Board of Management
Finance and General Purposes Committee

Date: 20 September 2017 **Time: 12midday** **Room: 2009**

A G E N D A

			Presented by
1	Welcome and Apologies for Absence		JH
2	Declaration of Interest		JH
3	Minute of Meeting of 23 May 2017	(attached)	JH
4	Matters Arising		
5	Draft Annual F&GP Committee Report 2016/17	(report attached)	JH
6	Estates/Facilities Update	(report attached)	HP
7	National Bargaining - Update	(verbal)	HP
8	Winding down of College Arm's Length Foundation (ALF)	(report attached)	KH
9	Revised Budget 2017-18	(report attached)	KH
10	Financial Forecast Return	(report attached)	KH
11	Draft Financial Statements 2016-17	(report attached)	HP/KH
12	Aged Debt Report	(report attached)	KH
13	Any Other Business		
14	Date and Time of Next Meeting - Tuesday 29 November 2016 at 2pm		

Board of Management
Finance and General Purposes Committee

Minute of the Meeting of the Finance and General Purposes Committee of the Board of Management of Dumfries and Galloway College, held on Wednesday 20 September 2017 at 12 noon in Room 2009, Dumfries Campus.

Present:	John Henderson (Chair)	Ros Francis
	Karen McGahan	Carol Turnbull
	Kenny Henry	

In attendance: Karen Hunter, Finance Manager
Helen Pedley, Vice Principal Corporate Services

Minute Taker: Heather Tinning, Executive Team Assistant

1 Welcome and Apologies for Absence

The Chair welcomed members to the meeting. Apologies were intimated on behalf of Ann Walsh, Secretary to the Board.

The Executive Team Assistant confirmed the meeting was quorate with enough members present to allow decisions to be made.

2 Declaration of Interest

Members agreed to indicate declarations of interest as appropriate throughout the meeting.

3 Minute of Previous Meeting

The Minute of the Finance and General Purposes Committee held on 23 May 2017 was approved.

4 Matters Arising

None.

5 Draft Annual F&GP Committee Report 2016-17

The Finance Manager spoke to the report which had been issued, reporting of activities and decisions of the F&GP Committee during the Financial Period of 2016-17. In relation to the Annual Financial Statements, the Finance Manager advised that she was analysing the figures that had just been received and will update the report in terms of the Pension Evaluation.
Decision: The F&GP Committee approved the Draft Annual Report 2016-17 to the Board of Management

The Chair thanked the Finance Manager for the report.

6 Estates Update

The Vice Principal, Corporate Services spoke to the Facilities report, providing an overview of activity last year. In terms of the flood claim, the Vice Principal confirmed that the claim had not incurred any increase in the insurance premium. With regard to the Health and Safety Audits undertaken the Vice Principal advised that nothing major was raised. The Facilities Manager and the Facilities Administrator have now completed their NEBOSH Health & Safety at Work, and are sharing the duties of the Health and Safety Officer, following his voluntary severance. A report will be brought to the next F&GP Committee providing an update on progress with the College's Climate Change Plan. The purchase of Engineering Equipment has commenced with the intention to be fully installed by the end of the Academic Year. Funding was sought, in two stages, from ALF, with the outstanding amount to be drawn down in April.

Members noted the report.

7 National Bargaining Update

The Vice Principal, Corporate Services provided an update on National Bargaining, advising of a Support Staff pay increase of £425 per FTE, together with an increase in Annual Leave with all Support Staff receiving 44 days, pro-rata, inclusive of Public Holidays. There is no longer an accrual of leave after 5 years and all staff receive the same entitlement. The Vice Principal indicated that the support staff unions will attempt to continue to negotiate further increases in annual leave.

The Vice Principal advised that the next stage of national negotiations is to implement a national job evaluation scheme. A tender has been prepared by Scotland's Colleges to purchase a national scheme. Discussions continue on the implementation of this Scheme. Members noted that this was a major piece of work at local level. A timeframe has been agreed of August 2018 for Implementation. The Vice Principal indicated that the process will be not be complete by this date and is likely to incur a significant amount of back pay where posts receive an increase in grade. No indication has been provided if SFC will fund the cost of any pay increases incurred as part of the implementation of this scheme.

An initial 25% harmonisation has been paid for un-promoted Lecturers and additional funding was received from SFC to address the increase for 2017-18. The Vice Principal advised that no guarantee has been received from SFC that additional funding will be received to fund the remainder of the agreement:

- April 2018 - 25% harmonisation
- April 2019 – 50% harmonisation

The Job Matching process is ongoing for the Promoted Lecturers posts, with the aim for agreement to be reached by 31 October 2017, backdated to 1 April 2017. Additional funding will be requested from SFC to address the additional cost.

EIS have requested a Cost-of-Living increase in 2017-18, of £1,000 per increment, backdated to 1 April 2017. The Vice Principal advised that the Committee would be updated following a NJNC meeting arranged for early October 2017. Discussions at the next NJNC include holidays; contact time for Lecturers and conservation of salary. Members noted that the college has made no changes to terms and conditions for staff with the exception of harmonisation of pay.

The Principal advised that she has joined the NJNC on the support side as one of the Management Side Representatives, and is attending an event on 21 September in terms of negotiations.

The Chair thanked the Vice Principal, Corporate Services for the update.

8 Winding Down of College Arm's Length Foundation (ALF)

The Finance Manager spoke to the report which had been issued. She reported on the ongoing requirement to complete Accounts and Annual Returns. Given the current political climate, the likelihood of paying into ALF in the future is very low. Also owing to the unnecessary administration and cost associated, members were asked to consider the option to wind up the ALF.

Decision: Members agreed to recommend to the Board to wind down the Dumfries and Galloway Further Education Foundation.

9 Revised Budget 2017-18

The Finance Manger spoke to the report which had been issued, advising of an underlying break even position going forward. She reported that the budget did not include a contingency for staffing. The Finance Manager reported that the payroll has been reduced by £155,000 from an earlier forecast. Members noted that this was not as a result of redundancy, but was based on changes to planned activity and vacancies. The Vice Principal reported that she had looked at efficiencies in terms of delivery and staff utilisation with the new Curriculum Mangers.

Decision: Members approved the revisions to the budget, and recommended the Revised Budget for 2017-18 to the Board

Action: The Finance Manager to circulate the previous budget as a comparison

The Chair thanked the Finance Manager and noted the hard work and prioritising that had taken place in completing the Revised Budget

10 Financial Forecast Return

The Finance Manager spoke to the report which had been issued, reporting that previously the SFC had only asked colleges to forecast 1-year ahead. Following an Audit Scotland recommendation in the 2016 report on Scotland's Colleges, colleges are now being asked to submit forecasts for the current year and projections for 5-years ahead. Members discussed the draft Financial Forecast Return, together with the commentary and main assumptions used in the forecasts.

The Principal reported on the SFC's rationale which is to inform their spending review assumptions to Scottish Government, advising on the Sector's consensus to only sign off for 2017-18, owing to uncertainty going forward.

Decision: Members agreed the Financial Forecast Return for 2017-18 only

Action: Following concern on the wording of the declaration, the Principal to circulate revised wording to the Committee. The Finance Manager to submit the FFR to the SFC no later than 30th September 2017

11 Draft Financial Statements 2016-17

The Finance Manager spoke to the report which had been issued, advising that the Pension adjustments will be included in the next draft. The format of the Statements is as adopted last year. In terms of the Income and Expenditure an underlying break even position has been achieved in the Accounts. An overall deficit of £355,000 reflects depreciation cash spend. Members noted a £5,000 adjustment for Pension. The Finance Manager highlighted that the statements still show net current liabilities. With regard to an underspend in Student Support Funds, the SFC will clawback the money in December.

Decision: Members recommend the Draft Financial Statements for 2016-17 to the Board, to include the Pension adjustments, and also agreed the narrative explanations and reporting of the underlying operating position, including the example SFC wording

Action: Members agreed that the Draft Financial Statements for 2016-17 should be shared with the Chair of the Board at this stage. The Vice Principal Corporate Services and Finance Manager to take this forward

Members noted the report and approved the Statement of Accounting Policies.

12 Aged Debt Report

The Finance Manager spoke to the report which had been issued, providing an update on the summary of balances as at year end. The bad debt provision has decreased as at July, based on older debts. The Finance Manager reported that there is very little held with debt collection agencies.

Decision: Members noted the aged debt balances at July 2017, and agreed to write off the 3 older balances.

13 Any other Business

None.

14 Date and Time of Next Meeting

The next meeting of the Finance and General Purposes Committee will take place on Tuesday 28 November 2017 at 2 pm.

Board of Management
Finance and General Purposes Committee

Minute of the Meeting of the Finance and General Purposes Committee of the Board of Management of Dumfries and Galloway College, held on Tuesday 23 May 2017 at 2.00 pm in Room 1074b, Dumfries Campus.

Present:	John Henderson (Chair) Karen McGahan Kenny Henry	Ros Francis Carol Turnbull
In attendance:	Karen Hunter, Finance Manager Helen Pedley, Director of Organisational Development and Facilities Ann Walsh, Secretary to the Board	
Minute Taker:	Heather Tinning, Executive Team Assistant	

1 Welcome and Apologies for Absence

The Chair welcomed members to the meeting, in particular Ann Walsh to her first Finance and General Purposes Committee meeting.

The Secretary to the Board confirmed the meeting was quorate with enough members present to allow decisions to be made.

2 Declaration of Interest

Members agreed to indicate declarations of interest as appropriate throughout the meeting.

3 Minute of Previous Meeting

The Minute of the Finance and General Purposes Committee held on 14 March 2017 was approved.

4 Matters Arising

4.1 Government Banking

The Finance Manager provided an update on Government Banking, reporting that the Bank Account has now transferred to a Royal Bank of Scotland Government Bank Account. The old Account will be kept open for a period of time, to allow for Direct Debits to be transferred to the new Account. RBS provide regular updates and also training for Finance Staff. The Finance Manager advised that although we won't receive any interest in the Government Bank Account, the charges will be much lower.

The Chair thanked the Finance Manager for the update on Government Banking.

5 2017-18 Draft Budget

The Finance Manager spoke to the report which had been issued, based on the final allocation of funding received from the Scottish Funding Council. The costs for migration to the new pay scale have been assumed in the draft budget. The Finance Manager advised that overall the budget will show a deficit including depreciation, also advising that Salaries are a main cost in the budget. Discussions have taken place with Budget Holders across the college in terms of savings. Members noted the reduction in energy costs for last year. The Finance Manager highlighted that the current year also includes some Operational Plan spends in some areas. She advised that going forward, we hope to have confirmation that the government will pay for migration costs.

Members discussed the Pay Award and the potential impact of the support staff pay award and any potential changes to their conditions following negotiation with the support staff union. The Director reported on the National Job Evaluation Scheme, which will aim to remove inconsistencies in the role.

In terms of the UWS re-charges of £80,000, the Principal advised that the University Funded Places are indicated for the student at the start of the HN Course on the assumption that they will progress. Members agreed that this was a low risk.

The Chair indicated that at this present time with the cost and funding implications of pay negotiations still uncertain, the Committee would be uncomfortable recommending a budget deficit to the Board, but in the current circumstances there appeared to be no alternative.

The Chair thanked the Finance Manager for the report.

Decision: Members recommended the 2017-18 Draft Budget for approval by the Board, with a caveat to aim for a balanced budget.

6 Estates Update

The Director of Organisational Development and Facilities provided an update on Estates, advising that a detailed report will be presented to the Finance and General Purposes Committee at the start of Academic Session 2017-18. In terms of the Voluntary Severance Scheme, following advice from the Scottish Funding Council, Depreciation money was allocated for the Scheme amounting to £278,000.

The Director advised that there were no planned major estates work over the summer period. In terms of the heating works at the Stranraer Campus, which has gone out to tender, there have been two site visits. Work is progressing in preparation of works over the summer.

A review of carbon management is being progressed, in terms of energy savings. Flood Prevention works have now been completed, with an update provided to the Insurers. The claim amounted to around £50,000 without the clean-up costs.

The Chair thanked the Director of Organisational Development and Facilities for the Estates Update.

7 Engineering Equipment

The Director of Organisational Development and Facilities spoke to the report which had been issued, requesting the purchase of new Engineering Equipment. The Director advised of the benefit to Learners, which will also enhance the whole learning environment. Employers have commented that the equipment is out of date, which is forming the rationale behind the bid. The Funding for the equipment, totalling approximately £310,000, is sought for in two stages, initially to start works over the summer for session 2017-18, and the final funding to be released in April 2018 for delivery in session 2018-19.

The Chair thanked the Director of Organisational Development and Facilities for the report.

Decision: Members noted the report and approved the application for the release of funds from the Arm's Length Foundation to fund the Engineering Equipment.

8 Voluntary Severance Scheme Update

The Director of Organisational Development and Facilities spoke to the report which had been issued, advising on the current position following the completion of the Voluntary Severance Scheme. The scheme closed for applications on 31st March 2017. There was a lot of initial interest and 27 formal requests were received. The Principal had delegated authority to approve packages below £40,000 and all requests did fall below this amount. The total redundancy costs have come in within the budget allocation of £278,000, at £251,847, with £104, 564 to re-invest elsewhere and go towards funding some of the operational plan requests that were put forward. The Director advised that the first signing of all settlement agreements had taken place, as of yesterday. A second signing of the agreements will take place towards the termination date of 31 July 2017.

The Voluntary Severance scheme was approved for a two year period. The Director advised that a discussion would be brought back to the Board if there was any reason to apply the Voluntary Severance Scheme again within this period. A more detailed paper on the Structure will accompany this report for the full Board Meeting on 6th June.

The Chair thanked the Director of Organisational Development and Facilities for the report.

Members noted the report.

9 Industrial Action by EIS Update

The Director of Organisational Development and Facilities provided an update on the Industrial Action by EIS, advising that the Strikes have been suspended at present. She advised that during the 6-strike days so far, attendance by Lecturers in the college varied on a daily basis, with more classes running as each day progressed. In terms of withholding of money, the Director advised that the calculations have been based on staff working over a 5-day period and the deductions in the pay will be made in accordance to this as our Lecturing Contract stipulates a 5-day period. Some colleges have 7 day weekly contracts with their lecturing staff and EIS are pressing for a 1/365 deduction.

The Director advised that timetabling is currently being progressed for 2017/18.

The Principal advised that the key priority at this stage is for an agreement to be reached, with additional funding to prevent increased pressure on the staffing budget. College Principals are looking at a cross-sector proposal, to be discussed further at the Employers Association meeting arranged for next week. The Principal advised that she is attending a Funding and Finance

Committee tomorrow to look at costs and scenarios. The Principal reported that although Strikes have been suspended at this stage, the agreement is still very much in discussion in relation to:

- Working Hours
- Annual Leave
- Salary Conservation

Until any additional funding is confirmed, the pay award has been included in the budget on the assumption that it will be funded by the College. Promoted posts have been costed in the budget also as worst case scenario.

The Chair thanked the Director of Organisational Development and Facilities for the update.

10 Finance Update (including Management Accounts)

The Finance Manager spoke to the report which had been issued, reporting on the aim to achieve an underlying break even position at the end of July. In terms of the balance sheet, members noted that the cash at bank figure has increased substantially since February. By the end of July, expenditure from depreciation cash is expected to be £355,000

The Principal confirmed that there are sufficient funds to cover extra teaching days if deemed necessary following the strikes. In answer to a question in terms of targets, she advised that we are on target for our credit activity.

The Chair thanked the Finance Manager for the report.

Members noted the report.

11 Aged Debt Report

The Finance Manager spoke to the report which had been issued, advising that the figures included in the report are as at March 2017, reporting that overall the debt has increased by around £10,000 as at April 2017. Following advice from the debt collection agencies, the balances have been written off for the irrecoverable older debts. Following Scottish Government direction on debts, the Finance Manager advised that we have to pursue student debts and any over payments, as per the Student Support Audit. The college is responsible for paying debt collection fees, which cannot be claimed from Bursary Funds.

The Chair thanked the Finance Manager for the report.

Decision: Members noted the aged debt balances at March 2017 and approved the proposed balances to be written-off totalling £3,251.11

12 Cash Flow Forecasts

The Finance Manager spoke to the report which had been issued, giving a summary of projections up to 31st July 2017. She advised that the Lennartz payments will be completed in July 2018. In answer to a question, the Finance Manager advised that VAT cannot be claimed in terms of Engineering equipment, however a partial reclaim may be submitted for the Restaurant and Salons.

The Finance Manager reported that the Scottish Funding Council have advised that if any colleges experience any issues in terms of cash flow, an early payment would be made to support colleges.

The Chair thanked the Finance Manager for the report.

Members noted the report, including the forecast movements and closing bank balances in the period.

13 Any other Business

13.1 Recruitment

The Principal advised that she had been meeting with the Heads of Faculties to discuss recruitment for next session. A final review meeting has been arranged to ensure that places have been maximised. In terms of Electrical Engineering, the Director reported on a day release programme for next year. For Foundation Apprentices there are 17 confirmed places, and approximately 238 school pupils for the DEC (Design Engineering Construction) programme.

The Principal advised that any impact from the Industrial Action will be monitored when reviewing recruitment.

14 Date and Time of Next Meeting

The next meeting of the Finance and General Purposes Committee will take place on Tuesday 26 September 2017 at 2 pm.

Finance and General Purposes Committee

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

1 PURPOSE OF REPORT

1.1 To advise the Board of Management of the activities and decisions of the Finance and General Purposes Committee during Financial Period 2016-17.

2 BACKGROUND TO REPORT

2.1 The Finance and General Purposes Committee comprises a minimum of three members of the Board of Management, as well as the Principal and a staff representative. The Committee operates in accordance with written Terms of Reference approved by the Board of Management.

2.2 It is a requirement of the College's Financial Regulations that the Finance and General Purposes Committee provides the Board with an Annual Report so that all members can be fully informed of, amongst other things, the state of the College's finances.

3 ADMINISTRATIVE MATTERS

3.1 This report covers a twelve month period from 1 August 2016 to 31 July 2017.

3.2 The membership of the Committee during the period was:

John Henderson (Chair)
Ros Francis
Kenny Henry (Staff representative)
Karen McGahan
Carol Turnbull (Principal)

3.3 Other attendees at Finance and General Purposes Committee meetings include:

Jannette Brown, Vice Principal Corporate Service and Governance
Helen Pedley, Director of Organisational Development and Facilities
Kay Bird, Secretary to the Board until February 2017
Anne Walsh, Secretary to the Board from March 2017
Karen Hunter, Finance Manager

3.4 During the relevant period, the Committee's formal meetings were as follows:

Date of Meeting:	Board members present:
27 September 2016	John Henderson Ros Francis Kenny Henry Karen McGahan Carol Turnbull
29 November 2016	Ros Francis Kenny Henry Karen McGahan Carol Turnbull
14 March 2017	John Henderson Ros Francis Kenny Henry Karen McGahan Carol Turnbull
23 May 2017	John Henderson Ros Francis Kenny Henry Karen McGahan Carol Turnbull

There was an average attendance of 4.75 members (95%).

4 FINANCIAL MANAGEMENT

4.1 The Committee is responsible under the terms of the College's Financial Regulations to ensure that the College has a sound system of internal financial management and control and a robust mechanism for considering financial issues.

4.2 The Committee scrutinises the College's annual revenue and capital budget, and recommends the Annual Budget for approval to the Board of Management. The Committee thereafter monitors performance throughout the year in relation to the approved budgets.

4.3 The Committee scrutinises the Annual Financial Statements of the College, including the Operating and Financial Review, and recommends them for approval by the Board.

4.4 The Committee also review and approve the College Financial Statements Return and Financial Forecast Return, which are based on the Financial Statements and Annual Budget respectively, prior to submission to the SFC.

4.5 In order to assess the ongoing financial position of the College during the year, and the changing environmental and other issues which affect the College, the Agenda for each Committee meeting during 2016-17 included the following Items:

- **Financial Update** – to monitor operating results against budgets, and assess the forecast out-turn for the financial period;
- **Aged Debt Report** – to monitor client and student debt balances, and approve any proposed write-offs of unrecovered debts;
- **Cash Flow Forecasts** – to monitor the College's actual bank balances and assess forecast balances for the financial year.

4.6 The impact of the ONS Re-classification on the College has continued to be one of the main considerations for the Committee during the year. The difference in the treatment of depreciation for accounting purposes and for HM Treasury budget reporting has been a significant consideration during the year, and the impact of additional expenditure against SFC's 'net depreciation cash budget' has been considered in detail by the Committee, as well as reporting the impact of the accounting adjustments in the annual financial statements.

4.7 The Committee have monitored the ongoing developments in National Pay Bargaining throughout the year, including the modelling of the costs associated with the introduction of harmonised pay sales for lecturing staff, and pay awards, and the subsequent impact on College budgets.

4.8 The Committee have monitored the College's compliance with SFC's Financial Memorandum, and the transition to Government banking during the year.

4.9 The Committee has assessed the ongoing programme of developments for the College estate, the sale of the Catherinefield building, as well as Health and Safety issues.

4.10 The Committee will continue to assess the issues arising from the ONS re-classification and the impact on the College budget and accounts from meeting the requirements of Government Budget and reporting.

5 ANNUAL BUDGET

5.1 The Annual Budget for 2015-16, which was approved in May 2016, was monitored against actual results during the current year, including developments and changes impacting on the results and forecasts as well as the impact of expenditure from the College's 'depreciation cash' budget.

5.2 The budget for 2017-18 was reviewed at the Board of Management meeting in May 2017.

6 ANNUAL FINANCIAL STATEMENTS

6.1 The College Financial Statements for the twelve month period August 2016 to July 2017 are in draft form, and the external audit is scheduled to commence in September 2017. The auditors will issue their final report when the work has been completed.

6.2 The accounting adjustments to reflect the pension valuation at 31 July 2017 has resulted in a net charge of £XX,000 against operating results for the period.

6.3 In order to achieve the budget targets for Scottish Government reporting, expenditure for the Staff Voluntary Severance Scheme and the 2015-16 pay award were met from ‘depreciation cash grants’. This additional expenditure, together with the Pension Valuation adjustments, have resulted in an operating deficit for the period of £356,000.

6.4 The College prepares financial statements in accordance with the Financial Reporting Standard (FRS) 102, and as capital grants require to be disclosed as creditors in the balance sheet, total creditors at 31 July 2017 amount to 25,417,000. The deferred grants now included in current liabilities amounts to £758,000 which has resulted in a net current liability position in the College balance sheet at 31 July 2017.

7 OTHER MATTERS

7.1 There are no capital finance matters arising which require the Board to obtain prior written consent from SFC.

7.2 The main focus and work of the Finance and General Purposes Committee for the forthcoming period will be to continue to continue to address the challenges of the introduction of National Bargaining on the College budgets, as well as the ongoing impact of ONS Reclassification of Scottish Colleges as Public Sector bodies particularly HM Treasury budget treatment of non-cash. The continued uncertainty over SFC grant funding levels and the impact on operating results and budgets, together with a recommendation from Audit Scotland to prepare medium-term financial forecasts, will remain a challenge for the Committee.

7.3 There are no other foreseeable events that will affect the work of the Finance Committee.

8 OPINION

8.1 The Finance and General Purposes Committee’s view on the Board of Management’s responsibilities, as described in the Financial Regulations, is that they have been satisfactorily discharged.

8.2 The Finance and General Purposes Committee's view is that

- ***The College's financial affairs are planned, conducted and controlled so that its total income is sufficient, taking one period with another, to meet its total expenditure, and its operational financial viability is maintained, subject to ongoing treatment of depreciation cash funds for HM Treasury reporting purposes and the College's inability to set aside funds for future capital replacement; and***

- ***The Board of Management has taken all reasonable steps to ensure that the College has sufficient financial resources to meet its need in the form of cash and other liquid assets or borrowing facilities or has plans to generate such resources, and this will continue to be monitored given the likelihood of ongoing funding reductions.***

Facilities Update

1 Purpose of the Report

The purpose of this report is to provide the Finance and General Purposes Committee with an update on Facilities developments during the previous year, costs attached as per appendix 1.

2 Flood Assessment

Following the flooding of 2016 a full flood risk assessment was carried out through SAC. Through this works were identified to improve our flood defences. This including installing a new drain on ground level at the construction yard and installing new drainage through the swale area. These works have been fully completed.

3 Stranraer Heating System

As part of the Estates Strategy the heating system at Stranraer was identified as needing an upgrade to a more modern, efficient system. The College employed the services of a consultant to design a suitable system to provide heat and hot water to the campus. Following a competitive tender ECG Facilities Service won the contract to supply and install the system.
Installation works began in May 2017 and were complete in August 2017 on time and on budget.

4 Health and Safety

Following the audits carried out by Safety Advisory Services a number of initiatives have been undertaken to improve our Health and Safety management.

- A new online COSHH system has been purchased to allow quicker COSHH assessments to be created. We now have 109 active assessments on the system with many more currently being worked towards completion.
- Revisions to risk assessment documentation have been completed and issued. Training was provided for those with responsibility for carrying out risk assessments. This can be a lengthy task for areas e.g. Zest alone having created 34 risk assessments.
- PUWER(work equipment) checks have been implemented across the College. Again, training was provided on this and users have been tasked to get a system in place and ensure it is being carried out.
- We have sourced a more suitable ventilation system for the brick workshop which will help remove dust when the team are working in the area. This is a mobile unit so provides more flexibility than the previous system.

5 Summer Works

The Estates team were busy over the Summer period completing a number of planned projects which included the following:

- Installation of new heating system at Stranraer
- Creation of new meeting room for Princes trust
- Overhaul of Estates office to create more suitable office environment
- Creation of a dedicated room for distribution of keys.
- Creation of new mail room allowing mail to be moved from the Estates office.

Following a review of the current fleet of cars and mini buses the decision was taken to replace 2 minibuses therefore reduce the number from 3 to 2 and replace 2 cars which were of increased mileage and needing major maintenance. Consideration was given to purchase or lease and following investigation the decision was taken to lease the new minibuses and cars as this was deemed more cost effective for the College in terms of maintenance etc.

In support of the Colleges Climate Change Action Plan the following work has been completed:

- New high efficiency burners and modulation technology to allow more efficient operation of our heating boilers.
- LED lighting installed in the car park at Dumfries and also in the Library area. In terms of the car park this has led to a lighter/brighter car park at night times
- Installation of new sensor taps in the toilets at Stranraer to reduce water wastage.

A report will be presented to the next Committee to provide an update regarding the College Climate Change Action Plan.

7 Recommendation

Members are asked to note the report.

Finance and General Purpose Committee

Appendix 1

Estates Developments - Period 01.08.16 to 31.07.17

Flood Works	£21,412
Stranraer Heating System	£345,063
COSHH	£4,752
Ventilation system	£7,485
New burners and technology	£65,372
LED lighting	£40,815
Total	£485,259

Finance and General Purposes Committee

DUMFRIES AND GALLOWAY FURTHER EDUCATION FOUNDATION

1 PURPOSE OF REPORT

The purpose of this report is to consider the future use of the Dumfries and Galloway Further Education Foundation and potentially winding up the company.

2 BACKGROUND

The Office for National Statistics (ONS) reclassification of the Scottish College sector was effective from 1st April 2014. The Scottish Funding Council (SFC) established a Project Board in order to prepare for the changes, and provide training for College staff. In order to mitigate the impact of the re-classification on college sector cash reserves as well as ongoing surpluses, the Project Board considered that setting up arms-length trusts was the most appropriate option, given the level of sector reserves at that time, and other complexities.

The timeline relating to the Dumfries and Galloway Foundation was as follows:

November 2013

A special meeting of the College Board of Management was held to consider the impact of ONS reclassification. The key factors in setting up an arms-length trust were:

- Transfers to and grants from a trust take these transactions out with the Scottish Government's consolidated budgeting boundaries and therefore would not count against the College's budget;

- Cash reserves could be gift aided to the trust before 31 March 2014 and protected from the restrictions of ONS. Without mitigation, the College reserves at this date would be effectively frozen;

- On-going surpluses from commercial activities could be gift aided to the trust;

- An 'Umbrella' Foundation was being set up by Scottish Funding Council in order to ensure a trust was established before the ONS deadline, with a separate sub-fund for participating colleges.

- A separate trust for Dumfries and Galloway would provide a greater level of comfort, as the reserves of the trust would be ring-fenced to be used in the Dumfries and Galloway area.

The Board agreed that the best option at that time was for Dumfries and Galloway College to set up its own trust. The College was already moving forward with plans to build the Training Kitchen and Restaurant, with reserves already ear-marked to fund the developments. However, the work could not commence until after 1st April 2014 in order to minimise disruption to students.

January 2014

The Dumfries and Galloway Further Education Foundation was set up as a Company Limited by Guarantee, with the Office of the Charity Regulator confirming charitable status.

February 2014

Meetings were held with key Board members and external advisers to ensure a smooth transition. The College external auditor highlighted that, as the Dumfries and Galloway trust's sole asset would be the funds passed by the College, and the College has firm plans for those funds, then there was a significant risk that the trust may not be considered to be wholly independent from the College - and the College may be required to consolidate the trust accounts.

Two risks were considered– losing the funds through consolidation of the Dumfries and Galloway Trust, or not being able to access the full amount of the funds passed to the SFC Umbrella Trust.

The College Board of Management agreed that, given the risk of consolidation and not being able to benefit from the cash reserves in future, the most appropriate option was to proceed with The Umbrella Trust.

March 2014

Cash reserves of £2,120,000 were transferred to the Scottish Colleges Foundation (the Umbrella Trust).

A further transfer of £17,500 was made to the Scottish Colleges Foundation from rental surpluses.

3. CURRENT POSITION

The Dumfries and Galloway Further Education Foundation has never traded, and remains dormant. The company has continued to prepare dormant annual accounts, submit the annual return to Companies House, and comply with OSCR requirements.

The Scottish Funding Council have indicated that they will consider different options to enable colleges to be able to comply with the 31 March budget cut-off when they have timing issues, rather than transfer funds out with the sector to trusts. There has also been some political pressure regarding the perceived level of reserves held by the trusts.

Total grants of 2,057,000 have been received from the Scottish Colleges Foundation to date, and the balance available to the College amounts to approximately £80,000 with further funds committed for replacement equipment after March 2018.

The options available are as follows:

- Continue to prepare dormant accounts for Companies House and OSCR: or
- Wind up the company.

4 RECOMMENDATION

Members are requested to review and discuss the current position and potential winding up of the Dumfries and Galloway Further Education Foundation given that the College is unlikely to be able to transfer any future funds to the trust.

Dumfries & Galloway College

Finance and General Purposes Committee

REVISED BUDGET FOR 2017/18

1 PURPOSE OF REPORT

The purpose of this report is to seek approval for revisions to the 2017/18 budget.

2 REPORT

The budget previously approved by the Board of Management has been updated to reflect the following changes:

Scottish Funding Council
SFC have announced additional funding of £68,349 to meet the costs of unpromoted lecturers' pay settlement in the period April 2017 to July 2018. The additional grant has been calculated on the assumption that £124,346 of the additional grant already announced for 2017/18 is available to meet pay costs, and total projected costs of £192,695. The July 2017 payroll included back pay of £21,033 which covers the migration costs for unpromoted lecturer's posts from April 2017, and the balance of grant of £47,316 has been carried forward to offset migration costs in 2017/18.

Arms Length Foundation
The revised budget now includes a grant of £255,000 received in July from the Scottish Colleges Foundation which has been carried forward to August 2017 in order to meet the costs of equipment for the Engineering curriculum area. The costs to buy the new equipment have also been included in the revised budget.

The balance of College funds remaining in the Foundation is approximately £80,000.

Payroll Costs
The payroll budget has been updated to reflect the actual salary costs for posts which were previously vacant, and assumptions for mapping promoted lecturer posts to the new pay scales. The projected pay costs have decreased by £155,000 from previous estimates. The projections do not include any pay contingencies.

General Contingency
A general contingency of £90,000 has been set aside in the revised budget in order to offset any unexpected costs which may arise during the year or meet any shortfall in the Operational Plan budget for the year. No separate staffing contingency is included in the budget.

3 NET OPERATING RESULTS

The net effect of the above changes to the operating results is a decrease in underlying operating deficit by £113,000 to a break-even position.

A summary of the revised budget is attached at the Appendix to this report.

4 RECOMMENDATION

Members are requested to review the revisions to the budget, and recommend the revised budget to the Board.

Budget Summary:		AY 2016/17 Forecast August 2016 to July 2017		AY 2017/18 August 2017 to July 2018		*Change from 2016/17 forecast*
Income		**£'000**		**£'000**		**£'000**
Grant Income		(9,143)		(9,501)		*(358)*
Release of deferred capital grant		(758)		(758)		*0*
Fee Income		(1,790)		(1,691)		*99*
Other Income		(50)		(58)		*(8)*
Total Income		**(11,741)**		**(12,009)**		***(268)***
Expenditure						
Total Pay Costs		**7,984**		**8,211**		***227***
Property Costs		680		614		*(66)*
Supplies and Services		565		800		*235*
Other Employee Costs		161		149		*(12)*
Telephones and Computing		446		420		*(26)*
Refectory		21		9		*(12)*
Other		379		314		*(65)*
Registration costs		195		210		*15*
Depreciation		1,195		1,193		*(2)*
Contingency		115		90		*(25)*
Total Other Costs		**3,757**		**3,798**		***40***
Total Expenditure		**11,741**		**12,009**		***268***
Underlying Operating Surplus/ (Deficit)		**(0)**		**(0)**		***0***

Depreciation cash expenditure		**354**		**330**		***(24)***
Overall Operating Surplus/ (Deficit)		**(354)**		**(330)**		***23***

Student Support:		**Forecast August 2016 to July 2017**		**August 2017 to July 2018**		***Change from 2016/17 forecast***
		£'000		**£'000**		**£'000**
Income		2,278		2,333		*55*
Expenditure		2,278		2,333		*55*
Net costs		-		-		-

Finance and General Purposes Committee

FINANCIAL FORECAST RETURNS – 2016/17 TO 2021/22

1 PURPOSE OF REPORT

The purpose of this report is to review and seek approval for the financial forecasts for the five years ending 2021/22.

2 BACKGROUND

Scottish Funding Council (SFC) have requested the College to submit projections for five years as part of the Financial Forecast Return for 2017. The forecast period has been increased to include projections for the current year and forecasts for the next five years, which covers Academic Years 2017/18 to 2021/22, to enable SFC to 'monitor and assess the financial health of colleges and better understand the resource pressures and challenges they are anticipating'.

The increase in the period covered by the forecasts also reflects the recommendation made by Audit Scotland in the 2016 report on Scotland's Colleges, which recommended that Colleges should develop 'medium-term (between three and five years) financial plans that link to workforce plans and take account of significant financial pressures such as national collective bargaining, estate development and maintenance and student support funding'.

3. REPORT

A copy of the Draft Financial Forecast Return which was submitted to SFC in August is attached to this report, together with a 'Commentary' to include the context in which the forecasts have been prepared, a narrative explanation of the figures in the return, and the main assumptions used to prepare the forecasts.
The forecasts are based on the following key assumptions:

- Forecasts for 2017/18 is based on the budget which was approved by the Board in June, and assumes that savings of £50,000 will be made during the year in order to achieve an underlying break-even out-turn;

- SFC Core grant – no increase in 2018/19 and 2019/20, with a 2% increase in 20120/21 and 2021/22;

- SFC will provide additional grant to cover additional pay costs relating to National Bargaining, with the grant reducing to 67% of costs in 2020-21 and 33% in 2021/22;

- No additional SFC funding to cover any additional costs arising from changes to terms and conditions;

- Changes to staffing costs are based on costs modelled in the Colleges Scotland costing exercise in June, and updated for any recent changes and information at this time;

- The total increase in staffing costs over the five year period amounts to £967,000;

- Forecasts show an underlying deficit of £183,000in 2018/19, which increases each year to £415,000 in 2021/22 due to the impact of increasing staff costs and a lower increase in SFC grant funding.

Finance and General Purposes Committee

The Sensitivity Analysis highlights that as SFC income and staff costs are expected to continue to be a significant proportion of total income and expenditure, a 2.5% change in either of those would have a large impact on operating results.

4 RECOMMENDATION

Members are requested to review and discuss the forecast for 2017/18 and subsequent five years to 2021/22.

DUMFRIES AND GALLOWAY COLLEGE

COMMENTARY FOR DRAFT 2017 FINANCIAL FORECAST RETURN

1. Introduction

The 2016/17 return has been completed using the figures from the management accounts and forecasts for the academic year.

Context for the forecasts - The 2017/18 figures are based on the budget which has been approved by the Board of Management, and includes depreciation cash expenditure of £330,000 to meet the costs of the 2015/16 consolidated pay award, and planned developments to improve the curriculum and student experience.

The draft forecast figures for the following years 2018/19 to 2021/22 assume that the core grant from SFC will remain at 2017/18 levels for 2018/19 and 2019/20, with a 2% increase in 2020/21 and 2021/22 in line with the assumptions asset out in SFC/CI/03/2017. The projections assume that implementation of the curriculum plan and estates strategy for the period will be cost-neutral, and will be funded by the balance of the 'cash budget for priorities. The 'Risk Analysis' at section 9 highlights the uncertainty for funding further developments in these areas and the potential impact of any changes on operating results.

These forecasts are currently in draft, and will be discussed in detail when the Finance and General Purposes Committee meet on 27th September. The budget for 2017/18 has been approved by the Board of Management, but the forecasts for subsequent years 2018/19 to 2021/22 are subject to review and amendment following discussion by the Finance and General Purposes Committee members.

The Sensitivity Analysis highlights that a 2.5% change in non-SFC income or non-staff costs will have a minimal impact on the overall operating results. As SFC income and staff costs are expected to continue to be a significant proportion of total income and expenditure, a 2.5% change in either of those would have a large impact on operating results.

The College continues to plan a broad curriculum in both the Dumfries and Stranraer campuses, which have required an ongoing investment in estates developments and equipment in order to ensure students are provided with modern up to date facilities, and provide appropriate training for the workplace. In addition, the opportunities to increase non-SFC income are limited due to the economic make-up of the region.

The minimum class size which can be maintained at Dumfries and Galloway College is low due to the rural nature of the region. This gives a low teaching staff to student ratio, and the costs for teaching staffing are high as a result. The facilities in Stranraer aim to provide the same level of service and support to students which is available in Dumfries, but the related costs are higher. The Executive Management Team will continue to identify efficiencies wherever possible, but any required cost savings in future in order to achieve a balanced budget will require to be met from staffing reductions. Services would require to be reduced, which will have a direct impact on students and student numbers.

2. Strategic Planning and Developments

The College is committed to improving the life chances for young people and adults in the Region by offering a breadth of curriculum at both campus locations that is aligned to relevant regional and national needs. Ongoing developments require to be balanced against other budget priorities.

Curriculum Planning - The College has a well established curriculum planning process and continually reviews its curriculum and courses to ensure decisions at strategic level are based on demand from learners, the needs of local employers, sector skills, internal performance measures, external environmental analysis, including the use of the Regional Skills Assessments as well as national initiatives such as *Opportunities for All* and *Developing The Young Workforce*. The College will continue to adopt flexible, engaging delivery methods that promote accessibility and flexibility. The College aims to offer progression and articulation opportunities in all its curriculum areas

Estates Developments - the College is implementing a 5-year estates strategy, and Conditions surveys of both sites have been undertaken to inform the strategy. The Dumfries campus is only 9 years old and as such does not require significant capital investment. However, it does need to meet curriculum challenges, ensuring flexibility of its teaching spaces to reflect new teaching methods. Stranraer campus is 31 years old and as such requires significant investment to ensure facilities mirror those in Dumfries. The disposal of a surplus property at Catherinefield in Dumfries was finalised in 2016/17, and proceeds were re-invested in the Stranraer campus.

Through our estates strategy the College aims 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.

The forecasts have been prepared on the assumption that a portion of the cash budget for priorities (net depreciation) will be utilised to meet some of these costs each year.

The shared facilities at the Crichton building have increased the complexities of any development work there. The partners including University of the West of Scotland, Glasgow University and the Open University, all require to be consulted in advance of any work being carried out in the Crichton building, and any changes require minimal disruption for them.

Human Resource Management - the College has developed a 5-year Human Resource Strategy as a key driver to support the College to maximise the potential of employees. The purpose of the Strategy is to provide an effective framework for recruiting, developing and retaining staff in an effective, fair and supportive environment. To this end, the Strategy is structured around the four key themes:

1. An engaged, diverse and high quality workforce.
2. Adaptable, flexible and innovative staff, teams and organisation.
3. Excellent leadership and management.
4. A safe and healthy working environment.

The developments in staff recruitment and staff development are expected to be cost neutral, but changes resulting from national bargaining will have a major impact on the College budgets and potentially staffing levels.

Workforce plans have been established, with the aim of ensuring that sufficient teaching staff are available in order to deliver the planned curriculum each year. The costs of transition to new pay scales has been included in the projections, but further changes to annual leave and contact time will incur substantial costs, as noted in the 'Risk Analysis' below.

3. Review of Financial Performance 2016/17

The College achieved student numbers in line with plans for 2016/17.

The budget and forecast out-turn for the year has been monitored on an ongoing basis throughout the year, and any additional funding identified has been utilised to meet requests for curriculum developments and student facilities. The College forecasts an underlying break-even position for 2016/17.

A re-structure of academic management was made during the year in order to ensure that the structure will continue to support the curriculum developments planned in future.

The College has a large balance of net depreciation costs due to College reserves being used to fund some of the original construction costs of the Crichton building. Net depreciation costs of £355,000 were used in 2016/17 to meet costs of the pay award, as well as a staff Voluntary Severance Scheme.

The College concluded the disposal of the surplus property which was formerly a nursery at Catherinefield during 2016/17, and proceeds were re-invested to help fund a new heating system in the campus at Stranraer. Other developments during the year were made to improve student facilities including replacing engineering equipment, and upgrading IT facilities as well as installing low-energy lighting in the library in line with the College's Climate Change Action Plan.

The College was able to meet demand for student support from the grant available during 2016/17. The student numbers showed a decrease in bursary-funded students, which has resulted in a net underspend of student support for the year. Childcare support has remained at the same level as 2015/16, but demand for Bursaries and Childcare can fluctuate significantly each year depending on individual student circumstances each year.

4. Net forecast results for 2017/18 to 2021/22

The budget for 2017/18 has been based on the grant offer from SFC, and includes the estimated costs for lecturing staff on the implementation of National Bargaining. The budget was approved by the Board and assumes that savings of £50,000 will be made during the year in order to achieve an underlying break-even out-turn.

The forecasts show an underlying deficit for the following year, which increases each year due to the impact of increasing staff costs and a lower increase in SFC grant funding. The analysis of SFC funding, Staff costs and Risk Analysis below provide more detail of the changes.

The assumptions are based on SFC's guidance in the call for information SFC/CI/03/2017, and include an allowance for a 1% pay award for support staff for each year, and lecturing staff for 2020/21 and 2021/22. No allowance has been included for additional costs which would be required for further changes to lecturers' any for any reduction in contact time which may result from National Bargaining.

The projected staff costs based on those assumptions show an increase of 4.5% in 2017/18, with subsequent increases at 2.8%, 1.9%, 2.7% and 1.5%. Total staff costs in these projections show an increase of £1.1m by 2021/22.

The forecasts assume that additional SFC grant will be available to cover the additional pay costs relating to National Bargaining but not for costs of changes to terms and conditions. Additional costs of changes in annual leave and the pay awards as noted above are forecast to amount to £446,000 in 2021/22.

Changes to staff costs for future years have been based on the costs which were modelled in the costing exercise in June, and updated for any recent changes and information at this time. The assumptions made for future years, and potential costs of changes in terms and conditions, and the impact on the out-turn for future years, are set out in section 8.

The full amount of the capital maintenance grant is expected to be required for ongoing estates maintenance and upkeep. The requests for developments are being considered, and will require to be funded from depreciation cash budgets or from external funding.

5. Balance Sheet and Cash Position

The College retained cash reserves at 1 April 2014 following the ONS changes in order to meet future Lennartz liabilities. The Lennartz agreement is due to be completed at July 2018, with estimated liabilities of £309,000 to be met during 2017/18. When the Lennartz cash is repaid, the forecasts indicate that bank balances will be approx. £680,000.

The cash balances are forecast to decrease to minimal levels over the five year period to 2021/22 if the College incurs an operating deficit each year, with balances of £530,000 by July 2022 which represents 15 days of total expenditure.

The Balance Sheet at July 2016 shows net current liabilities and a deficit income and expenditure reserve due to the FRS 102 accounting treatment of deferred capital grants. Current liabilities at July 2016 include capital grants of £758,000, which is expected to remain at this level during the subsequent five year period.

6. SFC Recurrent Grant

SFC Recurrent grant for 2017/18 has been based on the grant offer, and includes the additional funding for lecturer's pay of £68,000.

The forecasts assume that additional SFC grant will be available to cover the additional pay costs relating to National Bargaining but not for costs of changes to terms and conditions. The forecasts have been based on SFC's guidance, with 100% of pay costs covered in 2018/18 and 2019/20, with this grant reduced to 67% in 2020-21 and 33% in 2021/22.

SFC core grant is forecast to remain at the same level in 2018/19 and 2019/20, with an increase of 2% in 2020/21 and 2021/22.

The forecasts are based on the student numbers set out in the 2017/18 grant offer and assumes that a 2% increase in numbers in 2020/21 and 2021/22 will be cost-neutral.

SFC core grant represents a significant proportion of total income for the College, and the Sensitivity Analysis on the FFR return highlights that a 2.5% change in SFC funding for 2017/18 is equivalent to £272,000.

7. Tuition fee income and other income

The forecast for 2017/18 are based on the student numbers targets set out in the Regional Outcome Agreement and grant offer from SFC.

Income figures have assumed that the current joint working with the University of the West of Scotland and Glasgow University will continue, with a small increase in other income for subsequent years. No other major changes to income have been forecast.

The market for commercial courses in the area is not significant, but a moderate increase in commercial income has been included in the forecasts each year which should be achievable.

The contract with Skills Development Scotland for 2017/18 has reduced from previous years.

ALF grant funding of £255,000 has been agreed for 2017/18, which has been earmarked for replacement engineering equipment. The remaining balance in ALF of approximately £80,000 is forecast to be utilised during 2018/19.

8. Changes in staff and non-staff costs

Staffing costs

As noted above, changes to staff costs for future years have been based on the costs which were modelled in the costing exercise in June, and updated for any recent changes and information at this time

The staff costs budget for 2017/18 is based on the lecturing staff required in order to deliver the planned curriculum. The increase in lecturing staff costs for the year includes the costs of the transition to the new pay scales, which will be fully implemented by 2020/21.

From 2018/19 the forecasts include additional staffing costs of £80,000 per year for an additional 3 days annual leave for lecturing staff. The additional costs would equate to an additional 2 FTE lecturing staff, and no other changes in staffing numbers are forecast.

No additional costs have been included relating to any changes in lecturers' contact time. A reduction in contact time of 1 hour would equate to a requirement for an additional 3.5 FTE lecturers, and a cost of £140,000 per anum.

Estimated costs for promoted lecturing posts to fully implement the new pay scales are expected to increase by approximately £80,000 per anum, and these additional costs are assumed to be phased in over the four year period to 2020/21.

The costs of implementing new pay scales for support staff are not known at this time, but an allowance of 1% has been included in the forecasts, which amounts to £150,000 per anum. The forecasts are based on full implementation in 2018/19.

As highlighted in the Sensitivity Analysis, any increase in staffing costs has a substantial impact on the underlying operating results each year. As staffing costs are forecast to increase each year as National Bargaining is implemented, the College would require to make staffing cuts in order to balance the budget. As minimum class sizes are small, any staffing reduction would require a reduction in curriculum offering in order to achieve efficiencies. Further efficiencies in support staff roles will continue to be assessed on an ongoing basis, but further large-scale reductions will have an impact on services and support for students.

Pensions - the forecasts do not include any adjustments for the pension valuation or any changes in pension contribution rates.

Cash Budget for Priorities

The forecasts include expenditure of cash budget for priorities to meet ongoing costs of the 2015/16 consolidated pay award, with the balance set aside for planned developments to improve the curriculum and student experience. Cash has been retained to meet the remaining Lennartz liabilities, and if any overspend in student support is forecast, the remaining budget would be utilised to meet those costs.

Non-staff costs

The forecasts assume that non-staff costs, excluding depreciation, will increase by 1.5% to reflect inflation.

Estates maintenance continues to be a significant non-staff cost for the College, and although the Dumfries campus is relatively new, as noted above, the curriculum development in both the Dumfries and Stranraer campuses requires an ongoing investment in estates developments and equipment in order to ensure students are provided with modern up to date facilities, and provide appropriate training for the workplace.

Condition Surveys are awaited and further costs may be identified.

The capital maintenance grant has been ear-marked to fund ongoing estates maintenance costs, with costs for further curriculum developments forecast to be met from cash budget for priorities.

IT and MIS developments - the College has invested heavily in technology to increase efficiencies and keep costs low, as well as provide excellent facilities for students. The broadband facilities available to the College are slow, but we are currently working with local government partners to upgrade the infrastructure and increase the speed, which will be essential in order to meet the requirements of students and the increased demand for on-line facilities. In addition, the IT hardware will require ongoing replacement.

Funding these developments in future will require to be met from non-core funding or external sources.

9. Risk Analysis

The College can no longer utilise retained reserves and cash balances to meet unexpected costs. The long-term future of the College requires continued investment in estates and IT facilities as well as staff development in order to ensure continued breadth of curriculum, allow the College to adapt to changing needs, and to ensure that learners continue to have access to modern facilities and equipment.

The uncertainty over future pay costs and the full implementation of changes arising from National bargaining agreements will continue to have an impact on the operating results and cash balances for the College. The costs of transition for unpromoted posts is now more certain, but costs for promoted posts and other changes to annual leave and contact time for lecturing staff are still unknown.

From 2018/19 the forecasts include additional staffing costs of £80,000 per year for an additional 3 days annual leave for lecturing staff, but no additional costs have been included relating to any changes in contact time. A reduction in contact time of 1 hour per week would cost a further £140,000 per anum.

As National bargaining discussions are now starting to review potential changes for support staff, future costs for changes to pay scales and annual leave are also unknown. The forecast figures include a 1% increase in support staff costs per anum, which amounts to £150,000.

The Sensitivity Analysis in the FFR has highlighted that a 2.5% change in staff costs would be a significant proportion of total expenditure each year, and has a large impact on operating results. Overall staff costs are projected to increase by 14% from 2016/17 to 2021/22, and result in an underlying deficit of £495,000 by 2021/22 if income does not increase at the same rate, or savings aren’t identified. Any savings in staff costs would require a reduction in staff numbers.

Funding for future estates, IT and MIS developments will require to be met from non-core funding or external sources. The monies available from ALF have been utilised to fund some major developments in the last three years, but there are expected to be minimal funds available from ALF after 2017/18.

10. Other information

The forecasts are currently in draft, as the Board of Management have not yet had an opportunity to review them. The Finance and General Purposes Committee are scheduled to meet in mid September, and the forecasts will be reviewed and finalised as soon as possible after that date.

Financial Forecast Return 2017

Institution	Dumfries and Galloway College
Contact	Karen Hunter
Telephone	01387 734365
Email:	hunterk@dumgal.ac.uk

DECLARATION:	The attached worksheets represent the financial forecasts for the Institution. They reflect a financial statement of our academic and physical plans from 2016-17 to 2021-22. Adequate explanations have been provided where requested on the return. The worksheets and their underpinning assumptions have been reviewed and approved by the Board of Management in accordance with their agreed practices. In preparing this financial forecast the Institution has fully considered the financial implications of all aspects of its strategy and has properly reflected these in the forecast.

Signed:

Principal/Chief Executive Officer

Date:

Dumfries and Galloway College

DRAFT FIGURES

	Actual 2015-16	Forecast 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	2015-16 - 2016-17	2016-17 - 2017-18	2017-18 - 2018-19	2018-19 - 2019-20	2019-20 - 2020-21	2020-21 - 2021-22	Explanation for variance
Statement of Comprehensive income and expenditure (Cc	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**%**	**%**	**%**	**%**	**%**	**%**	
INCOME														
Tuition fees and education contracts	1,719	1,813	1,691	1,696	1,702	1,708	1,709	5.5%	-6.7%	0.3%	0.4%	0.4%	0.1%	Decrease in SDS contracts in 2017/18/ modest increase in other income each year
Funding council grants	9,909	10,013	10,230	10,521	10,621	10,725	10,714	1.0%	2.2%	2.8%	1.0%	1.0%	-0.1%	Increasing per SFC assumptions as per Commentary paper
Research grants and contracts	0	0	0	0	0	0	0							
Revenue grants from Arms Length Foundation	286	24	255	80	0	0	0	-91.6%	962.5%	-68.6%	-100.0%			All ALF funds expected to be fully utilised by 31.07.18
Capital grants from Arms Length Foundation	0	0	0	0	0	0	0							
Other non-government capital grants	0	0	0	0	0	0	0							
Other income	531	557	602	603	603	603	604	4.9%	8.1%	0.2%	0.0%	0.0%	0.2%	Some project income received in 2016/17
Investment income	11	4	0	0	0	0	0	-63.6%	-100.0%					No bank interest assumed following move to Government Banking in 2016-17
Total income before donations and endowments	**12,456**	**12,411**	**12,778**	**12,900**	**12,926**	**13,036**	**13,027**	-0.4%	3.0%	1.0%	0.2%	0.9%	-0.1%	
Donations and endowments	0	0	0	0	0	0	0							
Total income	**12,456**	**12,411**	**12,778**	**12,900**	**12,926**	**13,036**	**13,027**	-0.4%	3.0%	1.0%	0.2%	0.9%	-0.1%	
EXPENDITURE														
Staff costs	7,969	8,083	8,446	8,712	8,842	9,043	9,144	1.4%	4.5%	3.1%	1.5%	2.3%	1.1%	Staff costs increasing per modelling for National Bargaining
Staff costs - exceptional restructuring costs	0	278	0	0	0	0	0		-100.0%					
Fundamental restructuring costs - non-staff	0	0	0	0	0	0	0							
Other operating expenses	3,930	3,193	3,455	3,520	3,479	3,454	3,460	-18.8%	8.2%	1.9%	-1.2%	-0.7%	0.2%	Expenditure from additional SFC capital grant in 2016/17
Donation to Arms Length Foundation	0	0	0	0	0	0	0							
Depreciation	1,197	1,195	1,205	1,201	1,184	1,148	1,108	-0.2%	0.8%	-0.3%	-1.4%	-3.0%	-3.5%	Some equipment fully depreciated from 2019-20, and assumed not replaced
Interest and other finance costs	193	0	0	0	0	0	0	-100.0%						
Total expenditure	**13,289**	**12,749**	**13,106**	**13,433**	**13,505**	**13,645**	**13,712**	-4.1%	2.8%	2.5%	0.5%	1.0%	0.5%	
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	**(833)**	**(338)**	**(328)**	**(533)**	**(579)**	**(609)**	**(685)**	-59.4%	-3.0%	62.5%	8.6%	5.2%	12.5%	
Gain/(loss) on disposal of fixed assets		(15)	0	0	0	0	0		-100.0%					
Gain/(loss) on investments	0	0	0	0	0	0	0							
Share of operating surplus/(deficit) in joint venture(s)	0	0	0	0	0	0	0							
Share of operating surplus/(deficit) in associate(s)	0	0	0	0	0	0	0							
Surplus/(deficit) before tax	**(833)**	**(353)**	**(328)**	**(533)**	**(579)**	**(609)**	**(685)**	-57.6%	-7.1%	62.5%	8.6%	5.2%	12.5%	
Other taxation	0	0	0	0	0	0	0							
Surplus/(deficit) for the year	**(833)**	**(353)**	**(328)**	**(533)**	**(579)**	**(609)**	**(685)**	-57.6%	-7.1%	62.5%	8.6%	5.2%	12.5%	
Unrealised surplus on revaluation of land and buildings	0	0	0	0	0	0	0							
Actuarial (loss)/gain in respect of pension schemes	(1,825)	0	0	0	0	0	0	-100.0%						Assumed no changes in pension provision in the period from 31.07.16
Other comprehensive income	0	0	0	0	0	0	0							
Total comprehensive income for the year	**(2,658)**	**(353)**	**(328)**	**(533)**	**(579)**	**(609)**	**(685)**	-86.7%	-7.1%	62.5%	8.6%	5.2%	12.5%	

Dumfries and Galloway College

DRAFT FIGURES

UNDERLYING OPERATING RESULT	Actual 2015-16 £000	Forecast 2016-17 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	2015-16 - 2016-17 %	2016-17 - 2017-18 %	2017-18 - 2018-19 %	2018-19 - 2019-20 %	2019-20 - 2020-21 %	2020-21 - 2021-22 %	Explanation for variance
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	**(833)**	**(338)**	**(328)**	**(533)**	**(579)**	**(609)**	**(685)**							
Add:														
Depreciation net of deferred capital grant release *(incorporated colleges only)*	380	355	330	350	340	305	270	-6.6%	-7.0%	6.1%	-2.9%	-10.3%	-11.5%	
Exceptional non-restructuring items (e.g. impairment costs)	0	0	0	0	0	0	0							
Non-cash pension adjustments	464	0	0	0	0	0	0	-100.0%						
Donation to Arms Length Foundation *(incorporated colleges only)*	0	0	0	0	0	0	0							
Deduct:														
Non-Government capital grants	0	0	0	0	0	0	0							
Exceptional income	0	0	0	0	0	0	0							
Revenue funding allocated to loan repayments and other capital items *(incorporated colleges only)*	0	0	0	0	0	0	0							
Underlying operating result	**11**	**17**	**2**	**(183)**	**(239)**	**(304)**	**(415)**	54.5%	-88.2%	-9250.0%	30.6%	27.2%	36.5%	

Cash budget for priorities *(incorporated colleges)* :

Student support funding	0	0	0	0	0	0	0
2015-16 pay award	96	97	97	98	98	98	98
Loan repayments	0	0	0	0	0	0	0
Curriculum developments	284	258	233	252	242	207	172
Other - please describe	0	0	0	0	0	0	0
Other - please describe	0	0	0	0	0	0	0
	380	**355**	**330**	**350**	**340**	**305**	**270**

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Staff costs	Actual 2015-16 £000	Forecast 2016-17 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	2015-16 - 2016-17 %	2016-17 - 2017-18 %	2017-18 - 2018-19 %	2018-19 - 2019-20 %	2019-20 - 2020-21 %	2020-21 - 2021-22 %	Explanation
Salaries	6,140	6,375	6,672	6,882	6,985	7,144	7,224	3.8%	4.7%	3.1%	1.5%	2.3%	1.1%	
Social Security costs	457	558	591	609	619	633	640	22.1%	5.9%	3.0%	1.6%	2.3%	1.1%	
Other pension costs	1,101	1,150	1,183	1,221	1,238	1,266	1,280	4.5%	2.9%	3.2%	1.4%	2.3%	1.1%	
FRS 102 pensions adjustments	271	0	0	0	0	0	0	-100.0%						changes in pension valuations have been included in the forecasts
Severance payments	0	0	0	0	0	0	0							
Total	7,969	8,083	8,446	8,712	8,842	9,043	9,144							

Dumfries and Galloway College

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SENSITIVITY ANALYSIS	Forecast 2016-17 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	(338)	(328)	(533)	(579)	(609)	(685)
Income:						
SFC activity funding +/- 2.5%	267	272	280	282	284	285
Non-SFC income +/- 2.5%	58	62	57	55	56	56
Expenditure:						
Non-staff costs +/- 2.5%	80	86	88	87	86	86
Staff costs:						
Total staff costs +/- 2.5%	202	211	218	221	227	229
Total staff costs +/- 5%	404	422	436	442	454	458

Dumfries and Galloway College

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	Balance Sheet		Actual 2015-16	Forecast 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	2015-16 - 2016-17	2016-17 - 2017-18	2017-18 - 2018-19	2018-19 - 2019-20	2019-20 - 2020-21	2020-21 - 2021-22	Explanation for variance
			£000	£000	£000	£000	£000	£000	£000	%	%	%	%	%	%	
1	Non-current assets	a) Intangible assets	0	0	0	0	0	0	0							
		b) Goodwill	0	0	0	0	0	0	0							
		c) Negative goodwill	0	0	0	0	0	0	0							
		d) Fixed assets	36,756	35,546	34,341	33,140	31,958	30,785	29,613	-3.3%	-3.4%	-3.5%	-3.6%	-3.7%	-3.8%	;ome equipment fully depreciated from 2019-20, and assumed not replace(
		e) Heritage assets	0	0	0	0	0	0	0							
		f) Investments	0	0	0	0	0	0	0							
		g) Investment in joint venture(s)	0	0	0	0	0	0	0							
		h) Investment in associate(s)	0	0	0	0	0	0	0							
	Total non-current assets		**36,756**	**35,546**	**34,341**	**33,140**	**31,958**	**30,785**	**29,613**	-3.3%	-3.4%	-3.5%	-3.6%	-3.7%	-3.8%	
2	Current assets	a) Stock	0													
		b) Debtors	511	367	367	367	367	367	367	-28.2%	0.0%	0.0%	0.0%	0.0%	0.0%	Assumed minimal changes in debtor balances
		c) Investments	0	0	0	0	0	0	0							
		d) Cash and cash equivalents	1,947	1,633	687	733	709	643	530	-16.1%	-57.9%	6.7%	-3.3%	-9.3%	-17.6%	Cash balances are forecast to decrease due to increasing operating deficit
		e) Other (e.g. assets for resale)	0	0	0	0	0	0	0							
	Total current assets		**2,458**	**2,000**	**1,054**	**1,100**	**1,076**	**1,010**	**897**	-18.6%	-47.3%	4.4%	-2.2%	-6.1%	-11.2%	
3	Creditors: amounts falling due within one year	a) Bank loans and external borrowing	0	0	0	0	0	0	0							
		b) Bank overdrafts	0	0	0	0	0	0	0							
		c) Lennartz creditor	333	309	0	0	0	0	0	-7.2%	-100.0%					Lennartz creditor is due to be fully repaid by 31.07.18
		d) Obligations under finance leases and service concessions	0	0	0	0	0	0	0							
		e) Payments received in advance	170	47	47	47	47	47	47	-72.4%	0.0%	0.0%	0.0%	0.0%	0.0%	
		f) Amounts owed to Funding Council	363	342	0	0	0	0	0	-5.8%	-100.0%					;FC creditor relates to student support underspend at 31.07.16 and 31.07.1
		g) Obligations under PFI/NPD	0	0	0	0	0	0	0							
		h) Other creditors and accruals	2,118	2,055	1,506	1,506	1,506	1,476	1,476	-3.0%	-26.7%	0.0%	0.0%	-2.0%	0.0%	Deferred capital grant balances included in creditors per FRS 102
	Total creditors < 1year		**2,984**	**2,753**	**1,553**	**1,553**	**1,553**	**1,523**	**1,523**	-7.7%	-43.6%	0.0%	0.0%	-1.9%	0.0%	
	Share of net assets/(liabilities) in associate		0	0	0	0	0	0	0							
	NET CURRENT ASSETS/LIABILITIES		**(526)**	**(753)**	**(499)**	**(453)**	**(477)**	**(513)**	**(626)**	43.2%	-33.7%	-9.2%	5.3%	7.5%	22.0%	
	TOTAL ASSETS LESS CURRENT LIABILITIES		**36,230**	**34,793**	**33,842**	**32,687**	**31,481**	**30,272**	**28,987**	-4.0%	-2.7%	-3.4%	-3.7%	-3.8%	-4.2%	
4	Creditors: amounts falling due after more than one year	a) Local authority loans	0	0	0	0	0	0	0							
		b) Bank loans and external borrowing	0	0	0	0	0	0	0							
		c) Lennartz creditor	333	0	0	0	0	0	0	-100.0%						Lennartz creditor is due to be fully repaid by 31.07.18
		d) Finance leases and service concessions	0	0	0	0	0	0	0							
		e) Obligations under PFI/NPD	0	0	0	0	0	0	0							
		f) Amounts repayable to Funding Council	0	0	0	0	0	0	0							
		g) Other creditors	23,377	22,618	21,861	21,103	20,344	19,617	18,888	-3.2%	-3.3%	-3.5%	-3.6%	-3.6%	-3.7%	Deferred capital grant balances included in creditors per FRS 102
	Total creditors >1 year		**23,710**	**22,618**	**21,861**	**21,103**	**20,344**	**19,617**	**18,888**	-4.6%	-3.3%	-3.5%	-3.6%	-3.6%	-3.7%	
5	Provisions	a) Pension provisions	8,291	8,291	8,291	8,291	8,291	8,291	8,291	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Assumed no changes in pension provision in the period from 31.07.16
		b) Other	0	0	0	0	0	0	0							
	Total provisions		**8,291**	**8,291**	**8,291**	**8,291**	**8,291**	**8,291**	**8,291**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
	TOTAL NET ASSETS		**4,229**	**3,884**	**3,690**	**3,293**	**2,846**	**2,364**	**1,808**	-8.2%	-5.0%	-10.8%	-13.6%	-16.9%	-23.5%	
9	Restricted Reserves	a) Endowment Reserve	0	0	0	0	0	0	0							
		b) Restricted Reserve	0	0	0	0	0	0	0							
10	Unrestricted reserves	a) Income and Expenditure Reserve	-192	-258	-310	-566	-872	-1,212	-1,627	34.4%	20.2%	82.6%	54.1%	39.0%	34.2%	Increasing operating deficit per SOCIE
		b) Revaluation reserve	4,421	4,142	4,000	3,859	3,718	3,576	3,435	-6.3%	-3.4%	-3.5%	-3.7%	-3.8%	-3.9%	f revaluation reserve based on valuations at 31.07.16, assumed no changes
11	Non-controlling interest		0	0	0	0	0	0	0							
	TOTAL RESERVES		**4,229**	**3,884**	**3,690**	**3,293**	**2,846**	**2,364**	**1,808**	-8.2%	-5.0%	-10.8%	-13.6%	-16.9%	-23.5%	

Dumfries and Galloway College

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Capital Expenditure Projects and Forecast Methods of Financing

	Actual 2015-16	Forecast 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	2015-16 - 2016-17	2016-17 - 2017-18	2017-18 - 2018-19	2018-19 - 2019-20	2019-20 - 2020-21	2020-21 - 2021-22
	£000	£000	£000	£000	£000	£000	£000	%	%	%	%	%	%
Expenditure:													
Land & Buildings	0	120	0	0	0	0	0		-100.0%				
Equipment & Others	0	0	0	0	0	0	0						
	0	120	0	0	0	0	0		-100.0%				
Financed by:													
Cash reserves	0	0	0	0	0	0	0						
Arms Length Foundation	0	0	0	0	0	0	0						
Leasing	0	0	0	0	0	0	0						
SFC grant	0	0	0	0	0	0	0						
Re-investment of proceeds from disposal of assets	0	120	0	0	0	0	0		-100.0%				
Non-SFC grants	0	0	0	0	0	0	0						
PFI/NPD	0	0	0	0	0	0	0						
Other - please specify if material	0	0	0	0	0	0	0						
	0	120	0	0	0	0	0		-100.0%				

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Dumfries and Galloway College

ALF Funding	**Actual 2015-16 £000**	**Forecast 2016-17 £000**	**Forecast 2017-18 £000**	**Forecast 2018-19 £000**	**Forecast 2019-20 £000**	**Forecast 2020-21 £000**	**Forecast 2021-22 £000**
Estimated balance of cash in ALF as at 1 August	645	359	335	80	0	0	0
Donation to Arms Length Foundation	0	0	0	0	0	0	0
Grant from Arms Length Foundation - capital	0	0	0	0	0	0	0
Grant from Arms Length Foundation - revenue	(286)	(24)	(255)	(80)	0	0	0
Estimated balance of cash in ALF as at 31 July	**359**	**335**	**80**	**0**	**0**	**0**	**0**

Note:

For most foundations, the most recent accounts available are for periods ending in 2016. Colleges' forecast movements will not include governance costs, donations from third parties, payments to third parties or investment income.

Grant from Arms Length Foundation - capital:							
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0

Grant from Arms Length Foundation - revenue							
Estates development	90	0	0	0	0	0	0
Curriculum developments	196	24	255	80	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Description	0	0	0	0	0	0	0
Total	286	24	255	80	0	0	0

Dumfries and Galloway College

FINANCIAL SUMMARY

	Actual 2015-16	Forecast 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
	£000	£000	£000	£000	£000	£000	£000
Income ratios							
Total Income	12,456	12,411	12,778	12,900	12,926	13,036	13,027
Total Funding Council Grant as % of Total Income	80%	81%	80%	82%	82%	82%	82%
Total non-Funding Council Grant as % of Total Income	20%	19%	20%	18%	18%	18%	18%
Total Education Contracts and Tuition Fees as % of Total Income	14%	15%	13%	13%	13%	13%	13%
Total Research Grants and Contracts as % of Total Income	0%	0%	0%	0%	0%	0%	0%
Total Other Income as % of Total Income	4%	4%	5%	5%	5%	5%	5%
Expenditure ratios							
Total Expenditure	13,289	12,749	13,106	13,433	13,505	13,645	13,712
Salaries as % of Total Expenditure	60%	63%	64%	65%	65%	66%	67%
Other operating costs as % of Total Expenditure	30%	25%	26%	26%	26%	25%	25%
Depreciation/amortisation as % of Total Expenditure	9%	9%	9%	9%	9%	8%	8%
Operating position							
Operating Surplus/(deficit)	-833	-338	-328	-533	-579	-609	-685
Operating Surplus/(deficit) as % of Total Income	-7%	-3%	-3%	-4%	-4%	-5%	-5%
Underlying operating surplus/(deficit)	11	17	2	-183	-239	-304	-415
Underlying operating surplus/(deficit) as % of Total Income	0.1%	0.1%	0.0%	-1.4%	-1.8%	-2.3%	-3.2%
Cash Position							
Cash and Current Asset Investments	1,947	1,633	687	733	709	643	530
Overdrafts	0	0	0	0	0	0	0
Days Ratio of Cash to Total Expenditure	59	52	21	22	21	19	15
Balance Sheet strength							
Unrestricted reserves	(192)	(258)	(310)	(566)	(872)	(1,212)	(1,627)
Current Ratio	0.82	0.73	0.68	0.71	0.69	0.66	0.59
Unrestricted reserves as % of Total Income	-2%	-2%	-2%	-4%	-7%	-9%	-12%
Total borrowing (Overdrafts, Loans, Finance Leases, PFI/NPD)	666	309	0	0	0	0	0
Interest cover	-3.32	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Dumfries & Galloway College

Finance and General Purposes Committee

DRAFT FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

1. Purpose of the Report

1.1 The purpose of this report is to provide a summary of the results and balances reported in the Financial Statements for the year ended 31 July 2017.

1.2 The Strategic Report, which comprises a Performance Report and an Accountability Report covering Corporate Governance, Remuneration and Staffing, will be drafted for review by the Executive Management Team, and presented for discussion and approval at the November meeting of this Committee.

1.3 The valuation report for the College's share of the Dumfries and Galloway Pension Fund (LGPS) has not yet been received, and the financial statements will require to be updated for the valuation at July 2017.

2. Format of the accounts

2.1 The financial statements have been prepared in accordance with Financial Reporting Standard (FRS) 102 and the revised Statement of Recommended Practice: Accounting for Higher and Further Education 2015 (2015 SORP) for the second year, and the accounting policies on pages 31 to 35 are unchanged from 2016.

2.2 The comparative figures relate to the 12 month period 1 August 2015 to 31 July 2016.

2.3 As the LGPS valuation report has not yet been received, the Statement of Comprehensive Income and Balance Sheet, and detailed pension disclosures at Note 19 will require to be updated to reflect the movement on the scheme to July 2017. The disclosures and analysis will be completed when the financial statements are presented to the Committee in November.

3. Scottish Funding Council – Accounts Direction for 2016-17

3.1 SFC set out mandatory disclosures for the College financial statements each year, which are usually additional disclosures to the SORP in order to comply with the Government Financial Reporting Manual 2016-17 (FReM).

3.2 An additional mandatory disclosures for 2016-17 is a statement at the foot of the Statement of Comprehensive Income (SOCI) and a note to the accounts explaining the impact of the non-cash budget given for depreciation, which restates the SOCI results on a Government accounting basis for the academic year.

3.3 SFC have set out some examples for the wording and the note to the accounts, and the Appendix to this report includes the examples including the College results for 2016-17. Examples 1 and 2 set out the footnote to the SOCI and accompanying note, and examples 3 and 4 show their example wording for the Performance Report.

4. Statement of Comprehensive Income

3.1 The first part of the Statement of Comprehensive Income shows operating income and expenditure for the year, and will include the actuarial movement on the pension scheme, to provide a total comprehensive income for the year.

3.2 The draft figures show an operating deficit of £356,000. The deficit reflects the additional expenditure from depreciation cash funds of £354,000 and unfunded pension adjustment of £5,000. The figures will be updated to reflect the changes to the LGPS valuation, and will be revised when the report is available.

3.3 Total depreciation cash funds of £354,000 were spent during the year. Of the total, £77,000 was used to offset the costs of the pay award for 2015-16, and £277,000 was used to fund the staff Voluntary Severance scheme.

3.4 Student Support income and expenditure are summarised at notes 21 and 22 of the financial statements. Total student support of £2,421,000 was received during the year, including Further Education Bursaries, EMA's, Further and Higher Education Discretionary and Childcare funding. Further Education Bursary and childcare funds of £345,000 unspent at 31 July 2017 will be repaid to Scottish Funding Council as part of the in-year redistribution process.

5. Balance Sheet

4.1 The Balance Sheet at 31 July 2017 continues to show a net current liability position, which includes deferred government capital grants of £758,000.

4.2 Cash and bank balances have decreased by £314,000 during the year, and balances at 31 July 2017 were £1,633,000.

4.3 Long term creditor balances for deferred capital grants amounts to £22,619,000, which has decreased over the period by £1,091,000.

4.4 Lennartz liabilities reduced by £359,000 during the year. Payments of £287,000 were made, and the update to VAT partial exemption and annual calculations resulted in a decrease in liabilities of £72,000. The remaining balance outstanding at 31 July 2017 amounts to £307,000 and is disclosed within current liabilities.

4.5 The sale of the Catherinefield building during the year has released £135,000 from the revaluation reserve.

4.6 A portion of the Stranraer heating project has been treated as capital expenditure for accounting purposes, and as the project was completed in August 2017, costs to July 2017 of £131,000 have been treated as ‘Assets in the course of construction’.

4.7 Net assets and reserves amounted to £3,783,000 at 31 July 2017, and the movement for the year has been summarised on the Statement of Changes in Reserves.

6. Recommendation

Members are asked to review the results and balances for the year ended 31 July 2017, and approve the Statement of Accounting Policies. The Committee are also asked to review and discuss the narrative explanations and reporting of the underlying operating position, including the example SFC wording.

Appendix

1. Example footnote to Statement of Comprehensive Income:

The Statement of Comprehensive Income is prepared under the FE/ HE SORP. Colleges are also subject to Central Government accounting rules but the FE/ HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 9 provides details of the adjusted operating position on a Central Government accounting basis.

2. Example form of words for inclusion in the note 9 to the accounts:

	2016-17 £000	2015-16 £000
Surplus/ (deficit) before other gains and losses (FE/ HE SORP basis)	(356)	(833)
Add back: Non-cash allocation for depreciation (net of deferred capital grant)	354	390
Operating (deficit) on Central Government accounting basis	**(2)**	**(443)**

Following reclassification, colleges received additional non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. As a result, colleges show a deficit equivalent to net depreciation in order to meet Government accounting rules and the requirement to spend the entire cash allocation.

Under the FE/HE SORP, the college recorded an operating deficit of £356,000 for the year ended 31 July 2017. After taking account of the Government non-cash budget, the college shows an “adjusted” deficit of £2,000 on a Central Government accounting basis. This demonstrates that the college is operating sustainably within its funding allocation.

Performance Report:

3. Example wording to provide a breakdown of cash allocation previously earmarked for depreciation:

Cash Budget for Priorities

One consequence of college reclassification as central government bodies is that, from 1 April 2014, while the College prepares accounts under the FE/ HE Statement of Recommended Practice, they are now also required to comply with Central Government budgeting rules. This affects, among other things, the way in which non-cash depreciation charges are treated for budgeting purposes and how the colleges spend the cash funds (cash budget for priorities) which were previously earmarked for depreciation.

Spend of the College's cash budget for priorities, and the impact on operating position, is detailed below:

	2016-17	2015-16
	£000	£000
2015-16 Pay award	77	96
Curriculum developments	-	284
Voluntary Severance Scheme	277	-
Total impact on operating position	354	380
Total Capital	-	-
Total cash budget for priorities spend	**354**	**380**

4. Example wording to provide details of the underlying operating position for Academic Year 2016-17:

Underlying operating position

	2016-17 £000	2015-16 £000
Surplus/ (deficit) before other gains and losses	(356)	(833)
Add back:		
- Depreciation (net of deferred grant release)	354	390
- Non-cash pension adjustments	5	464
Deduct:		
- Non-government capital grants	0	0
- Exceptional income	0	0
Underlying operating surplus/ (deficit)	**3**	**21**

Statement of Comprehensive Income

	Note	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
INCOME			
SFC grants	2	**10,058**	9,909
Tuition fees and education contracts	3	**1,808**	1,719
Other grant income	4	**142**	395
Other operating income	5	**422**	422
Endowment and investment income	6	**4**	11
Total Income		**12,434**	12,456
EXPENDITURE			
Staff costs excluding exceptional costs	7	**8,073**	7,969
Fundamental restructuring costs		**265**	0
Other operating expenses	9	**3,257**	3,930
Transfer to Arms Length Foundation	9	**0**	0
Depreciation	12	**1,195**	1,197
Interest and other finance costs	10	**0**	193
Total Expenditure		**12,790**	**13,289**
(Deficit)/ Surplus before tax		**(356)**	(833)
Taxation		**0**	0
(Deficit)/ Surplus for the year		**(356)**	(833)
Unrealised deficit on revaluation of land and buildings		**0**	0
Actuarial (loss) in respect of pension schemes	19		(1,825)
Total comprehensive income for the year		**(356)**	**(2,658)**
Represented by:			
Unrestricted comprehensive income for the year		**(356)**	**(2,658)**

All items of income and expenditure relate to continuing activities.

A significant consequence of reclassification as central government bodies, from 1 April 2014, while the College prepares accounts under the 2015 Statement of Recommended Practice and Financial Reporting Standards FRS 102, it is also required to comply with Central Government budgeting rules. This affects, among other things, the way in which non-cash depreciation charges are treated. For the 2016-17 budget period the College received cash for budgeted depreciation costs, and without approval to spend this cash, moving the College's Statement of Comprehensive Income into a deficit position, it would have been effectively frozen. The underlying operating position would therefore have been a small deficit before accounting for this additional expenditure and the adjustments for the pension valuation for the Local Government Pension Scheme at 31 July 2017 in accordance with the technical accounting requirements of IAS 19, as detailed at Note 19.

The Scottish Funding Council issued guidance to the College on this matter on 30 March 2015 which provided approval for the depreciation cash budget to be used for specific other areas of expenditure. During 2016-17, £354,000 of depreciation cash budget was used to fund pay costs and a staff voluntary severance scheme. In addition, the accounting adjustments to update the LGPS valuation at 31 July 2017 have resulted in a net charge of £XXX to expenditure. The impact of the above has contributed £354,000 to the reported deficit for the 2016-17 financial period (2015-16 - £844,000). 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.

Statement of Changes in Reserves for the year ended 31 July 2017

	Income and expenditure reserve	Revaluation reserve	Total
	£000	£000	£000
Balance at 1 April 2015	**2,322**	**4,565**	**6,887**
Surplus/ (Deficit) from the income and expenditure statement	(833)	0	**(833)**
Other comprehensive income	(1,825)	0	**(1,825)**
Transfers between revaluation and income and expenditure reserve	144	(144)	**0**
Release of restricted capital funds spent in period	0	0	**0**
	(2,514)	(144)	(2,658)
Balance at 1 August 2016	**(192)**	**4,421**	**4,229**
Surplus/ (Deficit) from the income and expenditure statement	(356)	0	**(356)**
Other comprehensive income	0	0	**0**
Transfers between revaluation and income and expenditure reserve	277	(277)	**0**
Release of restricted capital funds spent in year	0	0	**0**
Total comprehensive income for the year	(79)	(277)	(356)
Balance at 31 July 2017	**(271)**	**4,144**	**3,873**

Balance Sheet as at 31 July 2017

	Note	Year ended 31 July 2017	Year ended 31 July 2016
		£000	£000
Non-current assets			
Fixed assets	12	**35,557**	36,756
Current Assets			
Trade and other receivables	13	**396**	511
Cash at cash equivalents	14	**1,633**	1,947
Total current assets		**2,029**	2,458
Less: Creditors - amounts falling due within one year	15	**(2,798)**	(2,984)
Net Current Assets/ (Liabilities)		**(769)**	(526)
Total Assets less Current Liabilities		**34,788**	36,230
Less: Creditors - amounts falling due after more than one year	16	**(22,619)**	(23,710)
Provisions			
Pension provisions	17	**(788)**	(8,291)
Other provisions		**(7,508)**	0
Total net assets		**3,873**	4,229
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		**(271)**	(192)
Revaluation reserve		**4,144**	4,421
Total reserves		**3,873**	4,229

The financial statements on pages 27 to 51 were approved by the Board of Management on X December 2017 and were signed on its behalf by:

Brian Johnstone
Chairman

Carol Turnbull
Principal

Statement of Cash Flows for the year ended 31 July 2017

	Note	Year ended 31 July 2017	Year ended 31 July 2016
		£000	£000
Cash flow from operating activities			
(Deficit)/ Surplus for the period		**(356)**	(833)
Adjustment for non-cash items			
Depreciation		**1,195**	1,197
Decrease/ (increase) in debtors		**115**	(214)
(Decrease)/ increase in creditors		**(1,267)**	(817)
Increase/ (decrease) in pension provision		**5**	460
Increase/ (decrease) in other provisions		**0**	(9)
Adjustment for investing or financing activities			
Investment income		**5**	0
Interest payable		**0**	0
(Loss)/ Profit on sale of fixed assets		**0**	0
Net cash (Outflow)/ Inflow from operating activities		**(303)**	(216)
Cash flows from investing activities			
Proceeds from sales of fixed assets		**120**	0
Investment income		**0**	0
Payments to acquire fixed assets		**(131)**	0
		(11)	0
Cash flows from financing activities			
Interest paid		**0**	0
Repayments of amounts borrowed		**0**	0
		0	0
(Decrease)/ increase in cash and cash equivalents in the period		**(314)**	**(216)**
Cash and cash equivalents at beginning of the period		**1,947**	2,163
Cash and cash equivalents at end of the period		**1,633**	1,947

1. Statement of Accounting Policies

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

1.1 Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (SORP) 2015: 'Accounting in Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2016-17 Government Financial Reporting Model (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.

The College is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

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 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 material to the financial statements are set out below.

1.2 Recognition of income

Income from the sale of goods or services is credited to the Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount.

All income from short-term deposits and investment income is credited to the statement of income and expenditure on a receivable basis.

The College acts as paying agent on behalf of two funding bodies - the Scottish Funding Council and the Student Awards Agency for Scotland - in the collection and payment of certain Student Support Funds. Where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction, those funds are excluded from the income and expenditure of the College.

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, those funds are shown as College income and expenditure.

Grant funding

Government revenue grants including the recurrent grants from the Scottish Funding Council (SFC) are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants from non government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

1.2 Recognition of income (continued)

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the College is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the College is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms of the restriction applied to the individual endowment fund.

Four main types of donations and endowments are identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the College.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the College has the power to use the capital.
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

1.3 Fixed assets

In line with FReM all tangible assets must be carried at fair value. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Land and buildings are measured using the revaluation model. Under the revaluation model, assets are revalued to fair value. Where appropriate Depreciated Replacement cost has been used as a measure of fair value for land and buildings otherwise Market Value will be used. The College has a policy of ensuring a full revaluation takes place at least every 5 years such that the fair value is not materially different to the current value. Depreciation and impairment losses are subsequently charged on the revalued amount.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College.

If a building is brought into use mid-way through a year the depreciation charge in the first year will be pro-rated to reflect the number of months that the asset was in use.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

1.3 Fixed assets (continued)

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2017. They are not depreciated until they are brought into use.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives.

The expected useful life of buildings can vary from 10 to 50 years as determined by professional opinion and valuation.

Equipment

Equipment, including computers and software, costing less than £10,000 per individual item and motor vehicles costing less than £5,000 are recognised as expenditure. All other equipment is capitalised and depreciated in accordance with the depreciation policy.

Capitalised equipment is depreciated over its useful economic life as follows:

Buildings	10 to 50 years
Fixtures and fittings	10 years
Computer equipment	3 years
Other equipment	5 years
Motor vehicles	5 years

Where equipment is brought into use mid-way through a year the depreciation charge in the first year will be prorated to reflect the number of months that the asset was in use.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

1.4 Finance leases

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.5 Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

1.6 Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

1.7 Taxation

The College is an exempt charity within the meaning of the Trustee Investment and Charities (Scotland) Act 2005 and as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. The College is recognised as a charity by HM Revenue and Customs and is recorded on the index of charities maintained by the Office of Scottish Charity Regulator. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on inputs is included in costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

1.8 Accounting for retirement benefits

All new College employees have the option of joining a pension scheme. The schemes currently open to new members are the Scottish Teachers' Superannuation Scheme and the Dumfries and Galloway Council Pension Fund. Both of the schemes are defined benefit schemes, which are externally funded and contracted out of the State Second Pension (S2P).

Scottish Teachers' Superannuation Scheme

The Scottish Teachers' Superannuation Scheme (STSS) pension scheme provides benefits based on career average salaries. The assets of the scheme are held separately from those of the College. The STSS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to College members due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme.

Dumfries and Galloway Council Pension Fund

The Dumfries and Galloway Council Pension Fund is a pension scheme providing benefits based on career average salaries. The assets and liabilities of the scheme are held separately from those of the College.

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the College's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the College. The College should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the College is able to recover the surplus either through reduced contributions in the future or through refunds to the extent to which the College is able to recover the surplus either through reduced contributions in the future or through refunds.

1. Statement of Accounting Policies (continued)

1.9 Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

1.10 Financial Instruments

The College does not hold any complex financial instruments. The only financial instruments included in the financial statements are financial assets in the form of cash and cash equivalents as well as trade receivables and other current assets and financial liabilities in the form of trade receivables and other current liabilities.

All material amounts of trade receivables and other current assets due at 31 July 2016 have been brought into the Statement of Comprehensive Income irrespective of when actual payments were received.

All material amounts of trade payables and other current liabilities outstanding at 31 July 2016 have been brought into the Statement of Comprehensive Income irrespective of when actual payments were made.

1.11 Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

(a) the College has a present obligation (legal or constructive) as a result of a past event;

(b) it is probable that an outflow of economic benefits will be required to settle the obligation; and

(c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

1.12 Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the College, are held as a permanently restricted fund which the college must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the college is restricted in the use of these funds.

Notes to the Financial Statements (continued)

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
2 SFC Grants		
FE recurrent grant (including fee waiver)	**8,620**	8,327
FE and HE childcare funds	**259**	279
Release of deferred capital grants	**671**	672
Infrastructure grant	**459**	379
Other SFC grants	**49**	252
Total	**10,058**	9,909
3 Tuition Fees and education contracts		
FE fees - UK	**428**	411
HE fees	**742**	749
SDS contracts	**301**	333
Education contracts	**0**	0
Other contracts	**337**	226
Total	**1,808**	1,719
4 Other grant income		
European funds	**0**	0
Release of deferred capital grants	**87**	87
Scottish Colleges Foundation grant (Note 9)	**24**	286
Other grants	**31**	22
Total	**142**	395
5 Other operating income		
Residences and catering	**373**	375
Other income-generating activities	**16**	19
Other income	**33**	28
Total	**422**	422

Notes to the Financial Statements (continued)

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
6 Endowment and investment income		
Bank interest	**4**	11

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
7 Staff costs		
Wages and salaries	**6,372**	6,140
Social security costs	**561**	457
Other pension costs (including IAS 19 adjustments of £XXX (2016 - £271k) note 19)	**1,140**	1,372
Staff costs excluding exceptional costs	**8,073**	7,969
Exceptional costs - severance costs	**265**	0
Staff costs including exceptional costs	**8,338**	7,969

Academic/ Teaching departments	**3,883**	4,055
Academic/ Teaching services	**1,017**	929
Administration and central services	**2,874**	2,510
Premises	**420**	363
Other expenditure	**144**	112
Catering and residences	**0**	0
Total	**8,338**	7,969

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

	No.	No.
Academic/ Teaching departments		86
Academic/ Teaching services		21
Administration and central services		89
Premises		14
Other expenditure		3
Catering and residences		0
Total	**0**	213

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:

	Year ended 31 July 2017		Year ended 31 July 2016	
	Number senior post-holders	Number other staff	Number senior post-holders	Number other staff
£60,001 to £70,000 per annum	2	0	3	0
£70,001 to £80,000 per annum	0	0	0	0
£80,001 to £90,000 per annum	0	0	0	0
£90,001 to £100,000 per annum	1	0	1	0
	3	**0**	4	0

8 Senior post-holders' emoluments

	2017 No.	2016 No.
The number of senior post-holders, including the Principal was:	**4**	4

	Year ended 31 July	Year ended 31 July
Senior post-holders' emoluments are made up as follows:	**2017**	2016
	£	£
Salaries	**281,733**	278,845
Pension contributions	**54,174**	54,622
Total emoluments	**335,907**	333,467

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

	£	£
Salary (including holiday pay)	**95,000**	93,785
Pension contributions	**19,285**	19,038

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 six members of the Board of Management during the year amounted to £1,184.

Notes to the Financial Statements (continued)

9 Other operating expenses		**Year ended 31 July 2017**	Year ended 31 July 2016
		£000	£000
Teaching departments		**874**	1,003
Administration and central services		**1,041**	1,087
Premises costs (including additional Lennartz credit £72,000. 2016 - £170,000, note 16)		**488**	572
Planned maintenance		**231**	713
Other employee related costs		**190**	130
(Gain)/ Loss on disposal of fixed assets		**15**	0
Agency Staff Costs		**39**	46
Residences and catering		**379**	379
Overspend on student support funds		**0**	0
		3,257	3,930
Transfer to Arms Length Foundation		**0**	0
Total		**3,257**	**3,930**
Other operating costs include:			
Auditors' remuneration	- external audit of these financial statements	**16**	15
	-internal audit services *	**20**	14
	- other services	**0**	5
Hire of plant and machinery - operating leases		**76**	84

** 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. No donations from the College to the Foundation were made in the period to 31 July 2017 or to 31 July 2016. The Foundation has continued to provide financial support for developments during the current financial period, as detailed at Note 4, and the College will be able to apply for funding for future projects which will not be able to be met from reserves after 1 April 2014 due to re-classification of the College sector.

A significant 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 2015 Statement of Recommended Practice and FRS 102, it is now also required to comply with Central Government budgeting rules. This affects, among other things, the way in which non-cash depreciation charges are treated as well as accounting for the annual valuation of the Local Government Pension Scheme (LGPS). During the 2016-17 budget period the College received cash for budgeted depreciation costs, and without approval to spend this cash, it would have been effectively frozen. The underlying operating position would therefore have been a small deficit before accounting for this additional expenditure and the adjustments for the pension valuation.

The Scottish Funding Council issued guidance to the College on this matter on 30 March 2015 which provided approval for the depreciation cash budget to be used for specific other areas of expenditure. During 2016-17, £354,000 of depreciation cash budget was used to fund pay costs and a staff voluntary severance scheme. In addition, the accounting adjustments to update the LGPS valuation at 31 July 2017 have resulted in a net charge of £XXX to expenditure.

The impact of the above has contributed £354,000 to the reported deficit for the 2016-17 financial period (2015-16 - £844,000). 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.

10 Interest payable

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
Net interest cost on pension liability (note 19)		193

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	**Fittings and Equipment £000**	**Motor Vehicles £000**	**Assets in the Course of Construction £000**	**Total £000**
Cost or valuation					
At 1 August 2016	38,209	337	253	0	38,799
Additions	0	0	0	131	131
Disposals	(140)	0	0	0	(140)
At 31 July 2017	**38,069**	**337**	**253**	**131**	**38,790**
Depreciation					
At 1 August 2016	1,557	300	186	0	2,043
Provided during period	1,162	14	19	0	1,195
On disposals	(5)		0	0	(5)
At 31 July 2017	**2,714**	**314**	**205**	**0**	**3,233**
NBV at 1 August 2016	36,652	37	67	0	36,756
NBV at 31 July 2017	**35,355**	**23**	**48**	**131**	**35,557**
Inherited	3,685	0	0	0	3,685
Financed by capital grant	31,670	23	48	0	31,741
Other	0	0	0	131	131
At 31 July 2017	**35,355**	**23**	**48**	**131**	**35,557**

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 £35,355,000 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.

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

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
Trade debtors - net of provision for doubtful debts	**6**	50
Prepayments and accrued income	**390**	461
	396	511

14 Cash and cash equivalents

	31 July 2017 £000	31 July 2016 £000
Cash and cash equivalents	**1,633**	1,947

The College receives certain Scottish 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.

Agency funds of £363,000 are included in the cash and cash equivalents at the year end.

15 Creditors: Amounts falling due within one year

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
Trade creditors	**48**	73
VAT	**79**	86
HMRC Lennartz Scheme	**307**	333
Other taxation and social security	**151**	141
Pension	**135**	130
Contract retentions	**-**	131
Accruals and deferred income	**860**	969
Deferred capital grants	**758**	758
Bursaries and Access funds for future disbursement (note 14)	**460**	363
	2,798	2,984

Deferred capital grants to be released within one year are included within current creditors, and the balance of deferred capital grants within long term creditors at note 16 in accordance with the requirements of FRS 102 and the 2015 SORP.

Notes to the Financial Statements (continued)

16 Creditors: Amounts falling due after more than one year	**Year ended 31 July 2017**	Period ended 31 March 2016
	£000	£000
HMRC Lennartz Scheme	**0**	333
Deferred capital grants	**22,619**	23,377
	22,619	23,710

The estimated future liability under the Lennartz agreement was recalculated during the period, and showed a net decrease of £75,000 which has been credited to premises costs (note 9).

Deferred capital grants to be released within one year are included within current creditors, and the balance of deferred capital grants within long term creditors at note 16 in accordance with the requirements of FRS 102 and the 2015 SORP.

17 Provisions for liabilities and charges

	Early Retirement pension costs	Defined Pension obligations (Note 19)	**2016-17 Total**	2016-16 Total
At 1 August 2016	783	7,508	**8,291**	6,015
Expenditure in the period	(48)	0	**(48)**	(639)
Additional provision required in period	49	0	**49**	889
Revaluation adjustment	0	0	**0**	1,825
Interest charged	4	0	**4**	201
At 31 July 2017	788	7,508	**8,296**	8,291

The Early Retirement pension costs provision has been revalued using actuarial tables supplied by the Scottish Funding Council. The net interest rate applied was 0.0%.

18 Lease obligations	**Year ended 31 July 2017**	2016
	£000	£000
Total rentals under operating leases for equipment are as follows:		
Payable during the period	**55**	53
Future minimum lease payments due:		
- Not later than 1 year	4	4
- Later than 1 year and not later than 5 years	206	248
Total lease payments due	210	252

19 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 :

	12 months to July 2017 £000	12 months to July 2016 £000
Contribution to STSS	**523**	513
Contribution to LGPS	**613**	557
Pension costs as a result of implementing FRS 102		464
Total pension cost	**1,136**	1,534

Employer contribution rates during the period were:

STSS - 17.2% from September 2015

LGPS - 20.3% plus a monetary payment as noted below

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 on a consistent and reasonable basis and therefore, as required by FRS 102 (28), 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 2016.

Following the revaluation of the Dumfries and Galloway Council pension fund at 31 March 2014, the actuary determined that the funding level for Dumfries and Galloway College's element of the fund has decreased from 102% at 31 March 2011 to 98% at 31 March 2014, and the College element of the fund is in deficit. The future service rate for Dumfries and Galloway College has been calculated at 20.3% of pensionable pay, and the deficit to the fund is being met from a monetary payment rather than an adjustment to the contribution rate. The actuary has set employer contribution rates for three years at the future service rate plus a monetary payment, and total employer contributions to be applied for three years from 1 April 2015 are as follows:

2015/16 - 20.3% of pensionable pay plus £23,000
2016/17 - 20.3% of pensionable pay plus £24,000
2017/18 - 20.3% of pensionable pay plus £25,000

Notes to the Financial Statements (continued)

19 Pensions and similar obligations (continued)

Assumptions

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

	As at 31/07/17	As at 31/07/16
	%	%
Discount rate		2.40%
Expected rate of return on plan assets		2.40%
Future salary increases		3.90%
Inflation/ pension rate increase		1.90%

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2012 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25% p.a. based on these assumptions, the average life expectancies at age 65 are summarised below.

- Current pensioner aged 65: 22.7 years (male), 24 years (female).
- Future retiree upon reaching 65: 24.5 years (male), 26.7 years (female).

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

Scheme assets and expected rate of return for LGPS

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

	Year ended 31 July 2017	Year ended 31 July 2016	Period ended 31 July 2015
	Fair value	Fair value	Fair value
	£000	£000	£000
Equities		13,016	12,143
Corporate bonds		3,031	2,429
Property		1,783	1,619
Other		0	-
	0	17,830	16,191
Actual return on plan assets		809	1524

Notes to the Financial Statements (continued)

19 Pensions and similar obligations (continued)

Analysis of amount shown in the Balance Sheet for LGPS pensions:

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
Scheme assets	**-**	17,830
Scheme liabilities		(25,314)
	0	(7,484)
Present value of unfunded defined benefit obligations		(24)
Deficit in the scheme - net pension liability	**0**	(7,508)
Current service cost		(853)
Total operating charge	**0**	**(853)**

Analysis of the amount charged to interest payable/ credited to other finance income for LGPS pensions:

Interest cost		(780)
Expected return on assets		587
Interest on net deficit		0
Net charge to other finance income	**0**	**(193)**
Total income and expenditure charge before deduction for tax	**0**	(1,046)

Analysis of other comprehensive income for LGPS pensions:

Gain on assets		809
Experience loss on liabilities		(2,634)
Total other comprehensive income before deduction for tax	**0**	**(1,825)**

Notes to the Financial Statements (continued)

19 Pensions and similar obligations (continued)

	Year ended 31 July 2017	Year ended 31 July 2016
Analysis of movement in surplus/ (deficit) for LGPS pensions		
Deficit at the beginning of the period	**(7,508)**	(5,219)
Contributions paid by the College		582
Current service cost		(853)
Other finance charge		(193)
(Loss) recognised in other comprehensive income		(1,825)
Deficit at the end of the period	**(7,508)**	(7,508)

	Year ended 31 July 2017	Year ended 31 July 2016
Movement in the present value of the fair value of pension plan assets		
Present value of assets at the start of the period	**17,830**	16,191
Interest income		587
Participants contributions		163
College contributions		582
Benefits paid		(502)
Return on assets		809
Present value of assets at the end of the period	**17,830**	17,830

	Year ended 31 July 2017	Year ended 31 July 2016
Movement in the present value of pension liabilities		
Present value of obligations at the start of the period	**(25,338)**	(21,410)
Current service costs (net of member contributions)		(853)
Interest cost		(780)
Participants contributions	**0**	(163)
Benefits paid	**0**	502
Change in financial assumptions and other experience		(2,634)
Present value of obligations at the end of the period	**(25,338)**	(25,338)

The Actuarial report at 31 July 2016 has highlighted that the balance sheet position has worsened as a result of a decrease in the discount rate over this period. The effect of this may have been partially offset by greater than expected asset returns. The projected 2016-17 charge is likely to be higher than 2015-16 due to a lower net discount rate leading to a higher service cost

20 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	Joint Managing Director

The Crichton Foundation has previously provided grant funding towards the Henry Duncan building, which forms part of the Crichton Campus. During the year ended 31 July 2017 the Crichton Foundation provided grant funding of £10,000 for student support in 2015-16 which was fully disbursed to students by the College during the period. In addition, £1,000 was invoiced to Crichton Foundation in respect of prizes for the annual College Award Ceremony. £1,00 was outstanding at 31 July 2017.

The College provided training courses to Dumfries and Galloway Housing Partnership during the year ended 31 July 2017. Invoices to Dumfries and Galloway Housing Partnership amounted to £85,165. No balances were due to the College from Dumfries and Galloway Housing Partnership at 31 July 2017.

The College has engaged 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 £13,436. No balances were due to William Waugh by the College at 31 July 2017.

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 six members of the Board of Management during the year amounted to £1,184.

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

Notes to the Financial Statements (continued)

21 FE Bursaries and other Student Support Funds

	FE Bursary	EMA's	Other	Year ended 31 July 2017	Year ended 31 July 2016
	£000	£000	£000	**£000**	£000
Balance brought forward	349	0	0	**349**	239
Allocation received in period (including interest)	1,728	247	159	**2,134**	2,218
	2,077	247	159	**2,483**	2,457
Expenditure	(1,397)	(247)	(173)	**(1,817)**	(1,997)
Repayable to Funding Council as Clawback	(246)	0		**(246)**	(133)
College Contribution to funds	0	0	0	**0**	1
Virements between FE and HE Childcare and FE Discretionary funds	0	0	14	**14**	21
Balance Carried forward	434	0	0	**434**	349
Represented by:					
Repayable to Funding Council as Clawback	329	0	0	**329**	243
Retained by College for Students	105	0	0	**105**	106
	434	0	0	**434**	349

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.

22 FE and HE Childcare Funds

	Year ended 31 July 2017	Year ended 31 July 2016
	£000	£000
Balance brought forward	**3**	0
Allocation received in period	**287**	303
	290	303
Expenditure	**(260)**	(279)
Virements to FE Discretionary funds	**(14)**	(21)
Balance Carried forward	**16**	3
Represented by:		
Repayable to Funding Council as Clawback	**16**	3
Retained by College for Students	**0**	0
	16	3

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.

23 Capital Commitments

Provision has not been made for the following capital commitments at 31 July 2017:

	Year ended 31 July 2017	Year ended 31 July 2016
	£000	£000
Commitments contracted for	**6**	24

Notes to the Financial Statements (continued)

24 Post Balance Sheet Events

There are no post balance sheet events.

25 Contingent Liabilities

The College had no contingent liabilities at 31 July 2017 and 31 July 2016.

2016-17 Accounts direction for Scotland's colleges and universities

1 It is the Scottish Funding Council's direction that colleges comply with the 2015 *Statement of Recommended Practice: Accounting for Further and Higher Education* (SORP) in preparing their annual report and accounts.

2 Colleges must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (for assigned colleges).

3 Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2016-17 (FReM) where applicable.

4 Incorporated colleges are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2017.

5 The annual report and accounts should be signed by the chief executive officer and by the chair, or one other member of the governing body.

6 Incorporated colleges should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
30 June 2017

Finance and General Purposes Committee

Aged Debt Report as at July 2017

1. Introduction

1.1 The purpose of this report is to provide an update to members on the College debtor balances and any bad debts arising since 31 April 2017.

1.2 The value of sales invoices issued by the College on an annual basis is relatively small in comparison to total income. The majority of College income relates to grant funding from the Scottish Funding Council, and other grants which are received at agreed stages during the year. Approximately 1,000 invoices are issued each year, which represents less than 10% of college income.

1.3 The number of reminder letters issued for late payments each year is relatively low in comparison to total College income. In addition, the debts which are eventually forwarded to debt collection agents to pursue is very small in comparison to the total invoices raised each year and generally relate to invoices for student support which have been unpaid.

2. Summary of Aged Balances at July 2017

	April 2017 Total	July 2017 Total	Current	1 Month	2 Months	3 Months	3 Plus	No of Debts
Client	22,664	9,358	690	4,318	4,267	-	83	16
Student	1,973	-9,287	-	-4,555	-443	-	-4,289	20
Bursary 2015/16	2,917	284	-	-	-	-	284	1
Bursary 2016/17	140	2,883	-	-	2,686	-	197	2
Total	**27,694**	**3,238**	**690**	**-237**	**6,511**	**-**	**-3,726**	**39**

2.1. The total debt has decreased by £24,456 since April 2017.

2.2 The College continues to ensure that debtor balances are current and recoverable by following the agreed procedure for reminder letters, with difficult cases being referred to the debt collection agents to pursue.

3. Breakdown of debtor balances

3.1 At 31 July, client debt had decreased by £13,306 since April 2017. The balance includes fee income received in advance for 2017-18 of £10,432, leaving net debtor balances of £13,670. Total client debt at 31 July 2017 amounts to £9,358 and includes one large value invoice and several smaller balances.

3.2 The total level of student debt has decreased by £7,314 since April 2017. A number of students have paid in advance for 2017-18, and invoices will be prepared in August when the students enrol. Reminder letters have been issued in accordance with College procedures for the remaining outstanding debt.

3.3 Bursary debt has increased by £110 to £3,167 since April 2017. The balance is made up of older debts, which have been followed up in accordance with College procedures. The majority of these have been forwarded to the debt collection agency and there are a number of proposed write offs for balances which are now considered irrecoverable by the agency.

4. Bad debt provision

4.1 At 31 July 2017 the provision in the accounts has decreased to £916 which reflects the low balance of debts over 3 months old. The provision will be reviewed on an ongoing basis.

5. Debt collection agents

5.1 The total balance currently at the final stage of debt collection amounts to £3,357 and is being handled by TNC. Of this balance, £570 relates to course fees, £100 relating to client debt, with the bursary debt making up the remaining amount of £2,687.

6. Balances to write-off

6.1 Three balances have been pursued through the debt collection agents and have now been classed as irrecoverable by them as noted below. The committee is asked to approve the following balances for write-off:

Reference	Amount £	Debt Type	Date
0307115	283.56	Bursary	11/03/2016
0800546	442.50	Fees	06/10/2016
1601659	442.50	Fees	06/10/2016

6.2 A table is attached in the Appendix, which shows the debts written-off in each of the previous six years.

7. Recommendation

7.1 Members are requested to note the aged debt balances at July 2017.

Finance and General Purposes Committee

Appendix

Summary of amounts previously written-off:

Year debt was written-off	Year of original debt:						
	2015/16	**2014/15**	**2013/14**	**2012/13**	**2011/12**	**2010/11**	**2009/10**
2016/17	3,534.67						
2015/16		1636.62	691.00				
2014/15			7,025.33				
2013/14				8,107.20	634.42		
2012/13					200.00		50.00
2011/12						2,033.17	
2010/11						220.00	1,237.00
	283.56	**1,636.62**	**7,716.33**	**8,107.20**	**834.42**	**2,253.17**	**1,287.00**