Scottish Charity No. SC021189

DUMFRIES AND GALLOWAY COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD

1 APRIL 2014 TO 31 JULY 2015

The financial statements were approved and authorised for issue on 15 December 2015.

Contents

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Operating and Financial Review by the Board of Management of Dumfries and Galloway College

NATURE, OBJECTIVES AND STRATEGIES

The Board presents its report and the audited financial statements which cover the sixteen month period 1 April 2014 to 31 July 2015.

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 2005, and is exempt from corporation tax and capital gains tax. The College receives no similar exemption in respect of Value Added Tax.

Scope of the Financial Statements

The Financial Statements cover all activities of the College.

Context

Dumfries and Galloway College is a single college in a single region. Dumfries and Galloway Council is the sole Local Authority for the region. The College is the only general further education college in the region and potential learners and employers are dependent on it to deliver a curriculum which meets their needs. The College delivers further and higher education across a broad range of curriculum areas from access level to SCQF level 8, to approximately 1,600 full-time and 3,500 part-time learners through its campus locations in Dumfries and 75 miles away in Stranraer.

The Region of Dumfries and Galloway is situated in the south west of Scotland. It is 77 miles from Glasgow and 79 miles from Edinburgh to the main town of Dumfries. The Region is the third largest in Scotland in terms of land mass but is one of the most sparsely populated with 150,800 people spread over 6,426 square kilometres.

The Region is characterised by small settlements of 3,000 people or less spread across a large area. Nearly half of all people live in settlements with fewer than 3,000 people. The largest town is Dumfries (population 31,630), followed by Stranraer (10,290) and Annan (8,430) with no other settlement having more than 4,000 people. The region suffers from a poor transport infrastructure with limited public services. A relatively low proportion of addresses in the region have broadband connections and those that do, have low average speed. The region faces many challenges – the economic situation, (currently it has the lowest average wage in Scotland and economic recovery is slow compared to other regions), rurality, and an ageing population.

Due to the characteristics of the region the College will remain financially challenged. In particular, the need to duplicate a wide range of curriculum and services in Stranraer, impacts both financially and on course viability. Small learner numbers and demand makes it difficult to sustain some provision and some courses require to be structured differently to those in Dumfries, e.g. by combining different levels of learners or using mixed methods of delivery, in order to maintain that area of provision.

The College's main campus is located in the outskirts of Dumfries adjacent to the Crichton Campus and the Universities of Glasgow and the West of Scotland, Scotland's Rural College (SRUC) and the Open University. The Crichton Campus is a unique collaboration between the College and these universities that brings a broad range of further and higher education to Dumfries. In particular, the Campus brings the choice of university learning to a region that in the past people have had to leave to attend university.

Mission Statement

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

"One College, One Team , where:

- Learners come first;

-The changing needs of the economy are met; and

- Innovation, collaboration and creativity are core to what we do.

The College Strategic Outcomes are:

- We will provide opportunities to access and progress through education and training at all levels;
- We will deliver education and training that is a route to employment and career development and is aligned to local and national economic need;
- We will be the first choice for recruitment, training and development of the workforce;
- We will enable communities to grow and develop through local education and training;
- We will support more businesses to start-up, grow and diversify;
- We will enable people to build their independence and confidence in a supported environment;
- We will enable people, through lifelong learning, to remain healthy and socially engaged.

Operating and Financial Review (continued)

NATURE, OBJECTIVES AND STRATEGIES

Outcome Agreement

The College has set out its strategic objectives in the Scottish Funding Council Outcome Agreement 2014/15 to 2016/17. The Outcome Agreement is agreed annually with the Scottish Funding Council (SFC), and sets out what the College plans to deliver in return for funding from SFC. The Outcome Agreement reflects the College's commitment to responding to the educational and skills needs within the Dumfries and Galloway Region, and sets out high level objectives, including planned activities and timescales in order to meet those objectives. The needs are aligned to the Scottish Funding Council's national priorities.

Achievements made during the 2014/15 academic year include:

a. The Board of Management and Executive Management Team strategic focus included the establishment of the new Regional Board structure, and successful recruitment of new Board Members;

b. The successful development of a new Strategic Plan for 2015-2020 'Vision 2020'. Development of the new plan has provided the catalyst and opportunity for all staff and Board members to contribute to the development of a collective Vision, Mission and Plan.

c. The College carried out a full Curriculum Review in 2014/15, in order to align the curriculum offering more closely to the economic needs of the region. Feedback from employers was used as well as Community Planning Partnership and other stakeholder groups in development of the Curriculum Plan for 2015/16.

d. The CREST project, which was a unique collaboration pooling expertise, resources and knowledge on sustainability, training and innovation from four colleges in the UK and Ireland, reached a successful conclusion during 2014/15. The project was supported by the European Regional Development Fund, and was managed by the Special European Union Programmes Body (SEUBP). The project provided a range of facilities to help entrepreneurs and SME's to bring innovative and sustainable ideas from concept to reality. The College has committed to continuing to use the Micro Renewable Centre created through the project to support and train businesses to adopt and implement renewable energy solutions.

e. Planning and further development of the College estate, including the successful completion of new Hospitality facilities in the Dumfries campus, in order to provide facilities to expand the curriculum and in response to regional demand for training in that area. The College are grateful to the Scottish Colleges Foundation, who provided grant funding of £1,492,000 to meet the costs of this project, which would otherwise not have been possible.

f. Further development of the College infrastructure and systems, including further upgrading of the ICT network infrastructure in order to support the use of digital technology, and development of systems including online course application and enrolment services, and the successful introduction of an online student funding application.

Deficit resulting from use of depreciation cash

In October 2010, the UK's Office of National Statistics (ONS) re-classified incorporated further education colleges throughout the UK as part of Central Government for the purposes of reporting government income, expenditure, finance and associated matters. The changes were effective for Dumfries and Galloway College from 1 April 2014, and from that date the College must comply with the requirements of the Scottish Public Finance Manual and HM Treasury's Consolidated Budget Guidance as well as prepare financial statements which comply with UK Generally Accepted Accounting Practice and appropriate accounting policies as set out on pages 25 to 27.

Depreciation is recognised as a cost in the income and expenditure account in the financial statements in accordance with the requirements of accounting standards. Depreciation costs are intended to reflect the pattern of consumption of fixed assets over the period of their estimated use by the College.

The cash flow resulting from fixed asset transactions occur at a different time from the accounting transactions. The whole cash outflow is incurred initially when the asset is purchased, but subsequent depreciation costs charged in the income and expenditure account do not incur a cash outflow. The budget rules which apply from 1 April 2014 following reclassification require the College to spend the full amount of the cash budget allocated in order to meet the Resource Department Expenditure Limits for budget reporting purposes. The College received cash of £387,000 for the 2014/15 budget period which was ring-fenced for depreciation costs. Approval was received from the Scottish Funding Council to allow the College to apply this cash to meet costs for student support and specific areas which will deliver improved services to learners. Without this approval, the cash would have been effectively frozen.

As depreciation is already included in the financial statements as a cost, the additional expenditure has contributed to the net deficit in the financial statements. The Scottish Funding Council has confirmed that a deficit due to expenditure from depreciation funds should be treated as a 'technical' deficit.

Operating and Financial Review (continued)

Financial Objectives

The College's financial objectives following reclassification are:
- To operate a balance between operating income and expenditure, and achieve a break-even position;
- To manage the College's annual budget in line with the requirements of the Scottish Public Finance Manual, HM Treasury's Consolidated Budget Guidance and balance the budget in Resource and cash terms each year;
- To maintain cash balances throughout the year at a level that is compatible with the efficient operation of the College.

The College requires to manage its income and expenditure against Scottish Government budget control limits, and maintain broadly the same level of working capital year on year.

The College has been able to apply to the Scottish Colleges Foundation to seek funding for estates and other developments which may not have been affordable from the College's operating budget. A grant of £1,492,000 was received during the period to 31 July 2015 for Hospitality developments, and the Foundation has agreed to provide grant assistance in 2015/16 for further estates and other projects.

Performance indicators

In accordance with Scottish Funding Council requirements, the College is required to publish and report progress against targets for national 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:

- WSUMS
- Enrolments
- Retention
- Finance
- Staffing

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

The performance indicators for 2014/15 and 2013/14 are as follows:

	2014/15	2013/14
WSUMS achieved	**42,423**	42,761
WSUMS per staff FTE	**203**	212
Target WSUMS	***42,529***	*42,529*
Operating deficit (inclusive of FRS 17 adjustments)	**(£502,000)**	(£1,651,000)
Operating (deficit)/ surplus - excluding transfer to Foundation	**(£484,000)**	£469,000
(Deficit)/ Surplus excluding transfer to Foundation as a % of total income	**2.85%**	5.25%
(Deficit)/ Surplus excluding transfer to Foundation as a % of total expenditure	**2.77%**	4.43%
Staff costs as a % of total expenditure excluding transfer to Foundation	**56.6%**	59.1%
Ratio of current assets to current liabilities	**1.31**	1.27
Days cash to total expenditure excluding depreciation and transfer to Foundation	**66**	67
Non SFC income as a % of total expenditure excluding transfer to Foundation	**23.3%**	22.1%

FINANCIAL POSITION

Financial Results

As a consequence of reclassification as central government bodies, from 1 April 2014, while the College continues to prepare accounts under the FE/HE Statement of Recommended Practice, it is now also required to comply with Central Government budgeting rules. This affects, among other things, the way in which non-depreciation charges are treated. For the 2014/15 budget period this has meant that the College received cash of £387,000 which had been earmarked against depreciation. Without approval to spend this cash, moving the College's Income and Expenditure account into a deficit position, it would have been effectively frozen. The Scottish Funding Council issued guidance to the College on this matter on 30 January 2015 (SFC Announcement SFC/AN/03/2015) which provided approval for the cash to be applied to student support, loan repayments and deliver improved services to learners.

Operating and Financial Review (continued)

The impact of the above has contributed £296,000 to the reported deficit for the 2014/15 financial period. However, the Scottish Funding Council has confirmed (in its letter to the College on 30 March 2015) that a deficit resulting from the College following its 30 January 2015 guidance should be treated as a 'technical' deficit and should not be interpreted, on its own, as a challenge to the College's ongoing financial sustainability. This position has been agreed with Audit Scotland and the Scottish Government.

Out-turn for the period

The College operating results are for a sixteen month accounting period, from 1 April 2014 to 31 July 2015. The results for the period show an operating deficit of £502,000, which includes the additional planned expenditure from depreciation cash budgets of £296,000 as well as a net charge of £286,000 to the Income and Expenditure account to reflect the pension valuation changes for the Local Government Pension Scheme at 31 July 2015 in accordance with the technical accounting requirements, as detailed at Note 25.

The Central Government budgeting rules will require the College to continue to administer its budgets in compliance with the Government Financial Reporting Manual, and aim to meet the Resource Department Expenditure Limits for budget reporting purposes.

The College Balance Sheet at 31 July 2015 shows a decrease in total reserves of £3,292,000 from 31 March 2014, which includes an increase of £1,291,000 to £5,219,000 in the deficit for the Local Government Pension Scheme, as detailed at Note 25 and a decrease in the valuation of the College land and buildings by £1,785,000.

College bank balances shows a small increase during the period. Funds have been retained to meet creditors and future Lennartz liabilities as disclosed at Notes 15 and 16.

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 exemption 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. The level of cash reserves held during the year has reduced in accordance with the requirements of the Scottish Public Finance Manual (SPFM), and grant is drawn on the basis of need. In 2014/15, interest of £16,000 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 July 2015.

Cash Flows/Liquidity

The College's cash and liquid resources position at the end of the period was £2,163,000 (31 March 2014: £2,127,000). This equates to having 66 days of cash on hand. The College has retained sufficient funds in order to repay a liability under HMRC's Lennartz scheme.

Creditor Payment Policy

The College has implemented the 'Better Payment Practice Code'. As such, we aim to pay suppliers within the agreed credit terms and deal with all disputes and complaints as quickly as possible. The proportion of year-end creditors to the aggregate invoiced amounts during the academic year was 0.3% (2013/14 - 4.0%). The College did not pay any interest on late payments as defined under the Late Payment of Commercial Debts (Interest) Act 1998.

CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE

Student Numbers

During academic year 2014/15, the College delivered 42,423 WSUMs. Total numbers for student enrolments increased from 5,541 in 2013/14 to 5,705 in 2014/15, an increase of 3%. Within these overall numbers full-time student numbers were maintained at 1,619 (1,616 in 2013/14). However full-time FE student numbers declined by 11% from 1,239 in 2013/14 to 1,112 in 2014/15 but full-time HE student numbers increased by 28%, from 393 in 2013/14 to 507 in 2014/15. Part-time numbers increased by 3.6% from 3,938 in 2013/14 to 4,086 in 2014/15.

Operating and Financial Review (continued)

Student Achievements

In academic year 2014/15 the % of full-time FE students successfully achieving their programme of study was 64% and 71% for HE full-time students. The number of FE part-time students successfully achieving their programme of student was 84% and 75% for HE part-time students.

Curriculum Developments

The College's curriculum continues to be shaped to support e-learning and blended learning approaches, as further developments for the Transform project are made.

The College carried out a full Curriculum Review in 2014/15, in order to align the curriculum offering more closely to the economic needs of the region. Feedback from employers was used as well as Community Planning Partnership and other stakeholder groups in development of the Curriculum Plan for 2015/16. Employer Advisory Boards were established with the aim of strengthening relationships with employers and businesses in the region. The remit of the Boards is to ensure the curriculum is fit for purpose, to increase industry visits and work experience opportunities for learners, and to encourage more employers to directly recruit from the College. During 2014/15, the College worked with the NHS to develop a 'Reablement programme', Dumfries and Galloway Housing Partnership to develop bespoke programmes, and SPEN to expand the Overhead Lines Technician course to include jointing skills. The College is currently in discussions with Laing O'Rourke to explore opportunities relating to the construction of the region's new acute district hospital.

Estates Strategy

The College is currently developing a 5 year estates strategy to support the College strategic plan Vision 2020. The strategy will aim to:

- provide flexible, fit for purpose accommodation to reflect modern delivery:
- continue to ensure efficient space utilisation;
- identify the need for rationalisation and disposal of assets which are surplus to requirements;
- maximise the value of the estate, looking at existing and alternative uses;
- establish and maintain clear routine, statutory and long term preventative maintenance plans;
- consider opportunities for effectiveness through shared services with our Crichton partners;
- ensure the space is fully accessible, meeting all ability needs;
- continue to reduce carbon emissions in line with the College's Climate Change Action Plan.

This strategy will be updated annually to reflect the development of the estate and to meet the changes in the wider environment.

Post-Balance Sheet Events

There were no post balance sheet events.

Future Developments

Dumfries and Galloway College is moving into an exciting stage of development, building on previous successes and driving forward to achieve the aspiration of becoming an 'outstanding college'. The College aims to deliver the highest quality learning for students, to make a positive contribution to the local and national economies and to utilise the expertise of College staff to deliver continuous improvements. 'Vision 2020' is the Strategic Plan for the period 2015-2020 and sets out the vision 'Inspiring our People, Businesses and Communities to be successful', the mission 'One College, one Team where: Learners come first; the changing needs of the economy are met; and innovation, collaboration and creativity are core to what we do'.

Priority Outcomes for academic year 2015/16 include:

Stakeholder Consultation - The Regional College Chair is driving forward the establishment of the Developing Young Workforce Regional Group in Dumfries and Galloway and, although this will be employer-led, the College will have a key role in taking forward this initiative. In addition, the College will be represented at a senior executive level on the Economic Leadership group which is being established in Dumfries and Galloway, which will ensure a cohesive approach to the economic development and success of the region.

Operating and Financial Review (continued)

Shared Services and Collaboration - The College will continue to seek opportunities to expand shared services with the Crichton Institute, which is a new collaborative venture comprising Crichton academic and wider strategic partners. All of the Crichton partners are working to identify and deliver enhanced facilities that will support and encourage a strong, vibrant student community on the Crichton campus.

Developing the Student Association - the College will use the funding provided by the Scottish Funding Council's College Strategic Fund to develop the Student Association by working with the National Union of Students to develop, implement and support a sustainable Students Association, and ensure equivalence of the student association across the two campuses in Dumfries and Stranraer.

High quality learning and teaching - the College is committed to meeting learner needs by providing appropriate learning opportunities, skills and qualifications. Improving attainment will be a key priority, and the College will continue to increase the number of programmes leading to recognised qualifications and level qualifications through the Scottish Credit Qualification Framework as well as develop strategies for improving attainment at course level.

Improving the success rates for students is a priority for the College, and ambitious targets have been set for 2015/16 for improvement in the number of learners achieving recognised qualifications, as well as improving retention rates.

The College will continue working to explore articulation opportunities with Crichton University partners, as well as maximise progression opportunities for all learners.

ICT and Broadband capacity - ICT is at the heart of our business. The College plans to upgrade the network infrastructure and cabling in our Stranraer campus in order to maximise the use of digital technology and deliver a flexible curriculum and learner experience, at the same level as the infrastructure in Dumfries.

RESOURCES

The College receives the majority of its income from the Scottish Funding Council in the form of grants. This income 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 committed to 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 objective of reducing emissions by 80% by 2050.

The College is developing a 5 year Climate Change Action Plan to achieve reduced emissions. This is designed to contribute to 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. In addition to consideration of ongoing improvements such as energy-efficient lighting, insulation, paper and other waste reduction initiatives, plans are underway to roll out a programme of awareness raising for staff and students. This was a main priority identified in our Carbon Audit.

Awareness of sustainability and renewable issues have been further embedded into the curriculum during the year through the Sustainability Officer with workshops being delivered for staff and students and work books being developed across the curriculum. The full term of the College Green Travel Plan is now complete and an audit is being planned to confirm progress made. Initiatives continue regarding sustainable travel for staff and students together with promotions such as 'Walk to Work' week, and car sharing through collaboration with Dumfries and Galloway Council's 'DGTripshare' website. A pool cycle and bikebin is now available for staff at the Stranraer campus, which mirrors the facilities 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 affect the College's long-term financial position are:

- ***External financial environment.*** *The impact of National Pay bargaining on the College finances is unknown. In addition, the continued uncertainty of public sector financial allocations will continue to be closely monitored by the Board.*

- ***Diversify income streams.*** *The impact of the economic downturn and public sector funding cuts has increased the importance of finding other sources of income, and the College will continue to develop external funding bids where possible and collaborate with other organisations in order to increase non-SFC income.*

Operating and Financial Review (continued)

- ***Changes to the funding model**. The implementation of needs-led funding, in particular changes to Extended Learning Support and rural funding aspects of the recurrent SFC grant, will continue to be closely monitored and reported to the Board.*
- ***Capital funding.** There is potential for significant changes in the SFC allocation process for capital funding, which may impact the College's ability to fund estates developments and other projects in future. The College will continue to monitor this.*
- ***Student achievement and attainment**. The learners in the College generally achieve well, including wider achievement. However, the changes to the Regional Outcome Agreement with the Scottish Funding Council and attaching conditions on attainment to the recurrent grant could have a consequential impact on the College budgets in future years.*
- ***Demand for Student Support.** The demand for student support continues to be monitored, and assessed against funding available. The senior managers and Board will continue to monitor this.*

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 order to be a first choice provider of learning and training.
- **Scottish Funding Council** - the College aims to maintain its good relationship with the Scottish Funding Council in order to ensure continued strategic development;
- **Staff** - The College recognises the value of its staff and has a number of measures to enhance communication;
- **Crichton Campus Leadership Group** - as a member of the Crichton Campus Leadership Group, the College works with campus partners to maximise the educational and other opportunities the Crichton campus can provide;
- **Local Employers, the Local Authority and community** - these groups provide a major input into the services required from 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 out in the 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 order to maintain high quality learning;
- **Trade Unions** - the College aims to maintain a positive working relationship with all recognised representative bodies;
- **Professional Bodies** - continued close relationships with professional bodies will help to ensure programmes are relevant 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 environment which enables everyone to participate fully in their chosen studies and college life. The College supports inclusiveness and widening access in all forms, particularly in relation to gender, ethnicity and disability. We aim to design our curriculum to be as accessible as possible for all students and provide extra support where this is reasonable. This includes the provision of alternative formats for curriculum material, physical access and financial assistance where students are eligible for third party support such as scribes and signers.

All individuals within Dumfries and Galloway College have a responsibility for compliance with legislation and for a positive attitude towards equal opportunities. All external persons connected to Dumfries and Galloway College will be encouraged to 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 aware, there is no relevant audit information of which the College's auditors are unaware; and each Board member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Remuneration Report

Introduction

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2014/15 Government Financial Reporting Manual (FReM) issued by the Scottish Government, which is relevant for the financial period ending 31 July 2015.

The report sets out the remuneration and accrued pension benefits of the Senior College Executives, which comprises the Chairman of the Regional Board, College Principal and Executive Management Team. The Chairman of the Regional Board and College Principal are the only two members of the Regional Board who receive remuneration in respect of their post, and as Board members have responsibility for directing the major activities of the College during the period in accordance with the FReM.

The report also provides information on the number of College Employees, including Executive Management Team members, whose total actual remuneration was £50,000 or more, this information being disclosed in salary bandings of £5,000 above £50,000. The following report has been prepared in accordance with the aforementioned Regulations.

The College's External Auditor is required to audit certain parts of the remuneration report and give a separate opinion in his report on the Statement of Accounts as to whether the Remuneration Report has been properly prepared in accordance with the Regulations. All the tables in this report are subject to audit except those relating to Staff Members Allowances and Expenses.

Remuneration Policy

The remuneration of the Regional College Chair is set by the Scottish Government, and is a non-pensionable post.

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders. The Committee takes into account public pay policy, pay awards to other categories of staff and guidance from the Scottish Funding Council and Scottish Government.

Remuneration of the Executive Management Team is set out in note 8 of the financial statements.

The College's employees receiving more than £50,000 remuneration during the period covered by the financial statements are shown below. This information is disclosed in salary bandings of £5,000 above £50,000 or more.

	16 Month period ended 31 July 2015		8 Month period ended 31 March 2014	
	Number senior post-holders	**Number other staff**	Number senior post-holders	Number other staff
£50,001 to £55,000	0	8	0	0
£55,001 to £60,000	0	0	0	0
£60,001 to £65,000	0	3	1	0
£65,001 to £70,000	0	0	0	0
£70,001 to £75,000	1	0	0	0
£75,001 to £80,000	0	0	0	0
£80,001 to £85,000	2	0	0	0
£85,001 to £90,000	0	0	0	0
£90,001 to £95,000	0	0	0	0
£95,001 to £100,000	0	0	0	0
£100,001 to £105,000	0	0	0	0
£105,001 to £110,000	0	0	0	0
£110,001 to £115,000	0	0	0	0
£115,001 to £120,000	0	0	0	0
£120,001 to £125,000	1	0	0	0
	4	11	1	0

During the period, the College made no payments for compensation on early retirement or loss of office (2013/14 - £nil).

During the period, the College made no non-cash benefits available to staff (2013/14 - none).

Remuneration Report (continued)

Salary entitlements

The following table provides detail of the remuneration and pension interests of Senior Executives.

	16 months ended 31 July 2015			8 months ended 31 March 2014		
	Actual			Actual		
Name	Salary £'000	Pension benefit £'000	Total £'000	Salary £'000	Pension benefit £'000	Total £'000
B. Johnstone - Actual	30	0	30	0	0	0
C. Turnbull - Actual	125	35	160	60	55	115
J. Brown - Actual	80	35	115	40	10	50
H. Pedley - Actual	75	30	105	40	5	45
S.A. Wright - Actual	85	20	105	40	5	45

	Annual Equivalent			Annual Equivalent		
Name	Salary £'000	Pension benefit £'000	Total £'000	Salary £'000	Pension benefit £'000	Total £'000
B. Johnstone - Annual Equivalent	20	0	20	0	0	0
C. Turnbull - Annual Equivalent	95	25	120	90	80	170
J. Brown - Annual Equivalent	65	25	90	60	15	75
H. Pedley - Annual Equivalent	55	25	80	60	10	70
S.A. Wright - Annual equivalent	65	15	80	60	5	65

Median Remuneration

Based on the 12 month equivalent figures above, the banded remuneration of the highest paid official in the organisation during the financial year 2014/15 was £95,000. (2013/14 - £90,000). This was 4 times (2013/14 4 times) the median remuneration of the workforce which was £24,000 (2013/14 £24,000).

Accrued pension benefits

Pension benefits for employees are provided through the Scottish Teacher's Superannuation Scheme (STSS), a defined benefit scheme which is externally funded and contracted-out of State Earnings-Related Pension Scheme and the Local Government Pension Scheme (LGPS) Dumfries and Galloway Pension Fund.

Both STSS and LGPS are final salary pension schemes. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

Contribution rates are set annually for all employees, as set out at note 25.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) a pension for lump sum up to the limit set up by the Finance Act 2004. The actual rate guarantees a pension based on the pensionable salary and years of pensionable service.

Changes to the Local Government Pension Scheme

Changes were made to the LGPS scheme from 1 April 2015. The pension after that date for members will be calculated on a career average basis, and the pension age will align with the state pension age.

Scheme members will be able to choose to leave the scheme and draw their pension from normal pension age, or choose to work longer. Pension benefits would be reduced if the member retires before their normal pension age, and increased if they choose to work longer.

Pension benefits built up by members in the scheme up to 31 March 2015 are protected, and will still be based on their final salary on leaving and the normal pension age in the current scheme. Member benefits build up in the new way from April 2015.

Remuneration Report (continued)

Senior Executives Pension

Pension benefits are provided to Senior Executives on the same basis as all other staff. The accrued pension benefits for senior officials are set out in the table below, together with pension contributions made by the College.

Name	Accrued pension at pension age at 31 July 2015	Accrued lump sum at pension age at 31 July 2015	Real increase in pension 1 April 2014 to 31 July 2015	Real increase in lump sum 1 April 2014 to 31 July 2015	CETV at 31 July 2015	CETV at 31 March 2014	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
B. Johnstone	0	0	0	0	0	0	0
C. Turnbull	35	70	2.5	2.5	674	605	57
J. Brown	30	60	2.5	2.5	517	469	42
H. Pedley	25	55	2.5	2.5	365	330	28
S.A. Wright	25	65	5	5	391	359	23

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total service and not just their current appointment.

In considering the accrued pension benefits figures the following contextual information should be taken into account:

1. The figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement:

2. The accrued benefits figures are reflective of the pension contributions that both the employer and scheme member have made over a period of time.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

No employees left under voluntary exit terms during the year.

Approved by order of the members of the Board on 15 December 2015 and signed on its behalf by:

Brian Johnstone **Carol Turnbull**

Chairman 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 summary 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.

The Scottish Government have published a 'Code of Good Governance for Scotland's Colleges' which codifies the principles of good governance that already exist in colleges, and promotes accountability and continuous improvement in how colleges are governed. The Code establishes standards of good governance practice for all college boards and provides the essential foundations for compliance with the legislative framework set out by the further and higher education acts.

The Board of Management of Dumfries and Galloway College adopted the 'Code of Conduct for Members' in June 2014. The Board also adopted the code of Good Governance for Scotland's Colleges in January 2015. The Regional Board complied with the 'College Sector Board Appointments: 2014 Ministerial Guidance' when appointing all non-executive board members.

The Board of Management supports the work being done by the College Sector Good Governance Steering Group, and is already establishing a Development and Evaluation Framework in accordance with the guidance published in November 2015, using external evaluation.

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 July 2015.

Statement of full compliance with the Code of Good Governance for Scotland's Colleges

In the opinion of the Board of Management, the College complies with all the provisions of the Code of Good Governance for Scotland's Colleges, and it complied throughout the period ended 31 July 2015.

Membership of the Board of Management

The Regional Chair, Brian Johnstone, was appointed in March 2014 and the College Board of Management became a Regional Board with effect from 3rd March 2015, with the Chair and the Principal continuing as members of the Board beyond 2nd March 2015 and all other appointments subject to review.

The Board recruitment process to appoint members to the Regional Board was implemented in two stages, in May 2014 and November 2014. An elections process was also undertaken to identify the staff Members, Student President and Vice President.

The recruitment of members for the Regional Board has been undertaken in-line with the College Sector Board Appointments: 2014 Ministerial Guidance. The Board Membership of 16 comprises of the Chair, the Principal, two student members, two staff members and 10 non-executive members.

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

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

Dumfries and Galloway College Board of Management met seven times during the 2014/15 financial period and conducts 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 non-executive members of the Board of Management and are all chaired by a Member of the Board. These committees include a Human Resources Committee, a Finance and General Purposes Committee, a Selection and Appointments Committee, a Remuneration Committee, a Learning and Teaching Committee and Audit Committee.

The Board Secretary 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's expense and have access to the Board Secretary, who is responsible for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Board Secretary are matters for the Board of Management as a whole.

Statement of Corporate Governance and Internal Control (continued)

Formal agendas, papers and reports are supplied to Board Members in a timely manner, prior to Board meetings. Briefings 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 its 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 their independent judgement.

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

Members

The undernoted individuals are the current members of the Regional Board:

Janet Brennan
Hugh Carr
Ros Francis
Janice Goldie
Barry Graham
John Henderson
Kenny Henry (Support Staff Member)
Delia Holland (Vice Chair)
Brian Johnstone (Regional College Chair)
Pat Kirby
Stuart Martin
Karen McGahan
Craig McGill (Student Member)
Carol Turnbull (Principal and Chief Executive)
Julian Weir (Student Member)
Ian White (Lecturing Staff Member)

The following individuals were also Board members in the period from April 2014 up to 31 July 2015:

Sandy Burgess (resigned January 2015)
Sam Glendinning (Student Representative, resigned July 2015)
Colin Grant (resigned March 2015)
Rona Gunnell (resigned July 2014)
Amanda Hannah (resigned March 2015)
Tom Hydes (resigned July 2014)
Rona Malloney (Student Representative, resigned July 2014)
Andrew Nyondo (Lecturing Staff representative, resigned June 2015)

Jannette Brown acted as Board Secretary throughout the period.

Committees of the Board of Management

The Board of Management has formally constituted several committee with terms of reference. These committees act with delegated authority. Information on the Board's committees is given on the next page, together with details of membership of key committees at 31 July 2015.

Statement of Corporate Governance and Internal Control (continued)

Key Committees:

Human Resources Committee
Members - Janet Brennan, Tom Hydes, Stuart Martin, Carol Turnbull, Ian White

Selection and Appointments Committee
Members - Hugh Carr, Delia Holland, Brian Johnstone, Stuart Martin

Remuneration Committee
Members - John Henderson, Delia Holland, Brian Johnstone

Audit Committee
Members - Hugh Carr, Janice Goldie, Delia Holland, Pat Kirby, Stuart Martin

Finance and General Purposes Committee
Members - Ros Francis, John Henderson, Kenny Henry, Karen McGahan, Carol Turnbull

Learning and Teaching Committee
Members - Barry Graham, John Henderson, Kenny Henry, Delia Holland, Craig McGill, Carol Turnbull, Julian Weir, Ian White.

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 Board has a Selection and Appointments Committee, which is responsible for the selection and nomination of any new member for the Board's consideration. The Board of Management is responsible for ensuring that appropriate training is provided as required.

Human Resources Committee

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

Selection and Appointments Committee

The Selection and Appointments Committee manage the process of recruitment and appointment of candidates for membership of the Board of management, including recommending candidates for approval of the Chair and Scottish Ministers.

The Selection and Appointments Committee also review and consider the composition and balance of the Board in relation to equality, skills and experience, develop policies and procedures for induction, training and development of Board members, and receive and review evaluation reports on Board performance and development.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders. Details of the remuneration of senior post-holders for the period ended 31 July 2015 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 Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Board of Management.

Statement of Corporate Governance and Internal Control (continued)

The Audit Committee meets a minimum of three times a year, and provides a forum for reporting by the College's internal, regularity and financial statements auditors. The auditors have access to the Committee for independent discussion, without the presence of College management.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input, and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal auditors undertake periodic follow-up 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.

Finance and General Purposes

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

Learning and Teaching

The Learning and Teaching Committee has overall responsibility for monitoring the direction and performance of learning and teaching and the quality of the learners experience at 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 reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate, the risk of failure to achieve business 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 maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst 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 of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. 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 in Dumfries and Galloway College for the period ended 31 July 2015 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Board of Management has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Management is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Management.

Risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures 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 against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- the adoption of formal project management disciplines, where appropriate.

Statement of Corporate Governance and Internal Control (continued)

Risk and control framework (continued)

The College manages the risks faced by adopting robust management practices. The planning processes, self-evaluation and sector review, and audit processes are designed to identify and manage risks. A detailed risk register is maintained and updated 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 to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board of Management on the recommendation of the Audit Committee. On an annual basis, a report is provided to the Board of Management detailing internal audit activity in the College. The report includes the internal auditors' independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her 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 letters 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 and ensure continuous improvement of the system is in place.

The Executive Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive 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 a high-level review of the arrangements for internal control. The Board of Management's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2015 meeting, the Board of Management carried out the annual assessment for the period ended 31 July 2015 by considering documentation from the Executive Management Team and internal audit, and taking account of events since 31 July 2015.

Going Concern

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

Conclusion

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

Approved by order of the members of the Board on 15 December 2015 and signed on its behalf by:

Brian Johnstone
Chairman

Carol 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, and is required to present audited financial statements for each financial year.

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2007 Statement of Recommended Practice on Accounting in Further and Higher Education Institutions, the 2014-15 Government Financial Reporting Manual (FReM) issued by the Scottish Government and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Management, 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 and cash flows for 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 for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:

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

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

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance 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 and the 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 the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

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

Approved by order of the members of the Board on 15 December 2015 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

We have audited the financial statements of Dumfries and Galloway College for the period ended 31 July 2015 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 Cost Surpluses and Deficits, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom 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 approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Board of Management and auditor

As explained more fully in the Statement of the Board of Management's Responsibilities, 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, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of 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 give 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 college's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

• give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2015 and of its deficit 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 (as amended).

Opinion on regularity

In our 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.

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 (continued)

Opinion on other prescribed matters

In our opinion:

• the part of the Remuneration Report to be audited has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Ministers; and

• 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.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

• proper accounting records have not been kept; or

• the financial statements are not in agreement with the accounting records; or

• we have not received all the information and explanations we require for our audit; or

• the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

We have nothing to report in respect of these matters.

Jackie Bellard
For and on behalf of Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

15 December 2015

Jackie Bellard is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000.

Income and Expenditure Account for the period ended 31 July 2015

	Note	Period ended 31 July 2015	Period ended 31 March 2014
		£000	£000
INCOME			
SFC grants	2	**12,906**	7,062
Tuition fees and education contracts	3	**2,271**	1,211
Other grant income	4	**1,136**	283
Other operating income	5	**569**	352
Endowment and investment income	6	**93**	24
Total Income		**16,975**	8,932
EXPENDITURE			
Staff costs excluding exceptional costs		**9,878**	5,004
Exceptional costs - severance costs		**0**	0
Staff costs including exceptional costs	7	**9,878**	5,004
Other operating expenses	9	**6,002**	2,672
Transfer to Arms Length Foundation	9	**18**	2,120
Depreciation	12	**1,579**	787
Interest payable	10	**0**	0
Total Expenditure		**17,477**	10,583
(Deficit)/ Surplus on continuing operations after depreciation of assets at valuation and before tax		**(502)**	(1,651)
Taxation		**0**	0
(Deficit)/ Surplus on continuing operations after depreciation of assets at valuation and after tax		**(502)**	(1,651)
(Deficit)/ Surplus for the period retained within general reserves		**(502)**	(1,651)

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

As a consequence of reclassification as central government bodies, from 1 April 2014, while the College continues to prepare accounts under the FE/HE Statement of Recommended Practice, it is now also required to comply with Central Government budgeting rules. This affects, among other things, the way in which non-depreciation charges are treated. For the 2014/15 budget period this has meant that the College received cash of £387,000 which had been earmarked against depreciation. Without approval to spend this cash, moving the College's Income and Expenditure account into a deficit position, it would have been effectively frozen. The Scottish Funding Council issued guidance to the College on this matter on 30 January 2015 (SFC Announcement SFC/AN/03/2015) which provided approval for the cash to be applied to student support, loan repayments and deliver improved services to learners, as described at Note 9. The operating deficit of £502,000 for the period includes additional planned expenditure from depreciation cash budgets of £296,000 as well as a net charge of £286,000 to the Income and Expenditure account to reflect the pension valuation changes for the Local Government Pension Scheme at 31 July 2015 in accordance with the technical accounting requirements of FRS 17, as detailed at Note 25.

Statement of Historical Cost Surpluses and Deficits for the period ended 31 July 2015

	Note	Period ended 31 July 2015	Period ended 31 March 2014
		£000	£000
(Deficit)/ Surplus on continuing operations before taxation		**(502)**	(1,651)
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	19	**264**	132
Historical cost (deficit)/ surplus for the period before and after taxation		**(238)**	(1,519)

Statement of the Total Recognised Gains and Losses for the period ended 31 July 2015

	Note	Period ended 31 July 2015	Period ended 31 March 2014
		£000	£000
(Deficit)/ surplus on continuing operations for the year after depreciation of assets at valuation and tax		**(502)**	(1,651)
Unrealised deficit on revaluation of fixed assets	12	**(1,785)**	0
Impairment of previously revalued fixed assets	12	**0**	0
Actuarial (loss)/ gain recognised since last annual report	19,25	**(1,005)**	(1,066)
Total recognised (loss) relating to the period		**(3,292)**	(2,717)
Total (loss) recognised since last annual report		**(3,292)**	**(2,717)**
Reconciliation			
Opening reserves		**8,343**	11,060
Total recognised (losses) for the year		**(3,292)**	(2,717)
		5,051	**8,343**

Balance Sheet as at 31 July 2015

	Note	Period ended 31 July 2015	Period ended 31 March 2014
		£000	£000
Fixed Assets			
Tangible assets	12	37,953	40,521
Current Assets			
Debtors	13	297	1,001
Cash at bank and in hand	14	2,163	2,127
Total current assets		2,460	3,128
Less: Creditors - amounts falling due within one year	15	(1,875)	(2,464)
Net Current Assets		585	664
Total Assets less Current Liabilities		38,538	41,185
Less: Creditors - amounts falling due after more than one year	16	(745)	(1,184)
Less: Provision for liabilities	17	(796)	(750)
Net Assets excluding pension liability		36,997	39,251
Pension liability	25	(5,219)	(3,928)
NET ASSETS INCLUDING PENSION LIABILITY		31,778	35,323
Deferred capital grants	18	26,727	26,980
Reserves			
Income and expenditure account excluding pension reserve		5,705	5,657
Pension reserve	19	(5,219)	(3,928)
Income and expenditure account including pension reserve	19	486	1,729
Revaluation reserve	19	4,565	6,614
Total reserves		5,051	8,343
Total Funds		31,778	35,323

The financial statements on pages 21 to 43 were approved by the Board of Management on 15 December 2015 and were signed on its behalf by:

Brian Johnstone
Chairman

Carol Turnbull
Principal

Cash Flow Statement for the period ended 31 July 2015

	Note	Period ended 31 July 2015	Period ended 31 March 2014
		£000	£000
Net cash inflow from operating activities	20	**2**	(2,514)
Returns on investments and servicing of finance	21	**16**	17
Capital expenditure and financial investment	22	**18**	2
(Decrease)/ increase in cash in the period		**36**	(2,495)

Note to the Cash Flow Statement

Reconciliation of net cash flow to movement in net funds

(Decrease)/ increase in cash in the period		**36**	(2,495)
Movement in net funds in period		**36**	(2,495)
Net funds at 1 April 2014	23	**2,127**	4,622
Net funds at 31 July 2015	23	**2,163**	2,127

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 Direction issued thereunder by the Scottish Further and Higher Education Funding Council which requires compliance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2007), the 2014-15 Government Financial Reporting Manual (FReM) issued by the Scottish Government, and in accordance with applicable accounting standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

Basis of accounting

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

The accounting policies contained in the FReM apply International Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the College for the purposes of giving a true and fair view has been selected. The particular policies adopted by the College in dealing with items that are considered to be material to the financial statements are set out below.

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 towards the SFC Outcome Agreement targets for the 2013/14 and 2014/15 academic years.

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

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

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

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. Land and buildings are therefore valued on the basis of depreciated replacement cost with the exception of the Catherinefield building which has been valued on an open market value. Land is not depreciated and buildings are depreciated over their estimated life as identified by the valuer.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and released to income and expenditure account over the estimated life of the building 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 those assets.

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, incurred to 31 July. 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 period it is 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.

Notes to the Financial Statements (continued)

1 Statement of Principal Accounting Policies (continued)

Equipment

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

Equipment is carried at depreciated historic cost, which is used as a proxy for fair value. Depreciated historic cost is deemed to be more appropriate than revaluing equipment as it is common for such assets to reduce in value, rather than increase, as they are used by the College.

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

Depreciation

Depreciation is provided to write off the cost or valuation of tangible fixed assets on a straight-line basis over the expected useful lives of the 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 as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding 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 finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

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 depreciation charged on the revalued amount of these assets is transferred from revaluation reserve to income and expenditure account together with any surplus or deficit on disposal.

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 definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of 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 its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Notes to the Financial Statements (continued)

1 Statement of Principal Accounting Policies (continued)

Provisions

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

Unfunded pensions are accounted for under FRS 12.

Agency arrangements

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

Retirement Benefits

All new members of staff have the option of joining a pension scheme. The schemes currently open to new members of staff are the Dumfries and Galloway Council Pension Fund and the Scottish Teachers' Superannuation Scheme. Existing employees are entitled to 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 assets and liabilities of the scheme are held separately from those of the College. Pension scheme assets are measured using bid values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Contributions to the Scheme are determined by an actuary on the basis of triennial valuations using the Age Attained Method. Variations from regular cost are spread over the expected average remaining working lifetime 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 the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Benefits', 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 the asset had been purchased outright and are capitalised at the present value of minimum lease payments at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding 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 finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

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 July 2015 £000	Period ended 31 March 2014 £000
2 SFC Grants			
FE recurrent grant (including fee waiver)		11,082	5,554
FE and HE childcare funds		374	123
Release of deferred capital grants	18	888	445
Infrastructure grant		379	791
Other SFC grants		183	149
Total		12,906	7,062

	Note	Period ended 31 July 2015 £000	Period ended 31 March 2014 £000
3 Tuition Fees and education contracts			
FE fees - UK		448	230
HE fees		919	452
SDS contracts		517	219
Education contracts		2	4
Other contracts		385	306
Total		2,271	1,211

	Note	Period ended 31 July 2015 £000	Period ended 31 March 2014 £000
4 Other grant income			
European funds		84	150
Release of deferred capital grants	18	164	77
Scottish Colleges Foundation grant (Note 18)		820	0
Other grants		68	56
Total		1,136	283

	Note	Period ended 31 July 2015 £000	Period ended 31 March 2014 £000
5 Other operating income			
Residences and catering		486	310
Other income-generating activities		34	16
Other income		49	26
Total		569	352

Notes to the Financial Statements (continued)

	Note	Period ended 31 July 2015 £000	Period ended 31 March 2014 £000
6 Endowment and investment income			
Bank interest		**16**	17
Net return on pension asset/ liability	**25**	**77**	7
Total		**93**	24
7 Staff costs			
Wages and salaries		**7,711**	4,062
Social security costs		**527**	265
Past service credit (note 25)		**0**	0
Other pension costs (including FRS 17 adjustments of £363k (2014 - £95k) note 25)		**1,640**	677
Staff costs excluding exceptional costs		**9,878**	5,004
Exceptional costs - severance costs		**0**	0
Staff costs including exceptional costs		**9,878**	5,004
Academic/ Teaching departments		**4,988**	2,546
Academic/ Teaching services		**1,096**	455
Administration and central services		**3,109**	1,735
Premises		**531**	212
Other expenditure		**154**	56
Catering and residences		**0**	0
Total		**9,878**	5,004

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

	No.	No.
Academic/ Teaching departments	**82**	84
Academic/ Teaching services	**19**	16
Administration and central services	**92**	86
Premises	**13**	13
Other expenditure	**3**	3
Catering and residences	**0**	0
Total	**209**	202

7 Staff costs (continued)

The number of staff, including senior post-holders and the Principal, who received total annual emoluments (excluding pension contributions) in the following ranges were:

	Period ended 31 July 2015		Period ended 31 March 2014	
	Number senior post-holders	Number other staff	Number senior post-holders	Number other staff
£50,001 to £60,000 per annum	1	0	3	0
£60,001 to £70,000 per annum	2	0	1	0
£70,001 to £80,000 per annum	0	0	0	0
£80,001 to £90,000 per annum	0	0	1	0
£90,001 to £100,000 per annum	1	0	0	0
£100,001 to £110,000 per annum	0	0	0	0
	4	**0**	5	0

8 Senior post-holders' emoluments

	2015 No.	2014 No.
The number of senior post-holders, including the Principal was:	**4**	5

	Period ended 31 July	Period ended 31 March
Senior post-holders' emoluments are made up as follows:	**2015**	2014
	£	£
Salaries	**383,118**	216,691
Benefits in kind	**0**	0
Pension contributions	**69,749**	38,609
Total emoluments	**452,867**	255,300

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

	£	£
Salary (including holiday pay)	**122,100**	60,000
Benefits in kind	**0**	0
	122,100	60,000
Pension contributions	**23,975**	11,647

The Principal and two other senior post-holder were members of the Local Government Pension Scheme and one senior post-holder was a member of the Scottish Teachers' Superannuation Scheme. All pension contributions were paid at the same rate as for other members of staff.

The members of the Board of Management, other than the Principal, Regional Chairman, 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 £565.

Notes to the Financial Statements (continued)

9 Other operating expenses	Period ended 31 July 2015	Period ended 31 March 2014
	£000	£000
Teaching departments	1,155	797
Administration and central services	1,454	1,036
Premises costs (including additional Lennartz charge £90,000. 2014 - credit - £111,000, note 16)	1,277	184
Planned maintenance	1,335	144
Other employee related costs	215	67
(Gain)/ Loss on disposal of fixed assets	(16)	(2)
Agency Staff Costs	61	38
Other income generating activities	0	0
Residences and catering	516	313
Overspend on student support funds	5	95
	6,002	2,672
Transfer to Arms Length Foundation	18	2,120
Total	6,020	4,792

Other operating costs include:			
Auditors' remuneration	- external audit of these financial statements	15	16
	-internal audit services *	24	13
	- other services	0	7
Hire of plant and machinery - operating leases		106	57
Hire of other assets - operating leases		0	0

** Two different professional firms provide External Audit and Internal Audit services.*

The College is participating in the Scottish Colleges Foundation, an independent trust which was established with the purposes of supporting further and higher education colleges in Scotland. Total donations from the College to the Foundation in the period to 31 July 2015 amounted to £17,500 (2014 - £2,120,000). The donation of £2,120,000 in the period to 31 March 2014 represented a transfer to the Foundation of cash reserves which had been built up by the College over a number of years, in order to In order to try to mitigate the impact of the re-classification of the Scottish College sector on Dumfries and Galloway College. The Foundation has provided financial support for Hospitality developments during the current financial period, as detailed at Note 18, and the College will be able to apply for funding for project future projects which will not be able to be met from reserves after 1 April 2014 due to re-classification.

The grant received from the Foundation during the period was used to fund Hospitality developments as detailed at Note 18.

A further consequence of reclassification of the College as a central government body is that, from 1 April 2014, while the College continues to prepare accounts under the FE/HE Statement of Recommended Practice, it is now also required to comply with Central Government budgeting rules. This affects, among other things, the way in which non-depreciation charges are treated. For the 2014/15 budget period this has meant that the College received cash of £387,000 which had been earmarked against depreciation. Without approval to spend this cash, moving the College's Income and Expenditure account into a deficit position, it would have been effectively frozen. The Scottish Funding Council issued guidance to the College on this matter on 30 January 2015 (SFC Announcement SFC/AN/03/2015) which provided approval for that cash to be applied to student support, loan repayments and deliver improved services to learners.

The impact of the above has contributed £296,000 to the reported deficit for the 2014/15 financial period. However, the Scottish Funding Council has confirmed (in its letter to the College on 30 March 2015) that a deficit resulting from the College following its 30 January 2015 guidance should be treated as a 'technical' deficit and should not be interpreted, on its own, as a challenge to the College's ongoing financial sustainability. This position has been agreed with Audit Scotland and the Scottish Government.

Notes to the Financial Statements (continued)

10 Interest payable	**Period ended 31 July 2015 £000**	Period ended 31 March 2014 £000
Net interest cost on pension liability (note 25)	0	0

11 Taxation

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

12 Tangible Fixed Assets

	Land and Buildings £000	**Equipment £000**	**Motor Vehicles £000**	**Total £000**
Cost or valuation				
At 1 April 2014	41,498	310	267	42,075
Additions	679	35	85	799
Disposals	0	(8)	(99)	(107)
Transfers	0	0	0	0
Revaluation adjustment	(3,968)	0	0	(3,968)
At 31 July 2015	**38,209**	**337**	**253**	**38,799**
Depreciation				
At 1 April 2014	1,031	277	246	1,554
Provided during period	1,544	15	20	1,579
On disposals	0	(6)	(99)	(105)
Revaluation adjustment	(2,182)	0	0	(2,182)
At 31 July 2015	**393**	**286**	**167**	**846**
NBV at 1 April 2014	40,467	33	21	40,521
NBV at 31 July 2015	**37,816**	**51**	**86**	**37,953**
Inherited	3,950	0	0	3,950
Financed by capital grant	33,866	51	80	33,997
Other	0	0	6	6
At 31 July 2015	**37,816**	**51**	**86**	**37,953**

Land and buildings were revalued at 31st July 2015 by DM Hall, Chartered Surveyors in the capacity of independent valuer. The basis of valuation adopted was depreciated replacement cost for all but the Catherinefield Nursery which was valued at Market Value, and the valuation was made in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

Inherited Land and Buildings with a net book value of £37,816,000 have been partially financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Council, to surrender the proceeds.

Land and buildings additions during the period represent the capital element on completion of Hospitality developments. The project has provided Hospitality facilities in the Dumfries campus, including a training kitchen and restaurant, in order to expand the curriculum and in response to regional demand for training in that area. The Scottish Colleges Foundation provided grant funding for the project, as detailed at Note 18.

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:

	£000
Cost	0
Aggregate depreciation based on cost	0
	0

13 Debtors: Amounts falling due within one year

	Period ended 31 July 2015 £000	Period ended 31 March 2014 £000
Trade debtors - net of provision for doubtful debts	56	121
European Funding	0	0
Prepayments and accrued income	241	880
	297	1,001

The movement in prepayments and accrued income from 31 March 2014 reflects the change in accounting period end, which co-incides with the 2014/15 academic year at 31 July 2015. The comparative figures include grant funding of £548,000 which was earned for the portion of the 2013/14 academic year up to 31 March 2014 but unpaid.

14 Cash at Bank and in hand

	31 July 2015 £000	31 March 2014 £000
Cash at bank and in hand	2,163	2,127

The College receives certain Funding Council grants on an agency basis. The funds are available solely for students and the College acts only as paying agent. The funds held in trust are reflected on the balance sheet as both cash and a current liability. The following agency funds are included in the cash at bank and in hand at the year end:

Cash at bank and in hand (note 15)	251	21

15 Creditors: Amounts falling due within one year

	Period ended 31 July 2015 £000	Period ended 31 March 2014 £000
Trade creditors	19	134
VAT	96	61
HMRC Lennartz Scheme	373	355
Other taxation and social security	118	138
Pension	115	122
Contract retentions	142	120
Accruals and deferred income	761	1,513
Bursaries and Access funds for future disbursement (note 14)	251	21
	1,875	2,464

The movement in accruals and deferred income from 31 March 2014 reflects the change in accounting period end, which co-incides with the 2014/15 academic year at 31 July 2015. The comparative figures include expenditure accrued of £366,000 which was incurred for the portion of the 2013/14 academic year up to 31 March 2014 but unpaid at that date as well as fees received which relate to the remainder of the 2013-14 academic year of £142,000.

Notes to the Financial Statements (continued)

16 Creditors: Amounts falling due after more than one year

	Period ended 31 July 2015	Period ended 31 March 2014
	£000	£000
HMRC Lennartz Scheme	745	1,184

The estimated future liability under the Lennartz agreement was recalculated during the period, and showed a net increase of £90,000 which has been charged within premises costs (note 9).

17 Provisions for liabilities and charges

	Early retirement pension costs	Other	2014-15 Total	2013-14 Total
At 1 April 2014	741	9	**750**	959
Expenditure in the period	(64)	0	**(64)**	(32)
Additional provision required in period	95	0	**95**	(13)
Revaluation adjustment	0	0	**0**	(179)
Interest charged	15	0	**15**	15
At 31 July 2015	787	9	**796**	750

The pension provision has been revalued using actuarial tables supplied by the Scottish Funding Council. The net interest rate applied was 1%.

Other provisions relate to redundancy costs.

18 Deferred Capital Grants

	SFC	Other	Total
	£000	£000	£000
At 1 April 2014			
Land and Buildings	22,385	4,296	26,681
Equipment	264	35	299
	22,649	4,331	26,980
Cash Receivable			
Land and Buildings	7	672	679
Equipment	120	0	120
	127	672	799
Released to Income and Expenditure Account			
Land and Buildings	(596)	(156)	(752)
Equipment	(292)	(8)	(300)
	(888)	(164)	(1,052)
At 31 July 2015			
Land and Buildings	**21,796**	**4,812**	**26,608**
Equipment	**92**	**27**	**119**
	21,888	**4,839**	**26,727**

A grant of £1,492,000 was received from the Scottish Colleges Foundation during the period which was used to fund the College's Hospitality project, together with a portion of SFC grants. Total costs of the development, which includes the construction of a new training restaurant and kitchen, amounted to £2,011,000. Of the total expenditure, £679,000 represents capital costs which are shown as buildings additions at note 12, and revenue costs which are included in planned maintenance costs at note 9. The capital portion of the grant received from the Scottish Colleges Foundation of £672,000 is shown above, and the corresponding revenue portion of the grant amounts to £820,000 and is shown as other grant income at Note 4.

Notes to the Financial Statements (continued)

19 Reserves

	Period ended 31 July 2015 £000	Period ended 31 March 2014 £000
Revaluation Reserve		
At 1 April 2014	6,614	6,746
Revaluations in the period	(1,785)	0
Transfer to Income & expenditure account in respect of:		
Depreciation on revalued assets	(264)	(132)
At 31 July 2015	4,565	6,614
General Reserve (Income and expenditure account including pension reserve)		
At 1 April 2014	1,729	4,314
(Deficit)/ Surplus for the period	(502)	(1,651)
Transfer from revaluation reserve	264	132
Actuarial (losses)/ gains on pension scheme	(1,005)	(1,066)
At 31 July 2015	486	1,729
Represented by:		
Income & expenditure account		
At 1 April 2014	5,657	7,088
(Deficit)/ Surplus for the period	(502)	(1,651)
Transfer to pension reserve	286	88
Transfer from revaluation reserve	264	132
	5,705	5,657
Pension Reserve		
At 1 April 2014	(3,928)	(2,774)
Current service cost	(1,045)	(377)
Employer contributions	682	282
Past service costs	0	0
Gains/ (losses) on curtailments and settlements	0	0
Net return on assets	77	7
Transfer to income & expenditure	(286)	(88)
Actuarial (losses)/ gains	(1,005)	(1,066)
At 31 July 2015	(5,219)	(3,928)
Summary		
Income & expenditure account	5,705	5,657
Pensions reserve	(5,219)	(3,928)
At 31 July 2015	486	1,729

Notes to the Financial Statements (continued)

20 Reconciliation of operating surplus/(deficit) to net cash flow from operating activities	Note	Period ended 31 July 2015	Period ended 31 March 2014
		£000	£000
Operating (deficit)/ surplus after depreciation of assets at valuation and tax		(502)	(1,651)
Pension costs	25	363	95
Depreciation	12	1,579	787
(Gain)/net loss on disposal of fixed assets	9,12	(16)	(2)
Deferred capital grants released to income	18	(1,052)	(522)
Decrease/ (increase) in debtors	13	704	(449)
Decrease in creditors	15,16	(1,027)	(539)
Increase/ (decrease) in provisions	17	46	(209)
Interest receivable - bank interest	6	(16)	(17)
Net return on pension liability	19	(77)	(7)
Net cash (outflow)/ inflow from operating activities		2	(2,514)

21 Returns on investments and servicing of finance			
Interest received	6	16	17
Interest element of finance lease repayments		0	0
Net cash inflow from returns on investments and servicing of finance		16	17

22 Capital expenditure			
Purchase of tangible fixed assets	12	(799)	0
Sales of tangible fixed assets		18	2
Deferred capital grants received	18	799	0
Net cash inflow/(outflow) from capital expenditure		18	2

Notes to the Financial Statements (continued)

23 Analysis of Net Funds

	At 1 April 2014	Cash Flows	Other Changes	**At 31 July 2015**
	£000	£000	£000	**£000**
Cash	2,127	36	0	**2,163**
Finance lease/hire purchase contracts	0	0	0	**0**
TOTAL	2,127	36	0	**2,163**

24 Lease commitments

	Period ended 31 July 2015	Period ended 31 March 2014
The annual commitments under operating leases for equipment are as follows:		
Expiry - within one year	**3**	3
- within two to five years	**45**	44
- after five years	**0**	0

Notes to the Financial Statements (continued)

25 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS) which is administered by the Scottish Public Pensions Agency and the Local Government Pension Scheme (LGPS) - The Dumfries and Galloway Council Pension Fund.

The total pension costs for the institution was :

		16 months to July 2015 £000	8 months to March 2014 £000
Contribution to STSS		580	276
Contribution to LGPS		682	293
Pension costs as a result of implementing FRS 17	19	363	95
Total pension cost		1,625	664

Employer contribution rates during the period were:
STSS - 14.9%
LGPS - 20% increased to 20.3% from 1 April 2015

The Scottish Teachers Superannuation Scheme

College lecturing staff are entitled to become members of the Scottish Teachers' Superannuation Scheme. The latest actuarial 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	2.0%
Rate of return on investments in excess of rate of increase in pensions	3.5%
Market value of the assets as at 31 March 2005	£18,474m

The actuarial value of the STSS scheme at 31 March 2005 showed a deficiency of £836m, which requires a supplementary 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 STSS scheme. Consequently, in line with the requirements of FRS 17 - Retirement Benefits, the College accounts for contributions to this scheme as if it were a defined 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 triennial valuation of the Dumfries and Galloway Council Pension Fund was carried out as at 31 March 2014 by Hymans Robertson LLP. The valuation for Dumfries and Galloway College's participation in the Dumfries and Galloway Council Pension Fund was updated by Hymans Robertson as at 31 July 2015. The assumptions that have the most significant effect on the valuation and other relevant data at 31 July 2015 are as follows :

	31 July 2015 % p.a.	31 March 2014 % p.a.
Pension Increase Rate	2.6%	2.8%
Salary Increase Rate	4.5%	5.1%
Expected Return on Assets	3.6%	5.7%
Discount Rate	3.6%	4.6%

Life expectancy is based on the S1NMA and S1NFA year of birth tables with medium cohort improvements and a 1% p.a. underpin, applied from 2008, and are the same as those used in the previous accounting period.

Notes to the Financial Statements (continued)

25 Pensions and similar obligations (continued)

Local Government Pension Scheme

	Period ended 31 July 2015	Period ended 31 March 2014
	£000	£000
Fair value of plan assets	16,191	13,366
Present value of funded defined benefit obligations	(21,387)	(17,269)
	(5,196)	(3,903)
Present value of unfunded defined benefit obligations	(23)	(25)
Deficit	(5,219)	(3,928)

Movements in present value of defined benefit obligation		
At 1 April 2014	17,294	15,440
Movement in year :		
Current service cost	1,045	377
Past service costs relating to retrospective changes to members' benefits	0	0
Past service (gains) in respect of future pension increases	0	0
Interest cost	1,022	473
Curtailment	0	0
Actuarial gains/(losses)	2,258	1,084
Contributions by members	211	85
Benefits paid	(420)	(165)
At 31 July 2015	21,410	17,294

Movements in fair value of plan assets		
At 1 April 2014	13,366	12,666
Expected return on plan assets	1,099	480
Actuarial gains/(losses)	1,253	18
Contributions by employer	682	282
Contributions by members	211	85
Benefits paid	(420)	(165)
At 31 July 2015	16,191	13,366

Expense recognised in the income and expenditure account		
Current service cost	1,045	377
Losses on settlements and curtailments	0	0
Past service cost/(gain)	0	0
Interest on defined benefit pension plan obligation	1,022	473
Expected return on defined benefit pension plan assets	(1,099)	(480)
Total	968	370

The expense is recognised in the following line items in the income and expenditure account:		
Staff costs	1,045	377
Investment income	(77)	(7)
Interest costs	0	0
	968	370

Notes to the Financial Statements (continued)

25 Pensions and similar obligations (continued)

	Period ended 31 July 2015 £000	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	**1,253**	18
Change in financial assumptions underlying the scheme liabilities	**(2,258)**	(1,084)
Actuarial (loss)/ gain recognised in the STRGL	**(1,005)**	(1,066)

The fair value of the plan assets and return on those assets were as follows:	2015 Fair value £000	2014 Fair value £000
Equities	**12,143**	10,025
Corporate bonds	**2,429**	2,005
Property	**1,619**	1,069
Other	**0**	267
	16,191	13,366
Actual return on plan assets	**1,524**	498

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

The Actuarial report at 31 July 2015 has highlighted that the pension deficit has increased due to falling real bond yields which has been partially offset by strong asset returns. The projected defined benefit cost for 2015-16 has also risen due to falling real bond yields.

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

	As at 31/07/15 %	As at 31/03/14 %
Discount rate	**3.60%**	4.30%
Expected rate of return on plan assets	**3.60%**	6.00%
Future salary increases	**4.50%**	5.10%
Inflation/ pension rate increase	**2.60%**	2.80%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-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)

25 Pensions and similar obligations (continued)

History of plans

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

Balance sheet	**Period ended 31/07/15 £000**	Period ended 31/03/14 £000	Year ended 31/07/13 £000	Year ended 31/07/12 £000	Year ended 31/07/11 £000
Present value of scheme liabilities	**(21,387)**	(17,269)	(15,415)	(14,127)	(12,352)
Present value of unfunded liabilities	**(23)**	(25)	(25)	(25)	(22)
Fair value of scheme assets	**16,191**	13,366	12,666	11,033	10,569
Deficit/ surplus	**(5,219)**	(3,928)	(2,774)	(3,119)	(1,805)
Experience adjustments					
Experience adjustments on scheme liabilities	**(796)**	5	0	675	(1)
Experience adjustments on scheme assets	**1,253**	18	810	(607)	453
	457	23	810	68	452

The College expects to contribute approximately £544,000 to the scheme in the next financial year.

26 Related Party Transactions

The Board of Management of Dumfries and Galloway College is a body incorporated under the Further and Higher Education (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 for which they are either the Funding Council or are regarded as the sponsor Department, e.g. Student Awards Agency for Scotland, and a 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 public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Management may have an interest. All transactions involving organisations in which a member of the Board of Management may have a material interest are conducted at arm's length and in accordance with normal project and procurement procedures.

During the year under review, the College had no transactions with non-public bodies in which a member of the Board 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 representative bodies in which members of the Board of Management hold, or held, official positions.

Member	Organisation	Position
J. Henderson	Crichton Foundation	Appointed Trustee (Representative of Dumfries and Galloway College)
H. Carr	Dumfries and Galloway Housing Partnership	Director of Finance
K. McGahan	William Waugh & Sons (Builders) Ltd	Finance Director

Notes to the Financial Statements (continued)

26 Related Party Transactions (continued)

The Crichton Foundation has previously provided grant funding towards the Henry Duncan building, which forms part of the Crichton Campus. During the period ended 31 July 2015 the Crichton Foundation provided grant funding of £10,000 for student support, which was fully disbursed to students by the College during the period. In addition, £500 was invoiced to Crichton Foundation in respect of a contribution to the annual College Award Ceremony. No balances were outstanding at 31 July 2015.

The College provided training courses to Dumfries and Galloway Housing Partnership during the period to 31 July 2015. Invoices to Dumfries and Galloway Housing Partnership amounted to £47,359. No balances were due to the College from Dumfries and Galloway Housing Partnership at 31 July 2015.

The College has appointed William Waugh & Sons (Builders) Ltd for various maintenance works during the period, following tender exercises in line with standard College procurement procedures. Invoices from William Waugh & Sons during the period amounted to £90,465. No balances were due to William Waugh by the College at 31 July 2015.

The members of the Board of Management, other than the Principal, Regional College Chair, 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 £565.

27 FE Bursaries and other Student Support Funds

	FE Bursary	EMA's	Other	**Period ended 31 July 2015**	Period ended 31 March 2014
	£000	£000	£000	**£000**	£000
Balance brought forward	0	0	0	**0**	113
Allocation received in period (including interest)	2,635	351	189	**3,175**	1,664
	2,635	351	189	**3,175**	1,777
Expenditure	(2,312)	(351)	(208)	**(2,871)**	(1,750)
Repayable to Funding Council as Clawback	0	0	0	**0**	(3)
College Contribution to funds	0	0	13	**13**	26
Virements to FE and HE Childcare and FE Discretionary funds	(84)	0	6	**(78)**	0
Balance Carried forward	239	0	0	**239**	50
Represented by:					
Repayable to Funding Council as Clawback	239	0	0	**239**	0
Retained by College for Students	0	0	0	**0**	50
	239	0	0	**239**	50

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

Notes to the Financial Statements (continued)

28 FE and HE Childcare Funds

	Period ended 31 July 2015 £000	Period ended 31 March 2014 £000
Balance brought forward	0	7
Allocation received in period	296	116
	296	123
Expenditure	(374)	(214)
Repayable to Funding Council as Clawback	0	0
Virements from FE Bursary	78	0
College contribution to funds	0	91
Balance Carried forward	0	0
Represented by:		
Repayable to Funding Council as Clawback	0	0
Retained by College for Students	0	0
	0	0

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

29 Capital Commitments

	Period ended 31 July 2015 £000	Period ended 31 March 2014 £000
Contracted for at 31 July 2015 (31 March 2014)	0	0

30 Post Balance Sheet Events

There are no post balance sheet events.

31 Contingent Liabilities

The College had no contingent liabilities at 31 July 2015 and 31 March 2014.

32 Comparatives

The comparative figures relate to the period 1 August 2013 to 31 March 2014.