,774)</u>	<u>(3,119)</u>	<u>(1,805)</u>
<i>Experience adjustments</i>				
Experience adjustments on scheme liabilities	<b>5</b>	0	675	(1)
Experience adjustments on scheme assets	<b>18</b>	810	(607)	453
	<b><u>23</u></b>	<u>810</u>	<u>68</u>	<u>452</u>

The College expects to contribute approximately £404,000 to the scheme in the next financial year.

**25 Related Party Transactions**

The Board of Management of Dumfries and Galloway College is a body incorporated under the Further and High (Scotland) Act 1992 and is funded by the Scottish Funding Council (SFC).

SFC and the Scottish Executive Enterprise and Lifelong Learning Department (SEELLD) are regarded as related parties. During the year Dumfries and Galloway College had various material transactions with these bodies and with other entities. They are either the Funding Council or are regarded as the sponsor Department, e.g. Student Awards Agency for Scotland, number of other colleges and higher education institutions.

Due to the nature of the College's operations and the composition of its Board of Management being drawn from local private sector organisations, it is inevitable that transactions will take place with organisations in which a member of Management may have an interest. All transactions involving organisations in which a member of the Board of Management may have a material interest are conducted at arm's length and in accordance with normal project and procurement procedures.

During the year under review, the College had no transactions with non-public bodies in which a member of Management has an interest and which, in aggregate, exceeded £5,000 except as disclosed below.

The College had transactions during the year, or worked in partnership with, the following publicly funded or non-public bodies in which members of the Board of Management hold, or held, official positions.

<b>Member</b>	<b>Organisation</b>	<b>Position</b>
F. Sanderson	Crichton Foundation	Trustee
T Hydes	Crichton Foundation	Appointed Trustee
D. Holland	Crichton Foundation	Appointed Trustee
B. Kelly	Crichton Foundation	Trustee
B. Johnstone	Armstrong Watson	Partner
H. Carr	Dumfries and Galloway Housing Partnership	Director of Finance

## Notes to the Financial Statements (continued)

## 25 Related Party Transactions (continued)

The Crichton Foundation has previously provided grant funding towards the Henry Duncan building, which forms Crichton Campus. During the period ended 31 March 2014 the Crichton Foundation provided grant funding of student support, and £5,044 was disbursed to students by the College during the period. In addition, £500 was provided by the Crichton Foundation in respect of a contribution to the annual College Award Ceremony. No balances were due to the Crichton Foundation at 31 March 2014, and a balance of £4,956 was held for future student payments.

The College uses Armstrong Watson for payroll bureau services. Invoices from Armstrong Watson to the College for the period ended 31 March 2014 amounted to £4,435, and a balance of £554 was due to Armstrong Watson by the College at 31 March 2014.

The College provided training courses to Dumfries and Galloway Housing Partnership during the period to 31 March 2014. Invoices to Dumfries and Galloway Housing Partnership amounted to £42,072. No balances were due to the Dumfries and Galloway Housing Partnership at 31 March 2014.

The members of the Board of Management, other than the Principal and staff members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. Travel expenses reimbursed to four members of the Board of Management during the year amounted to £3,056.

## 26 FE Bursaries and other Student Support Funds

	FE			Period ended
	Bursary	EMA's	Other	31 March
	£000	£000	£000	2014
				£000
Balance brought forward	57	0	56	113
Allocation received in period (including interest)	1,365	198	101	1,664
	<u>1,422</u>	<u>198</u>	<u>157</u>	<u>1,777</u>
Expenditure	(1,425)	(215)	(110)	(1,750)
Repayable to Funding Council as Clawback	0	0	(3)	(3)
College Contribution to funds	3	17	6	26
Virements	0	0	0	0
Balance Carried forward	<u>0</u>	<u>0</u>	<u>44</u>	<u>50</u>

Represented by:

Repayable to Funding Council as Clawback	0	0	0	0
Retained by College for Students	0	0	50	50
	<u>0</u>	<u>0</u>	<u>50</u>	<u>50</u>

The student support grants detailed above are available solely for students, the College acting only as paying agent and related disbursements are therefore excluded from the Income and Expenditure Account.

**Notes to the Financial Statements (continued)****27 FE and HE Childcare Funds**

**Period ended  
31 March  
2014**

	<b>£000</b>
Balance brought forward	7
Allocation received in period	116
	123
Expenditure	(214)
Repayable to Funding Council as Clawback	0
Virements	0
College contribution to funds	91
Balance Carried forward	0
Represented by:	
Repayable to Funding Council as Clawback	0
Retained by College for Students	0
	0

Childcare Fund transactions are included within the College Income & Expenditure account in accordance with direction from SFC, as the College has more discretion in the manner in which these funds are disbursed.

**28 Capital Commitments**

**Period ended 31  
March  
2014  
£000**

Contracted for at 31 March	0
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**29 Post Balance Sheet Events**

There are no post balance sheet events.

**30 Contingent Liabilities**

The College had no contingent liabilities at 31 March 2014 and 31 July 2013.

**31 Comparatives**

The comparative figures relate to the period 1 August 2012 to 31 July 2013.





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| **March 2014**

Year ended  
31 July

2013

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12,338

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12,304

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34

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34

| **March 2014**

Year ended  
31 July

2013

£000

34

411

445

Year ended  
31 July

2013

£000

34

(8,226)

0

460

(7,732)

(7,732)

18,792

(7,732)

11,060

| **March 2014**

Year ended  
31 July

2013

£000

41,308

552

4,622

5,174

(2,691)

2,483

43,791

(1,496)

(959)

41,336

(2,774)

38,562

27,502

7,088

(2,774)

4,314

6,746

11,060

38,562

ere signed

| **March 2014**

Year ended  
31 July

2013

£000

337

31

(11)

357

357

357

4,265

4,622

| **March 2014**

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| **March 2014**

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ege has more  
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| **March 2014**

of staff are the  
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The assets and  
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corporate bond  
basis of triennial  
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future account

al pensionable  
the underlying  
ment Benefits',  
and expenditure

as if the asset  
the lease and  
amount outstanding

finance lease  
related assets.

| **March 2014**

Year ended  
31 July

2013

£000

7,784

219

687

447

493

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9,630

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315

617

375

19

295

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1,621

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277

117

74

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468

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395

16

176

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587

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| **March 2014**

Year ended  
31 July

2013

£000

31

0

31

5,696

397

0

864

6,957

0

6,957

3,479

633

2,439

320

86

0

6,957

No.

83

15

86

13

3

0

200

| **March 2014**

es were:

July 2013

Number other staff
1
0
0
0
0
0
<u>0</u>
<u>1</u>

2013  
No.

<u>5</u>
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Year ended  
31 July

2013
£
327,007
0
60,655
<u>387,662</u>

f:

£
<b>85,087</b>
<b>0</b>
<u>85,087</u>
<u>17,000</u>

| **March 2014**

o senior post-  
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ment from the  
vel expenses

Year ended  
31 July  
2013

£000

970

1,541

439

434

85

(1)

2

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410

0

3,880

0

**3,880**

14

16

0

82

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Foundation in  
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**62**

year.

**Total  
£000**

42,075

0

0

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0

**42,075**

767

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0

**1,554**

**41,308**

**40,521**

4,053

36,459

9

**40,521**

independent  
which was valued  
Appraisal and

include long-term

these assets  
proceeds.

Year ended  
31 July  
2013  
£000

109  
0  
443  
552

Year ended  
31 July  
2013

£000  
146  
96  
374  
119  
98  
120  
1,678  
60  
2,691

| **March 2014**

Year ended  
31 July  
2013

£000  
1,496

2012-13

Total

985

(47)

9

0

12

959

2%.

ject, and

**Total**

**£000**

27,151

351

27,502

0

0

0

(470)

(52)

(522)

**26,681**

**299**

**26,980**

| **March 2014**

Year ended  
31 July  
2013  
£000

15,383  
(8,226)

(411)

6,746

3,409

34

411

460

4,314

6,528

34

115

411

7,088

(3,119)

(487)

434

0

0

(62)

(115)

460

(2,774)

7,088

(2,774)

4,314

| **March 2014**

Year ended  
31 July  
2013

£000

34

53

1,405

(1)

(804)

(72)

(283)

(26)

(31)

62

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337

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31

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0

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31

(12)

1

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0

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(11)

| **March 2014**

**At 31 March  
2014**

**£000**

**2,127**

**0**

**2,127**

Year ended  
31 July  
2013

2

44

**0**

**0**

| **March 2014**

and the Local

12 months to July 2013 £000
384
415
<u>53</u>
<u>852</u>

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2.0%

3.5%

£18,474m

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1 July 2013
% p.a.
2.2%
4.5%
4.7%
4.1%

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Year ended  
31 July  
2013

£000

12,666

(15,415)

(2,749)

(25)

(2,774)

14,152

487

0

0

587

0

350

124

(260)

15,440

11,033

525

810

434

124

(260)

12,666

487

0

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587

(525)

549

487

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62

**549**

| **March 2014**

Year ended  
31 July  
2013  
£000

810  
(350)

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460

2013  
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£000  
8,360  
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253  

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12,666

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1,335

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As at  
31/07/13  
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4.60%  
5.70%  
5.10%  
2.80%

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Year ended  
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| **March 2014**

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Year ended
31 July
2013
£000
108
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2,453
2,561
(2,421)
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(20)
0
(7)
<hr/>
113
<hr/>

28
85
<hr/>
113
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it. The grants

| **March 2014**

Year ended  
31 July  
2013  
£000

4
<u>215</u>
219
(219)
0
7
<u>0</u>
<u><u>7</u></u>

3
<u>4</u>
<u><u>7</u></u>

with accounts

Year ended  
31 July  
2013  
£000

<u><u>0</u></u>
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## Board of Management

### ANNUAL REPORT BY THE FINANCE AND GENERAL PURPOSES COMMITTEE TO THE BOARD OF MANAGEMENT

#### 1 PURPOSE OF REPORT

To advise the Board of Management of the activities and decisions of the Finance and General Purposes Committee during Financial Period 2013/14.

#### 2 BACKGROUND TO REPORT

- 2.1 The Finance and General Purposes Committee comprises a minimum of three members of the Board of Management, as well as the Principal and a staff member. The Committee operates in accordance with written Terms of Reference approved by the Board of Management.
- 2.2 It is a requirement of the College's Financial Regulations that the Finance and General Purposes Committee provides the Board with an Annual Report so that all members can be fully informed of, amongst other things, the state of the College's finances.

#### 3 ADMINISTRATIVE MATTERS

- 3.1 This report covers an eight month period from 1 August 2013 to 31 March 2014.
- 3.2 The membership of the Committee during the period was:

J Henderson (Chair)
B Johnstone (until 02.03.14)
R Gunnell (until 01.07.14)
C Turnbull (Principal)
K Henry (staff member)

- 3.3 During the relevant period, the Committee's meetings were as follows:

23 September 2013	4 members attended (80%)
18 November 2013	4 members attended (80%)
17 March 2014	4 members attended (100%)

There was an average attendance of four members.

#### 4 FINANCIAL MANAGEMENT

- 4.1 The Committee is responsible under the terms of the College's Financial Regulations to ensure that the College has a sound system of internal financial management and control and a robust mechanism for considering financial issues.
- 4.2 The Committee scrutinises the College's annual revenue and capital budget, and recommends the Annual Budget for approval to the Board of Management. The Committee thereafter monitors performance throughout the year in relation to the approved budgets.

## Board of Management

- 4.3 The Committee scrutinises the Annual Financial Statements of the College, including the Operating and Financial Review, and recommends them for approval by the Board.
- 4.4 The Committee also review and approve the College Financial Statements Return and Financial Forecast Return, which are based on the Financial Statements and Annual Budget respectively, prior to submission to the SFC.
- 4.5 In order to assess the ongoing financial position of the College during the year, and the changing environmental and other issues which affect the College, the Agenda for each Committee meeting during 2013/14 included the following Items:
- **Correspondence Received** – to assess the impact on the College of SFC circulars, and other external matters as they arise;
  - **Capital Expenditure Report** – to review and approve the programme of expenditure plans for the SFC capital grant, and monitor actual expenditure against the plans;
  - **Management Accounts** – to monitor actual and forecast income and expenditure against budgets, and assess cash flows and forecasts;
  - **Operating statements** - to monitor performance of specific areas, e.g. External Development;
  - **Aged Debt Report** – to monitor client and student debt balances, and approve any proposed write-offs of unrecovered debts;
  - **Institutional Sustainability** – to monitor the factors affecting the College’s sustainability which fall within the remit of the Committee;
  - **Office for National Statistics (ONS) Re-classification** – to assess the impacts of the changes on financial reporting, budgeting, and treasury management, as well as the impact on the College retained reserves.
- 4.6 The impact of the ONS Re-classification on the College has been the main consideration for the Committee during the year. The Committee have fully considered the changes going forward, including the impact of changes to College budgets, and establishment of an Arms Length Trust to protect reserves which have built up over a number of years, as well as preserving College funds set aside for future Lennartz repayments.
- 4.7 The Committee has continued to monitor the position with regard to ongoing issues in the Crichton building, and potential repayment of the contractors’ retention held by the College.
- 4.8 The Committee also considered the proposals for hospitality developments during the period.
- 4.9 The Committee will continue to assess the issues arising from the ONS re-classification as the impact of compliance with the requirements of HM Treasury’s Consolidated Budgeting Guidance from 1 April 2014.

## Board of Management

### 5 ANNUAL BUDGET

- 5.1 The Annual Budget for 2013/14, which was approved in June 2013, was monitored against actual results during the current year and variances highlighted and explained.
- 5.2 The budget for 2014/15 was reviewed at the Committee meeting on 17 March 2014. The Budget has been set for the financial year and includes an assessment of the budget profile to cover the remaining four months of the 2013/14 academic year, and the eight month period of the 2014/15 academic year.

### 6 ANNUAL FINANCIAL STATEMENTS

- 6.1 The College Financial Statements for the eight month period to March 2014 are in draft form, and the external audit took place during June and July 2014. The auditors are now completing their work and are expected to issue their final report at the end of July for Board approval.
- 6.2 A donation of £2,120,000 was made to the Scottish Colleges Foundation during March 2014. The Foundation will provide financial support for future projects, including hospitality developments, which will not be able to be met from College retained reserves after 1 April 2014.
- 6.3 As a result of the transfer to the Scottish Colleges Foundation, the operating results for the period show a deficit of £1,651,000.
- 6.4 The donation made in the period to the Arms Length Trust has resulted in a reduction in the Balance Sheet position at 31 March 2014, with bank and cash balances of £2,127,000 Net Current Assets of £664,000 and Total Reserves of £8,343,000.

### 7 OTHER MATTERS

- 7.1 There are no capital finance matters arising which require the Board to obtain prior written consent from SFC.
- 7.2 The main focus and work of the Finance and General Purposes Committee for the forthcoming period will be to continue to address the changes arising from the ONS Reclassification of Scottish Colleges as Public Sector bodies, the move to a Regional Board and continued uncertainty over SFC grant funding levels.
- 7.3 There are no other foreseeable events that will affect the work of the Finance Committee.

### 8 OPINION

- 8.1 The Finance and General Purposes Committee's view on the Board of Management's responsibilities, as described in the Financial Regulations, is that they have been satisfactorily discharged.
- 8.2 The Finance and General Purposes Committee's view is that
- **The College's financial affairs are planned, conducted and controlled so that its total income is sufficient, taking one period with another, to meet its total expenditure, and its financial viability is maintained; and**
  - **The Board of Management has taken all reasonable steps to ensure that the College has sufficient financial resources to meet its need in the form of cash and other liquid assets or borrowing facilities or has plans to generate such resources, and this will continue to be monitored given the likelihood of ongoing funding reductions.**