Board of Management
Finance and General Purposes Committee

Date: **28 Nov 2017**
Time: **2pm**
Room: 1074b

	AGENDA		**Presented by**
1	Welcome and Apologies for Absence		JH
2	Declaration of Interest		JH
3	Minute of Meeting of 20 Sept 2017	(attached)	JH
4	Matters Arising		
	4.1 Feedback from Recommendations to the Board • Draft Annual Report 2016-17 • Winding Down of College Arm's Length Foundation (ALF) • Revised Budget for 2017-18 • Draft Financial Statements for 2016-17	(verbal)	HP
	4.2 Revise wording on the FFR	(circulated)	CT
	4.3 Share Draft Financial Statements for 2016-17 with the Chair of the Board	(verbal)	HP/KH
5	Revised Budget for 2017-18	(attached)	KH
6	Income and Expenditure for Student Association to July 2017	(attached)	KH
7	2016-17 Financial Statements	(attached)	KH
8	Financial Update (inc Management Accounts)	(attached)	KH
9	Aged Debt Report	(attached)	KH
10	Cash Flow Forecasts	(attached)	KH
11	Any Other Business		
12	Date and Time of Next Meeting - Tuesday 28 February 2018 at 2pm Note: Possible change in time of meeting to 12md, for discussion and agreement		JH/AW

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 28 November 2017 at 2 pm in Room 1074b, Dumfries Campus.

Present:	John Henderson (Chair) Karen McGahan	Carol Turnbull
In attendance:	Karen Hunter, Finance Manager Helen Pedley, Vice Principal Corporate Services Brian Johnstone, Chair of the Board 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. Apologies were intimated on behalf of Ros Francis and Kenny Henry.

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 20 September 2017 was approved.

4 Matters Arising

4.1 Feedback from recommendations to the Board:

Draft Annual Report 2016-17
Please see agenda item no. 7.

Winding down of College Arm's Length Foundation
The decision to wind down the College Arm's Length Foundation (ALF) was approved at the Board meeting on 10th October 2017. The Chair of the Board, welcomed further discussion on the winding down of the Foundation, and advised that he was keen to pursue this further.
Decision: The Chair of the Board was asked to seek clarification from Scottish Government re status of ALF

Revised Budget for 2017-18
Please see agenda item no. 5.

Draft Financial Statements for 2016-17
Please see agenda item no. 7.

Revised wording on the Financial Forecast Return (FFR)
The Principal confirmed that the revised wording had been circulated to Finance & General Purposes Committee Members on the 9th October. The Finance Manager advised that no comments had been received from the Scottish Funding Council following submission of the FFR.

4.2 Share draft Financial Statements for 2016-17 with the Chair of the Board
The Chair of the Board, Brian Johnstone, had received the Financial Statements.

5 Revised Budget for 2017-18

The Finance Manager spoke to the report which had been issued, highlighting the proposed changes to the Budget for the current year. This included additional income and expenditure for the Flexible Workforce Development Fund (FWDF).

In terms of the staffing budget, the revised budget includes a 1% provision for pay increases, however there is no provision for a Cost of Living increase for Teaching Staff.

Decision: The F&GP Committee approved the revisions to the Revised Budget for 2017-18 and recommend the revised Budget to the Board

The Chair thanked the Finance Manager for the report.

6 Income and Expenditure for Student Association to July 2017

The Finance Manager spoke to the report which had been issued, providing a summary for 2016-17 and the Budget for 2017-18. The Principal advised that support had been put in place to assist the Student Association Executive Team, in terms of a Support Officer who had contributed significantly to the completion of the Constitution, Partnership Agreement and Strategic and Operational Plan 2017-18. The Student Association budget will be audited as part of the Annual Audit.

Members noted the Student Association Income and Expenditure for 2016-17 and Budget for 2017-18.
Decision: Members suggested a future evaluation of the Income v Benefits for the Student Association would be helpful. For further discussion

7 Financial Statements 2016-17

The Finance Manager spoke to the report which had been issued, providing the Committee with the Annual Report and Financial Statements, from 1 August 2016 – 31 July 2017, highlighting the main change since the first draft which includes the Pension Valuation. In terms of impact on the Accounts, there is an increase in the overall liability. Members noted the Performance Report, which highlights challenges and successes of the College.
Decision: Members recommend the Financial Statements for year ended 31 July 2017 for Board approval

8 Financial Update (including Management Accounts)

The Finance Manager spoke to the report which had been issued, providing a Financial Update at September 2017 with no significant changes.

Members noted the report.

9 Aged Debt Report

The Finance Manager spoke to the report which had been issued, providing an update on the college debtor balances and any bad debts arising since 31 July 2017. Overall, the Finance Manager reported that there is no concern in terms of student or client debt at this time.

Members noted the aged debt balances at October 2017.

10 Cash Flow Forecasts

The Finance Manager spoke to the report which had been issued, advising of the Cash Flow Forecasts for 2017-18, advising that the projected balance as at March 2018 is expected to be low.

Members noted the forecast movements and closing bank balances for 2017-18.

11 Any other business

11.1 National Bargaining

The Vice Principal Corporate Services updated Members on current activity, including:

Lecturers

- Progressed Job Matching for Promoted Lecturer Post, 50% of jobs have been agreed with the Union. Three posts agreed have been actioned. The other posts will be referred to NJNC panel for decision
- Discussion ongoing around outstanding terms and conditions which were not agreed in the Summer

Support Staff

- The Tender has closed for the national Job Evaluation Scheme
- Annual Leave has been changed for all colleges from 1st September – 31st August. The VP advised that this will not affect this college as staff already receive this level of annual leave.

11.2 Additional Credits – HNC Childcare

The Principal advised that the College had been allocated additional credits this year to increase the number of HNC Childcare Places, however they have been unable to recruit the additional places. Following discussion with the Outcome Agreement Manager today, there could be a clawback of around £50,000, as the additional credits cannot be used for general activity. The Principal advised that an amended budget may need to be brought back to the Committee.

11.3 Construction Industry Training Board (CITB)

Karen McGahan spoke of the CITB re-structure and whether there were any opportunities for the college in terms of further training. The Principal advised that Energy Skills Partnership were in discussion with CITB, following the news that the training facility in Glasgow was to be closed. The training facility in Glasgow offered opportunities for apprentices, including Scaffolding training, which the college is unable to offer.

11.4 Finance Team

The Chair asked that thanks to the Finance Team be formally noted, to recognise all their hard work throughout the year and also their work with the Auditors.

11.5 Vice Principal, Corporate Services

To conclude, the Chair acknowledged that the Vice Principal, Corporate Services had now attended her last Finance & General Purposes Committee meeting, before leaving the college in December. The Chair thanked the VP for all her hard work and wished her well in her new post.

12 Date and Time of Next Meeting

The next meeting of the Finance and General Purposes Committee will take place on Tuesday 27th February 2018. Time tbc, see below.

The Finance and General Purposes Committee meetings normally commence at 2 pm, however Members were asked if there were any objections to moving the time to 12 Noon. The Secretary to the Board explained the reasoning behind the request, to allow the Learning and Teaching Committee to be brought forward by one week. Following agreement both Committee meetings would be held on the same day.

Decision: It was agreed that in future all Finance and General Purposes Committee meetings to commence from 12 Noon if the Learning and Teaching Committee confirm the change to their meetings

Action: The Secretary to the Board to confirm the new time with Members, following discussion at the Learning and Teaching Committee meeting on 5th December

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) Karen McGahan Kenny Henry	Ros Francis Carol Turnbull
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.

Finance and General Purposes Committee

REVISED BUDGET FOR 2017/18

1 PURPOSE OF REPORT

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

2 REPORT

2.1 The budget approved by this committee in September has been updated to reflect the following changes:

Grant income
The net impact on grant income resulting from the proposed budget changes is an increase of £180,000.

The Scottish Funding Council have announced the College's allocation of the new Flexible Workforce Development Fund (FWDF), which is aimed at 'providing employers with workforce development training to up-skill and re-skill their existing workforce'. Funding of £203,000 has been allocated to the College, and is required to be utilised in Academic year 2017-18.

The increase in grant income has been offset against a decrease in grant due in 2017-18 to meet the additional costs of lecturers' pay. A portion of the grant amounting to £23,000 has been recognised in the period to July 2017 in order to match the costs for back pay for that period.

General Contingency
The College is working with local businesses to identify training needs, and the FWDF will be utilised to provide training to those employers. The net additional grant income of £180,000 has been added to the Contingency balance and will be utilised in meeting the costs involved in providing the training.

3 NET OPERATING RESULTS

3.1 The net effect of the above changes to the budget is zero, with no impact on the operating results for the period.

3.2 A summary of the revised budget is attached at the Appendix to this report. For consistency, the budget has been presented in the same layout as the Income and Expenditure Summary in the Financial Update report.

4 RECOMMENDATION

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

Appendix

August 2017 to July 2018

Budget Summary:	**Budget Approved in September 2017**	**Revised Budget - November 2017**	***Change from previous budget***
Income	**£'000**	**£'000**	**£'000**
Grant Income	(9,501)	(9,681)	*(180)*
Release of deferred capital grant	(758)	(758)	*0*
Fee Income	(1,691)	(1,691)	*(0)*
Other Income	(59)	(59)	*0*
Total Income	**(12,009)**	**(12,189)**	***(180)***
Expenditure			
Gross pay costs	6,421	6,421	*0*
Pensions	1,146	1,146	*0*
National Insurance	644	644	*0*
Total Pay Costs	**8,211**	**8,211**	***0***
Property Costs	860	860	*0*
Other overheads	1,655	1,655	*0*
Depreciation	1,193	1,193	*0*
Contingency	90	270	*180*
Total Other Costs	**3,798**	**3,978**	***180***
Total Expenditure	**12,009**	**12,189**	***180***
Underlying Operating Surplus/ (Deficit)	**0**	**0**	***0***

Depreciation cash expenditure	**330**	**330**	***0***
Overall Operating Surplus/ (Deficit)	**(330)**	**(330)**	***0***

Student Support:		Original Budget - May 2017		Revised Budget - September 2017		*Change from previous budget*
		£'000		**£'000**		**£'000**
Income		2,333		2,333		-
Expenditure		2,333		2,333		-
Net costs		-		-		-

Finance and General Purposes Committee

STUDENT ASSOCIATION INCOME AND EXPENDITURE

1 PURPOSE OF REPORT

The purpose of this report is to provide the Income and Expenditure Summary for the Student Association for 2016-17 and the budget for 2017-18.

2 INCOME AND EXPENDITURE FOR 2016-17

The Scottish Funding Council have provided grants in 2014-15 and 2015-16 in order to develop the Student Associations, secure sustainability following Regionalisation, and to develop strong and effective Student Associations.

Grants totalling £142,000 were provided to the College during 2014-15 and 2015-16, which have funded a number of full and part time sabbatical posts. A dedicated Student Engagement Officer post has now been developed, in order to provide ongoing support to the Student Association officers.

Expenditure on the project increased during 2015-16 which reflects the appointment to Student Association posts and the timing of events, as well as training undertaken for the College radio.

A summary Income and Expenditure statement for the Student Association for the three years from 2014-15 to 2016-17 is as follows:

	2014-15	2015-16	2016-17
Income	**£**	**£**	**£**
SFC Grant funding	71,000	71,000	-
Expenditure:			
Staff costs			
Sabbaticals	10,786	26,861	17,971
Dedicated support staff	30,283	47,921	38,902
	41,069	74,782	56,873

Non-staff costs	2014-15 £	2015-16 £	2016-17 £
Student engagement	14,004	17,278	5,391
Events/ Campaigns	2,857	12,032	6,819
Travel and subsistence	1,413	1,722	952
Training and development	1,825	1,219	404
Other -Radio	240	5,729	2,025
	20,339	37,980	15,591
Total expenditure	**61,408**	**112,762**	**72,464**

3. BUDGET FOR 2017-18

As SFC grant funding for the Student Association project has now ceased, the expenditure budget for salaries and other costs for Academic year 2017-18 which is included in the overall College budget is as follows:

Staff costs	*£*
Sabbaticals	*31,200*
Dedicated support staff	*45,000*
	76,200
Non-staff costs	
Student engagement	*12,500*
Events/ Campaigns	*9,000*
Travel and subsistence	*500*
Training and development	*1,000*
Other -Radio	*2,000*
	25,000
Total expenditure	***101,200***

4 RECOMMENDATION

Members are requested to note the Student Association Income and Expenditure for 2016-17 and the budget for 2017-18.

Finance and General Purposes Committee

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

1. Purpose of the Report

1.1 The purpose of this report is to provide an overview of the pension valuation adjustments applied to the draft financial statements for the year ended 31 July 2017 and to present the draft Performance Report and Accountability Report for consideration by the Committee.

1.2 A copy of the Draft Financial Statements which incorporates the Performance Report and Accountability Report is attached.

2. Pension Valuation at 31 July 2017

2.1 The Actuaries for the Dumfries and Galloway Council Pension Scheme have provided their annual valuation of the College's share of the pension scheme assets and liabilities at 31 July 2017.

2.2 The valuation report shows an increase in the net pension liability of £742,000 to £8,250,000 at July 2017, which is reflected in the total Pension provisions of £9,038,000 in the Balance Sheet on page 34.

2.3 The movement in the pension liability over the year has been broken down as a net current service cost of £455,000 and an interest cost of £186,000. These costs totaling £641,000 are included in the Statement of Comprehensive Income as staff costs and interest on page 32, and have increased the overall deficit for the year to £980,000.

2.4 The actuarial loss of £101,000 on the scheme represents a change in financial assumptions from the previous year.

2.5 The overall movement on the pension scheme is set out in note 19.

2.6 The valuation report has been prepared in accordance with the accounting requirements of FRS 102 and IAS 19, which require the future obligations of the scheme to be discounted using the market yields on 'high quality corporate bonds'. As interest rates remain low, market yields on high quality corporate bonds are also expected to remain low, which has resulted in an increased liability for the scheme.

2.7 The triennial valuation for Dumfries and Galloway Pension Scheme is due to be published in November. The report will assess the value of pension liabilities for scheme members and the assets of the scheme as at 31 March 2017 in order to quantify the level of employer contributions which will be required to fund any deficit in the scheme, which will impact the rate of employer contributions and ongoing costs of the scheme for the College.

2.8 The initial feedback from the pension scheme actuaries is that investment returns have been higher than expected over the last three years, but as interest rates remain low and members are living longer, the rate of employer contributions are not expected to decrease.

3. Performance Report

3.1 The Performance Report is set out on pages 3 to 13 of the draft financial statements.

3.2 The 2016-17 Government Financial Reporting Manual (FReM) requires the College to include a Performance Report in the annual financial statements, which includes a statement from the Principal providing her perspective on the College's performance over the period, a summary of the purposes and activities of the College, and key issues which could impact on the College delivering its objectives.

3.3 The Performance Analysis provides more details on how the College measures performance, and an analysis of the performance in 2016-17 compared to 2015-16, including outcomes for student numbers and student achievements, and financial performance indicators.

3.4 The additional disclosures required by the Scottish Funding Council are set out at page 11 of the draft Performance Report and include a summary of expenditure from the 'Cash budget for priorities' (depreciation cash) and the Underlying Operating Position, which shows the depreciation cash spend and non-cash pension adjustments.

4. Accountability Report

4.1 The Accountability Report is set out on pages 14 to 28 of the draft financial statements, and incorporates statements on Corporate Governance, and the Remuneration and Staff Report.

4.2 The Corporate Governance report explains the College's governance structure, and how this supports the achievement of College objectives, as well as statements on compliance with the Code of Good Governance for Scotland's Colleges.

4.3 The Remuneration and Staff report includes disclosures required in order to comply with the FReM. The report sets out remuneration and accrued pension benefits of Senior College Executives as well as median remuneration for the College workforce, sickness absence, and a breakdown of staff costs between directly employed and agency staff.

5. Audit Report

5.1 The draft Audit Report from the external auditors, Scott Moncrieff, is set out on pages 29 to 31.

5.2 The auditors have indicated that they intend to report an unqualified opinion on the annual accounts, the regularity of transactions and on other prescribed matters which they are required to report by exception. The wording of the report is in line with the Audit Scotland model reports.

6. Recommendation

Members are asked to recommend for Board approval the financial statements for the year ended 31 July 2017.

Scottish Charity No. SC021189

DUMFRIES AND GALLOWAY COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD

1 AUGUST 2016 TO 31 JULY 2017

Dumfries and Galloway College

Contents

The financial statements were approved and authorised for issue on 12 December 2017.

Professional Advisers

External Auditors:
Scott Moncrieff
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh

Internal Auditors:
RSM Risk Assurance Services LLP,
6th Floor
25 Farringdon Street
London

Bankers:
Royal Bank of Scotland
2nd Floor
62 Hamilton Road
Motherwell

Bank of Scotland
Level 6
110 St Vincent Street
Glasgow

Solicitors:
Grieve, Grierson, Moodie and Walker
14 Castle Street
Dumfries

MacRoberts Solicitors
152 Bath Street
Glasgow

Performance Report

Performance Overview

The purpose of this Overview is to give a short summary, with sufficient information to provide an understanding of Dumfries and Galloway College, its purpose, key risks facing the College in achieving its objectives, and how the College has performed over the period to July 2017.

Principal's Statement on Performance

Dumfries and Galloway College aspires to be an 'outstanding college', and aims to deliver the highest quality learning for our students, to make a positive contribution to the local and national priorities, and to utilise the expertise of our staff to deliver continuous improvements. Improving attainment will be a key priority, particularly in curriculum areas with low performance indicators.

During 2016-17 the College has continued to make good progress towards its vision and aspirations, which are set out in its five-year strategic plan, Vision 2020.

The College achieved its target for student numbers during 2016-17, with 30,338 credits achieved against a target of 30,067. The number of full time students decreased overall, but part-time numbers increased by 8%, which includes a large increase in students studying for part-time Higher Education courses. Student achievements also increased during 2016-17, but as levels of success and retention are below the sector average, the College is developing an action plan to improve this. Learner satisfaction and post-course success are above the sector average, and the College will continue to develop positive partnerships with Universities and community planning partners in order to deliver a broad range of not only articulation routes to Higher Education but also vocational opportunities, work placement, and employment.

Dumfries and Galloway College is committed to efficiency of delivery and corporate functions, which remains very challenging given the economic make-up of the region and the context of constraints of public funding and reclassification of colleges in Scotland as public bodies. The budget for 2016-17 included planned expenditure in order to maximise the use of cash resource, with the aim of achieving an underlying break-even result. These financial statements show an underlying operating surplus of £35,000 before accounting for the disposal of fixed assets, accruing pension liabilities of £646,000 and cash budget for priorities of £354,000, taking the overall net position to a deficit of £980,000.

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.

The Executive and Curriculum Management structure was reviewed during the year, in order to ensure that we continue to be able to respond to a changing environment, improve our service to learners and the sustainability of the College. The new structure was in place for the start of the 2017-18 academic year, and should ensure that we are responsive and effective, with authority, accountability and empowerment placed as close to the learner as possible in order to continue to meet our strategic objectives.

The uncertainty over future pay costs and the full implementation of changes arising from Collective Bargaining agreements for the sector will continue to have an impact on the operating results and cash balances for the College. The College will continue to carry out internal planning and monitoring to assess then impact on future sustainability.

Performance Report (continued)

Purpose and Activities of Dumfries and Galloway College

The Board of Management of Dumfries and Galloway College was established under The Further and Higher Education (Scotland) Act 1992 for the purpose of conducting Dumfries and Galloway College. The College is a registered charity (Scottish Charity Number SC021189) for the purposes of the Charities and Trustee Investment (Scotland) Act 2005, and is exempt from corporation tax and capital gains tax. The College receives no similar exemption in respect of Value Added Tax.

Dumfries and Galloway College is a single college in a single region. Dumfries and Galloway Council is the sole Local Authority for the region. The College is the only general further education college in the region and potential learners and employers are dependent on it to deliver a curriculum which meets their needs. The College delivers further and higher education across a broad range of curriculum areas from access level to SCQF level 8, to approximately 1,600 full-time and 4,800 part-time learners through its campus locations in Dumfries and 75 miles away in Stranraer.

Dumfries and Galloway College is located in the beautiful South West of Scotland. It is 77 miles from Glasgow and 79 miles from Edinburgh to the town of Dumfries, where the College's main campus is located. In particular, the Crichton Campus brings the choice of university learning to a region that in the past people have had to leave to attend university. A smaller campus is located in Stranraer in the west of the region, 75 miles from Dumfries and offers a range of full and part-time programmes.

Due to the characteristics of the Region, the College will remain financially challenged. In particular, the need to duplicate a wide range of curriculum and services in Stranraer affects both financially and course viability. Small learner numbers and demand makes it difficult to sustain some provision and some courses require to be structured differently than those in Dumfries, for example by combining different levels of learner or using mixed delivery methods - for existing and new provision.

The College's approach to learning is a reflection of the rural locality, the local economy and the changing patterns of lifestyles. As a major employer and a dynamic rural learning institution, the 'digital' revolution has been strongly embraced by us and its many forms are fast becoming the basis for the College's operations and delivery.

Although the College has two campuses and many learning partnerships across the region, we are a College without walls - creating flexible learning opportunities to suit everyone. This means learning opportunities are varied and abundant - from full time courses to flexible, part time courses, learning in College and at home, work or elsewhere. The range of learning includes basic skill development to degree level, including articulation links with Universities.

Our Strategic Plan, Vision 2020, sits alongside the College's Regional Outcome Agreement which sets out how we will meet the Scottish Government's expectations and deliver value for money for the public investment we receive.

The Scottish Government's post-16 education reform policies are to improve life chances; support jobs and growth; and ensure sustainable post-16 education, and the intention of developing a world-class vocational educational system. The Scottish Funding Council's strategic aims of High Quality Learning and Teaching - identifies four priority outcomes which are supported by the College's strategic plan.

Strategic Outcomes

The College Strategic Outcomes are:

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

Performance Report (continued)

Strategic Outcomes (continued)

We continue to have confidence in achieving our vision, but it is also essential that we are able to demonstrate its relevance and contribution to the achievement of both Scottish Government and SFC priorities. We are committed to regularly monitor progress towards delivery of the strategic outcomes. From 2017-18 the College will implement the new SFC and Education Scotland quality arrangements, which integrates quality arrangements evaluation with outcome agreement evaluation and reporting. We will produce an integrated evaluation report and enhancement plan in October each year.

Key issues and risks affecting Dumfries and Galloway College

The College has an established Risk Management Policy and Risk Assessment Procedure, in order to provide a systematic way of identifying, recording, monitoring and reporting risks to ensure the College is able to meet its objectives. The Risk Management Policy outlines the approach to risk management and defines the key principles, processes and responsibilities for the management of risk across the College.

Risk Management is an integral part of the overall governance arrangements of the College, and as such there are specific responsibilities for people and groups undertaking different roles in the organisation. The Board of Management determines the risk appetite for the College, and considers reports on the operation of Risk Management arrangements through the work of the Audit Committee, The Principal, reporting by auditors and annual accounts. The Audit Committee consider the corporate Risk Register at each committee meeting, as well as any internal and external audit reports involving risk and risk management.

The Executive Management Team has day to day responsibility for the management of the system of internal control including risk management, and the member of the Executive Management Team responsible for planning maintains the College Risk Register, which is updated and considered regularly by the Executive Management Team as well as the Audit Committee. The likelihood and impact of each risk is scored together with mitigating actions, in order to identify the residual risks which require to be monitored on an ongoing basis.

The following risks from the College Risk Register have been identified as key risks:

- **National Pay Bargaining.** The impact of National Pay Bargaining on the College finances and staffing remains uncertain. The threat of future industrial action would be detrimental to learners achieving their qualifications as well as staff moral;

- **Ability to achieve activity targets**. The Executive Management Team carry out a robust planning process in order to establish a Curriculum Plan each year, and an Operational Plan to support the curriculum. The funding received from the Scottish Funding Council is dependent on the College achieving its activity targets each academic year. A number of procedures have been established in order to achieve the target each year, and early warning strategies are being implemented in order to improve early retention. However, environmental pressures may impact on retention and this will continue to be monitored. The impact of full implementation of SFC's simplified funding methodology will continue to be monitored.

- **Ability to achieve attainment targets** - real-time monitoring systems are in place, and strategies have been developed to improve retention and student success, which are monitored at course level and through the Self-Evaluation process. KPI and data analysis will be carried out during 2017-18 and new academic structures have been established to allow closer monitoring.

- **College Reclassification**. The impact on reclassification of the Scottish College sector as public bodies on 1 April 2014 for budgeting and financial reporting has reduced the flexibility of the College to manage financial and estates issues, and meet targets in the Outcome Agreement with the Scottish Funding Council. Internal planning and monitoring processes have been changed in order to minimise the impact of reclassification on learners. The College has been grateful to receive grant support from the Scottish Colleges Foundation to fund estates developments to enhance provision for learners, but the future availability of funds is uncertain. The changes to accounting and budget requirements, and the utilisation of depreciation cash budget and pension revaluation adjustments has had a significant impact on the reported deficit for the year and the College reserves.

Performance Report (continued)

- **Cyber Resilience** - work is ongoing to assess the College cyber security systems, standards and procedures in order to comply with the requirements of the Scottish Public Sector Cyber Resilience Framework. There may be an impact on teaching and learning if new systems are necessary in order to gain accreditation under the framework.

- **Crichton Campus Partners' review of property and provision in Dumfries**. The College has established shared services with the Universities of Glasgow and the West of Scotland including some shared building space and library services as well as articulation agreements for learners. The University of the West of Scotland are currently undertaking a 'Transformational Project' in respect of their services and the College will continue to discuss any potential impact on our shared services and articulation arrangements.

- **Public Sector Funding Cuts**. The continued uncertainly over public sector financial allocations beyond 2017-18 and potential funding cuts will have an impact on the curriculum provision and student services. Scenario planning and budgetary review will be undertaken to minimise the impact on learners and staff;

Performance Summary

The College performed well against its targets during 2016-17. Activity targets were exceeded, with 30,338 credits delivered against a target of 30,067. The underlying operating position, which excludes pension valuation adjustments and planned expenditure from depreciation cash, was a break-even result.

Student Numbers

During academic year 2016-17, the College delivered 30,338 credits against a target of 30,067 (2015-16 - 29,871 delivered against the target of 30,371). Total numbers for student enrolments increased from 6,474 in 2015-16 to 6,827, an increase of 5%. Within these overall numbers full-time student numbers decreased to 1,560 from 1,600, which represents a reduction of 102 full time FE students but an increase of 62 full time HE students. Total numbers for part-time students increased by 5% from 2015-16 levels, with part-time HE students increasing by 437 to 1,185 during 2016-17.

Student Achievements

The overall numbers of full-time students successfully completing their programme of study in 2016-17 was 65%, which shows a 1% improvement on 2015-16. The split between full-time Further Education and Higher Education student achievements was FE - 62% and HE - 71% (2015-16 - 61% and 71%).

Successful completion for part-time students decreased from 76% to 57% for FE students and from 71% to 36% for HE students.

The College has established a short-life working group to review the student attainment and retention strategy and develop an action plan for improvement.

Quality Assurance and Enhancement

Education Scotland carried out their review of Dumfries and Galloway College in April 2016, and reported that the College has in place effective arrangements to maintain and enhance the quality of its provision and outcomes for learners and other stakeholders.

Curriculum Developments

The College's curriculum is increasingly shaped by employer involvement and further engagement of employers and industry boards in the design and support of the delivery of courses is a key objective of all curriculum areas.

The College continues to map is curriculum to key industries and learner need across both campuses.

The College has continued to take action to address gender imbalance in all schools programmes, by promoting choices to both genders and dispel perceptions of stereotypical career choices influenced by gender. The College has offered sessions where pupils can try non-traditional vocational activities, as well as providing guidance, school visits and highlighting role models including college staff, and events such as competitions for schools.

Performance Report (continued)

The College currently delivers on a range of energy, engineering and computing courses, with all Computing and Digital Media now mapped to the Science, Technology, Engineering and Maths (STEM) framework. The College has started to include life skills mathematics in some of its Healthcare and Social care programmes, with biology embedded into Reablement and Skills for Work Healthcare. In addition, a range of STEM courses are now being offered to schools, including Computing Science, Digital Design and Animation, Design Engineering and Construct, and Electrical Engineering.

The College now chairs the Dumfries and Galloway Renewable Energy Partnership Group, which focuses on looking at the economic opportunities in the area and development and the College development of skills and training. The Energy Centre delivers energy courses as well as an energy awareness session to all full-time Construction students, including Sustainability. SOLAR, Biomass, Heat Pumps, and Oil Boiler (OFTEC oil) qualifications are all now being delivered in the Energy Centre, enhancing the qualification of College apprentices to carry onto BPEC certifications for emerging technologies.

The College is committed to implementing the new SFC and Education Scotland quality arrangements 'How Good is our College?', which integrates quality arrangements with Outcome Agreement evaluation and reporting. Comprehensive systems are now in place to review and enhance curriculum quality, planning, retention and outcomes, including self-evaluation by teams. A short-life working group has been established to develop strategies to improve levels of retention and success.

Future Developments

Dumfries and Galloway College aspires to be an 'outstanding college', and aims to deliver the highest quality learning for our students, to make a positive contribution to the local and national priorities, and to utilise the expertise of our staff to deliver continuous improvements. Improving attainment will be a key priority, particularly in curriculum areas with low performance indicators.

Work will continue to identify opportunities to enhance collaboration with other Crichton campus partners, to identify future curriculum delivery, explore joint student association activities and explore further opportunities for co-location.

The College has a well established partnership with Dumfries and Galloway Council, and has been providing pupils in all 16 secondary schools in the region with the opportunity to achieve vocational qualifications at SCQF levels 4 to 7 as an integral part of their senior phase curriculum. The College aims to increase its senior phase programme activity in the next three years, by increasing the number of places we offer.

The College aims to become a STEM Centre of Excellence, and is exploring partnership opportunities with the Scotland's Rural College (SRUC) and the Dumfries Learning Town. The College also plans to develop its engineering facilities in the Stranraer campus.

The College is committed to supporting the Scottish Government's plans for expansion in early learning and childcare. An increase in demand for qualified childcare practitioners will provide an opportunity for the College to provide additional; training, up skilling and recognised qualifications for practitioners. The College will work with Dumfries and Galloway Council to establish the impact on the Region's nursery provision, and address the need for workforce expansion by offering HNC Early years/ Childhood Studies to senior phase school pupils as well as increasing work-based learning, including MA and SVQ offerings.

The College will aim to contribute to the reduction in youth unemployment and improving life chances during 2017-18, and to support learners to complete their study and achieve successful outcomes. We will continue to ensure provision is efficiently delivered, is accessible and meets national, regional and local employer needs.

The College will continue to seek opportunities to develop formal articulation routes, including engineering opportunities with Herriot Watt University, the University of Strathclyde and the Open University as well as Edinburgh Napier University.

Performance Report (continued)

Future Developments (continued)

Priority outputs to be delivered in 2017-18 are:

- achieving the increased activity target of 30,336 credits;
- increasing student retention and attainment;
- an increase in the numbers of students entering positive destinations;
- a curriculum which reflects the skills requirements and meets the needs of the region; and
- an increase in non-SFC income as a percentage of total income.

The College has set an ambitious target for both retention and attainment, which take account of the SFC ambitions of sector average student successful outcome of 69% for full time further education programmes. A new Curriculum Management structure has been introduced in order to ensure the College is responsive to the changing environment, and that authority, accountability and empowerment are placed as close the learners as possible.

Performance Analysis

Financial Objectives

The College's financial objectives following reclassification are:

- To operate a balance between operating income and expenditure, and achieve a break-even position;

- To manage the College's annual budget in line with the requirements of the Scottish Public Finance Manual, HM Treasury's Consolidated Budget Guidance and balance the budget in Resource and cash terms each year;

- To maintain cash balances throughout the year at a level that is compatible with the efficient operation of the College.

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

The College has been able to apply to the Scottish Colleges Foundation to seek funding for estates and other developments which may not have been affordable from the College's operating budget. A grant of £24,000 was released during the year to 31 July 2017 which met the costs of some further estates developments (2015-16 - £286,000). In addition, £255,000 was received in July 2017 to fund the purchase of engineering equipment. The grant has been deferred and will be utilised in academic year 2017-18.

How we measure performance

The College Outcome Agreement with the Scottish Funding Council (SFC) sets out what the College plans to deliver in return for funding. The Outcome Agreement reflects the College's commitment to responding to the educational and skills needs within the Dumfries and Galloway Region. The 2016-17 SFC Outcome Agreement aligned to the Scottish Funding Council’s six national priorities:

Efficient regional structures - to deliver an efficient regional structure to meet the needs of the Dumfries and Galloway Region;

High quality & efficient learning – to ensure that learner journeys are as short, efficient and effective as possible and that learners experience the highest quality of learning and teaching and achieve successful outcomes:

Access for people from widest range of backgrounds - to improve access to further and higher education for people from the widest possible range of backgrounds;

Right learning in the right place – to secure coherent provision of further and higher education in Scotland:

A developed workforce - To ensure students are qualified and prepared for work and to improve and adapt the skills of the region’s workforce;

Sustainable institutions - to secure, well managed and financially and environmentally sustainable colleges.

Performance Report (continued)

How we measure performance (continued)

The College Board of Management and Committees regularly measure and monitor progress towards delivery of the targets set out in the outcome agreement through regular reporting of Key Performance Indicators. The Key Performance Indicators which the Board monitors and reviews at each meeting are: Activity; Retention (both early and further); Student Outcomes; and Income and Expenditure. Target and actual performance is measured throughout the year, and actions agreed, with the objective of achieving targets by the end of the academic year.

The College also produces an annual outcome agreement self evaluation report.

A 'Key Indicator Report' is reviewed at each meeting of the Board of Management as a measure of actual performance against target. The following areas are included within the report:

- Activity/ Credits
- Enrolments
- Retention (both early and further)
- Student Outcomes
- Income and expenditure

The Learning & Teaching Committee of the Board also monitors academic performance, including retention, progression and outcomes, including sector comparators. In addition the Human Resources Committee of the Board monitors staffing.

Education Scotland carries out periodic reviews of Scottish Colleges on behalf of the Scottish Funding Council with the aim of providing assurance on the quality of Scottish Education and promote improvement and innovation to enhance learners' experiences.

The College is committed to implementing the new SFC and Education Scotland quality arrangements 'How good is your College?'. This new approach integrates quality arrangements with outcome agreement evaluation and reporting. The College will produce and evaluation report and enhancement plan in October 2017.

Comprehensive systems are in place to review and enhance curriculum quality, planning, retention and outcomes. These systems include self evaluation by teams, as well as a number of management reporting tools which provide information in various formats to enable staff to monitor key areas across the curriculum, including admissions, enrolments, credits, and other performance indicators for specific courses, faculties and across the whole College.

Development and performance during the year

Education Scotland carried out an independent review of the quality of provision in Dumfries and Galloway College in February 2016, and reported their findings in April 2016. The report issued by HM Inspectors concludes that 'Dumfries and Galloway College has in place effective arrangements to maintain and enhance the quality of its provision and outcomes for learners and other stakeholders. This judgement means that, in relation to quality assurance and enhancement, the college is led well, has sufficiently robust arrangements to address any identified minor weaknesses, and is likely to continue to improve the quality of its services for learners and other stakeholders'.

Performance Report (continued)

Development and performance during the year (continued)

The Scottish Funding Council measure the volume of activity in credits - One credit is equivalent to 40 hours of learning.

	2016-17	2015-16
Credits achieved	**30,338**	29,871
Credits per FTE staff	**141**	140
Target Credits	**30,067**	30,371
Full-time equivalent funded places	**2,022**	1,991
Enrolments	**6,827**	6,474
Early Student Retention		
- Full Time Further Education	**102**	129
- Full Time Higher Education	**40**	26
Student Retention		
- Full Time Further Education	**211**	215
- Full Time Higher Education	**63**	62
Student Outcomes:		
- Full Time Further Education	**62%**	60%
- Full Time Higher Education	**71%**	71%
Operating deficit (inclusive of IAS 19 adjustments)	**(£980,000)**	(£833,000)
Deficit as a % of total income	**7.87%**	6.69%
Deficit as a % of total expenditure	**7.30%**	6.27%
Staff costs (excluding fundamental restructuring costs) as a % of total expenditure	**65.0%**	60.9%
Ratio of current assets to current liabilities	**0.73**	0.82
Days cash to total expenditure excluding depreciation	**49**	59
Non SFC income as a % of total expenditure	**17.7%**	19.0%

Performance Report (continued)

Financial Out-turn for the period

The College operating results are for a twelve month accounting period, from 1 August 2016 to 31 July 2017. The results for the period show an operating deficit of £980,000, which includes the additional planned expenditure from depreciation cash budgets of £354,000 as well as a net charge of £646,000 included in the Statement of Comprehensive Income to reflect the pension valuation changes for the Local Government Pension Scheme and unfunded pension provisions at 31 July 2017, in accordance with the technical accounting requirements as detailed at Note 19.

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

The College Balance Sheet at 31 July 2017 shows a decrease in total reserves of £1,081,000 from balances at 31 July 2016, which includes an increase of £742,000 to £8,250,000 in the deficit for the Local Government Pension Scheme as detailed at Note 19. College bank balances shows a decrease during the period which reflects a reduction in funds which were retained to meet Lennartz liabilities as disclosed at Notes 15 and 16.

Cash budget for priorities

As highlighted previously, the impact of ONS reclassification of the Scottish College sector as central government bodies for budgeting and financial reporting has reduced the flexibility of the College to manage financial and estates issues, and meet targets in the College's Regional Outcome Agreement with the Scottish Funding Council.

Following the Scottish College sector reclassification as central government bodies from 1 April 2014, while colleges continue to prepare accounts under the FE/ HE Statement of Recommended Practice, they are also now 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 ear marked for depreciation.

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

	2016-17	2015-16
Revenue	**£000**	£000
2015-16 Pay award	77	96
Curriculum developments	-	284
Staff Voluntary Severance Scheme	265	-
Staff Settlement payment	12	-
Total cash budget for priorities spend	**354**	380

Underlying Operating position

The impact of the above accounting and budgeting requirements on the College's underlying operating position is as follows:

	2016-17	2015-16
	£000	£000
Deficit before other gains and losses	**(965)**	(833)
Add back:		
- Depreciation (net of deferred grant release)	**354**	390
- Non-cash pension adjustments	**646**	464
Underlying operating surplus	**35**	**21**

Performance Report (continued)

Review of Resource outturn for the year ended 31 March 2017

Following the reclassification of colleges as public bodies on 1 April 2014, the college has been required to comply with government accounting and budgeting rules on a financial year basis (i.e. to the end of March). The college is given a revenue resource budget (RDEL) and a capital resource budget (CDEL) and must account for this budget on a financial year basis. The resource budgets and final outturn for the 2016-17 budgeting period are outlined below:

	RDEL	CDEL
	£000	£000
Resource budget for year ended 31 March 2017	10,846	0
Expenditure against resource budget	11,098	0
Net underspend/ (overspend) against budget	**(252)**	**0**

The outturn reflects the clawback of unspent student support funding for the period to March 2016 and a reduction in SFC funding for the shortfall in 2015-16 credit targets .

In addition, the College received a non-cash budget from the Scottish Government to cover depreciation costs.

Payment Practice Code

The College has implemented the 'Better Payment Practice Code'. As such, we aim to pay suppliers within the agreed credit terms and deal with all disputes and complaints as quickly as possible. The proportion of year-end creditors to the aggregate invoiced amounts during the academic year was 1.6% (2015-16 - 1.53%). The College did not pay any interest on late payments as defined under the Late Payment of Commercial Debts (Interest) Act 1998.

Taxation Status

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

Performance Report (continued)

Environmental Considerations and Sustainability Reporting

Dumfries and Galloway College is committed to improving environmental performance, raising the profile of sustainability education and reducing its impact upon contributing to climate change. The staff, students, campus partners and wider community have the right to expect, that the College as a responsible institution, acts positively to promote behaviour change and reduce the impact upon the environment.

The College has developed a comprehensive 5 year Climate Change Action Plan to achieve reduced emissions. The Climate Change Action Plan 2015-2020 emphasises the College's commitment to reducing carbon dioxide emissions over the short to medium term, and illustrates how savings will be made through efficiencies and improved use of resources in addition to helping meet the wider objectives of the Climate Change (Scotland) Act 2009. The College has set a target to reduce carbon emissions by 20% by 31 December 2019 from the 2014 baseline data measurements, and in December 2016 an update to the College Finance and General Purposes Committee noted a reduction of 9% in overall emissions for calendar year 2015. A copy of our Carbon Management Plan 2015-20 which provides detailed information in respect of our works towards facilitating greater sustainability can be accessed using the following web link:

https://www.dumgal.ac.uk/dumgalcontent/uploads/2016/03/Climate_Change_Action_Plan_Dec2015.pdf

The College confirms that it complies with Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009.

Going Concern

The financial statements have been prepared on the going concern basis, which provides that the organisation will continue in operational existence for the foreseeable future. The deficit reported in the Statement of Comprehensive Income includes £354,000 of 'net depreciation cash' expenditure and accounting adjustments for the LGPS pension valuation and other unfunded pension provisions of £646,000. In addition, deferred government capital grants of £23,377,000 have been disclosed as creditors in the financial statements in accordance with FRS 102. The creditors relating to deferred capital grants do not represent future cash outflows for the College. These technical accounting adjustments are not considered to have an impact on the College's ongoing financial sustainability.

Carol Turnbull 12 December 2017

Principal

Accountability Report

Corporate Governance Report

Board of Management

The Regional Board for Dumfries and Galloway College comprises of the Chair, the Principal, two student members, two staff members and eleven non-executive members. The College recognises the important role Board members have in acting as ambassadors for the College as well as providing a governance role.

The College's Regional Board is responsible for bringing independent judgement to bear on issues concerning the College's strategic direction, performance, resources and standards of conduct. In addition the Board is responsible for systems of internal control. The Board reviews its effectiveness on an annual basis through a robust self evaluation process. The members who served on the Board of Management during the year and up to the date of signature of this report are set out on below.

The Board is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against targets, capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. Agendas, minutes, papers and reports of all meetings are available on the College website: *www.dumgal.ac.uk*

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

Dumfries and Galloway College Board of Management met six times during the 2016-17 financial period and conducts its business through a number of committees. All of these committees are formally constituted with terms of reference approved by the Board of Management. The committees comprise non-executive members of the Board of Management and are all chaired by a Member of the Board. These committees include a Human Resources Committee, a Finance and General Purposes Committee, a Board Development Committee (includes appointments), a Remuneration Committee, a Learning and Teaching Committee and Audit Committee. All committees are required to report back to the Board on their activities.

The Chair meets with each member of the Board on an annual basis as part of the Board's process of evaluating the effectiveness of board members. The evaluation of the Board Chair is undertaken by the Vice Chair. The performance of the Board Chair is also evaluated by the Scottish Government, as regional college chairs are appointed by the Scottish Ministers and are personally accountable to them.

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

The Board Secretary maintains a register of financial and personal interests of the members of the Board of Management. The register is available for inspection at Bankend Road, Dumfries and on the College website: *www.dumgal.ac.uk*

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

Accountability Report (continued)

Corporate Governance Report (continued)

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

Janet Brennan
Hugh Carr
Anthony Conlon (Student member)
Ros Francis
Barry Graham
John Henderson
Kenny Henry (Support Staff Member)
Delia Holland (Vice Chair)
Naomi Johnson
Brian Johnstone (Regional College Chair)
Pat Kirby
Stuart Martin
Karen McGahan
Rob Orr
Leah Thomas (Student member)
Carol Turnbull (Principal and Chief Executive)
Ian White (Lecturing Staff Member)

The following individuals were also Board members in the period from August 2016 up to 31 July 2017:

Emma Curtis (Student Member, term of office finished June 2017)
Scott Hardie (Student Member, resigned December 2016)

A short biography of each Board member, together with their Register of Interests, can be accessed on our website using the following link: *http://www.dumgal.ac.uk/dumgalportal/index.php?pageid=BOM-profiles*

Kay Bird acted as Board Secretary for the period August 2016 to February 2017, with Ann Walsh taking over from March 2017.

Executive Management Team

The Board of Management has delegated day to day responsibility for running the College to the Executive Management Team.

The undernoted individuals are the current members of the Executive Management Team:

Carol Turnbull (Principal)

Andrew Glen (Vice Principal Planning and Performance) from May 2017

Helen Pedley (Director of Organisational Development and Facilities)

Andy Wright (Vice Principal Learning and Skills)

In addition, Jannette Brown was Vice Principal Corporate Services and Governance until April 2017.

Committees of the Board of Management

The Board of Management has formally constituted several committee with terms of reference. These committees act with delegated authority. Information on the Board's committees is given below, together with details of membership of key committees at 31 July 2017.

Accountability Report (continued)

Corporate Governance Report (continued)

Key Committees:

Human Resources Committee
Members - Janet Brennan, Ros Francis, Stuart Martin (Chair), Rob Orr, Carol Turnbull and Ian White

Board Development Committee (Previously Selection and Appointments Committee)
Members - Hugh Carr, Delia Holland, Brian Johnstone (Chair), Stuart Martin and John Henderson

Remuneration Committee
Members - John Henderson, Delia Holland (Chair), Brian Johnstone and Ian White

Audit Committee
Members - Hugh Carr (Chair), Naomi Johnson, Delia Holland, Pat Kirby and Stuart Martin

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

Learning and Teaching Committee
Members - Anthony Conlon, Barry Graham, John Henderson, Kenny Henry, Delia Holland (Chair), Naomi Johnson, Rob Orr, Leah Thomas, Carol Turnbull and Ian White.

Appointments to the Board of Management

Following regionalisation of Scottish colleges and their designation as public bodies, Regional Chairs are appointed by the Scottish Minister and are subject to the Public Appointments process.

Any new appointments to the Board of Management are a matter for consideration by the Board as a whole. The Board has a Board Development Committee, which is responsible for the selection and appointment of any new member for the Board's consideration. Any appointment is also now subject to approval by the Cabinet Secretary for Education and Lifelong Learning.

Human Resources Committee

The primary purpose of the Human Resources Committee is to ensure that the College is operating within all legal requirements relating to employment law and other legislation affecting employment. The committee also approves the HR strategy and monitors actual performance against KPI's to include staff welfare, staff establishment, turnover, sickness, and absence. The Committee meets once per year.

Board Development Committee

The Board Development Committee was previously the Selection and Appointments Committee. The remit of this committee was revised and strengthened during 2015-16 to ensure compliance with the Code of Good Governance for Scotland's Colleges and the Board Development Framework. The Board Development Committee now has responsibility for advising the Board of Management on matters relating to members of the Board of Management, including Board Member appointment, balance of skills and experience, induction and training, balance in relation to equality as well as Board evaluation and development. The Committee meets at least once per year.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration, terms and conditions (and, where appropriate severance payments) of the Principal, members of the Executive Management Team and the Secretary to the Board. The Committee meets at least once per year. Details of the remuneration of senior post-holders for the period ended 31 July 2017 are set out in note 8 to the financial statements.

Accountability Report (continued)

Corporate Governance Report (continued)

Audit Committee

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

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

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

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

Finance and General Purposes

The Finance and General Purposes Committee is responsible for ensuring compliance with the Financial Memorandum and Financial Regulations. It recommends the annual budget to the Board and monitors actual performance against budget. The Committee also makes recommendations to the Board on matters relating to the development and management of its property and facilities. The Committee meets fours times per year.

Learning and Teaching Committee

The Learning and Teaching Committee has overall responsibility for monitoring the direction and performance of learning and teaching and the quality of the learners experience at the College. The Committee meets four times per year.

Corporate Strategy

The Board of Management adopted the Code of Good Governance for Scotland's Colleges in January 2015. The Selection and Appointments Committee was strengthened during 2015-16, and is now the Board Development Committee. The remit of the Committee includes Board Member induction and training as well as Board Evaluation. An annual self-evaluation process has been established which includes a review of performance over the last 12 months, and an assessment of external and internal changes which are likely to impact on the Board in the next 12 months. Areas for development are identified and a Development Plan produced which is monitored throughout the year. Progress against the Development Plan is assessed as part of the following year's performance review.

A Board Strategic Session is included in the Board calendar each year.

Risk Management and Internal Control

Scope of Responsibility

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

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

Accountability Report (continued)

Corporate Governance Report (continued)

Purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Dumfries and Galloway College for the period ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Board of Management has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Management is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Management.

Risk and control framework

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

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

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

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

Risk Management and Internal Control

Review of effectiveness

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

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

Accountability Report (continued)

Corporate Governance Report (continued)

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

The Executive Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Management Team and the Audit Committee also receive regular reports from the internal auditor, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board of Management's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2017 meeting, the Board of Management carried out the annual assessment for the period ended 31 July 2017 by considering documentation from the Executive Management Team and internal audit, and taking account of events since 31 July 2017.

Estates Strategy

The College has established an Estates Strategy for the period 2015-2020. The strategy provides a basis for developing and managing the estate to its maximum potential, to provide the College with a framework within which it can consider estates priorities in light of the College Strategic Plan and Regional Outcome Agreement.

Through the Estates Strategy the College aims to:

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

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

Human Resources Strategy

The College has developed a five year human resources strategy to support the College's strategic plan Vision 2020. The strategy aims to achieve:

- an engaged, diverse, and high quality workforce;
- adaptable, flexible and innovative staff, teams and organisation;
- excellent leadership and management;
- a safe and healthy working environment.

Accountability Report (continued)

Corporate Governance Report (continued)

Corporate Governance Statement

Dumfries and Galloway College is committed to exhibiting best practice in all aspects of corporate governance.

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

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

The Board of Management supports the work being done by the College Sector Good Governance Steering Group.

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

In the opinion of the Board of Management, the College complies with all the provisions of the Code of Good Governance for Scotland's Colleges, and it complied throughout the period ended 31 July 2017.

Following its self evaluation the Board has identified a number of areas for development. Key areas include:

- To ensure the Board has overarching leadership of performance monitoring
- To build on existing partnerships and collaboration by identifying and focusing new efforts on 'hard to reach' strategic stakeholders
- To ensure to make use of student members
- To harness skills of Board members and own contacts more
- To make staff more aware of Board e.g. presentation to staff
- To recruit members from vocational backgrounds
- To review the Board Member induction process

Going Concern

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

Conclusion

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

Approved by order of the members of the Board on 12 December 2017 and signed on its behalf by:

Brian Johnstone
Chairman

Carol Turnbull
Principal

Statement of the Board of Management's Responsibilities

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

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

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2015 Statement of Recommended Practice Accounting for further and higher education, the 2015-16 Government Financial Reporting Manual (FReM) issued by the Scottish Government, and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Management, the Board of Management, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

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

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

The Board of Management has taken reasonable steps to:

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

Statement of the Board of Management's Responsibilities (continued)

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

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

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

Data Security
There were no data security related incidents during 2016-17.

Approved by order of the members of the Board on 12 December 2017 and signed on its behalf by:

Brian Johnstone
Chairman

Remuneration and Staff Report

Introduction

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2016-17 Government Financial Reporting Manual (FReM) issued by the Scottish Government, which is relevant for the financial period ending 31 July 2017.

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

The report also provides information on the number of College employees, including Executive Management Team members, whose total actual remuneration was £60,000 or more, this information being disclosed in salary bandings of £5,000 above £60,000. The following report has been prepared in accordance with the aforementioned Regulations.

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

Remuneration Policy

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

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration, terms and conditions (and, where appropriate severance payments) of the Principal, members of the Executive Management Team and the Secretary to the Board. The Committee meets at least once per year. Details of the remuneration of senior post-holders for the period ended 31 July 2017 are set out in note 8 to the financial statements.

Remuneration including salary entitlements

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

The College's employees receiving more than £60,000 remuneration during the period covered by the financial statements are shown below. This information is disclosed in salary bandings of £5,000 above £60,000 or more.

	12 Month period ended 31 July 2017		12 Month period ended 31 July 2016	
	Number senior post-holders	**Number other staff**	Number senior post-holders	Number other staff
£60,001 to £65,000	**0**	**0**	3	0
£65,001 to £70,000	**1**	**0**	0	0
£70,001 to £75,000	**0**	**0**	0	0
£75,001 to £80,000	**0**	**0**	0	0
£80,001 to £85,000	**0**	**0**	0	0
£85,001 to £90,000	**0**	**0**	0	0
£90,001 to £95,000	**0**	**0**	1	0
£95,001 to £100,000	**1**	**0**	0	0
£100,001 to £105,000	**0**	**0**	0	0
£105,001 to £110,000	**0**	**0**	0	0
£110,001 to £115,000	**0**	**0**	0	0
£115,001 to £120,000	**0**	**0**	0	0
£120,001 to £125,000	**0**	**0**	0	0
	2	**0**	**4**	**0**

Remuneration and Staff Report (continued)

During the period, the College made no non-cash benefits available to staff (2015-16 - none).

Median Remuneration

Based on the 12 month figures above, the banded remuneration of the highest paid official in the organisation during the financial year 2016-17 was £95,000. (2015-16 - £95,000). This was 3.8 times (2015-16 - 4 times) the median remuneration of the workforce which was £25,000 (2015-16 £24,000).

Salary entitlements

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

	12 months ended 31 July 2017 Actual			12 months ended 31 July 2016 Actual		
Name	**Salary £'000**	**Pension benefit * £'000**	**Total £'000**	Salary £'000	Pension benefit £'000	Total £'000
B. Johnstone	**20-25**	**0**	**20-25**	15-20	0	15-20
C. Turnbull	**90-95**	**45-50**	**140-145**	90-95	45-50	140-145
J. Brown (1)	**45-50**	**50-55**	**100-105**	60-65	25-30	85-90
A. Glen (2)	**10-15**	**0-5**	**10-15**	0	0	0
H. Pedley	**65-70**	**60-65**	**125-130**	60-65	25-30	85-90
S.A. Wright	**55-60**	**10-15**	**70-75**	60-65	50-55	115-120

** Pension Benefits are calculated as real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual.*

(1) J Brown left the Executive Management Team on 12.04.17. Her full time equivalent salary was in the £60k-£65k band.

(2) A Glen joined the Executive Management team on 29.05.17. His full-time equivalent salary was in the £60k-£65k band.

The salary and pension benefits above are shown in bands of £5,000 in accordance with the 2016-17 Government Financial Reporting Manual.

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

The Pension Benefits noted above include benefits from the Local Government Pension Scheme for four Senior Executives, and the Scottish Teachers Superannuation Scheme for one Senior Executive.

Contribution rates for both pension schemes are set annually for all employees, as set out at note 19.

Remuneration and Staff Report (continued)

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

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

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

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

Senior Executives Pension

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

	Accrued pension at pension age at 31 July 2017	Accrued lump sum at pension age at 31 July 2017	Real increase in pension 1 August 2016 to 31 July 2017	Real increase in lump sum 1 August 2016 to 31 July 2017	CETV at 31 July 2017	CETV at 31 July 2016	Real increase in CETV
Name	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
B. Johnstone	0	0	0	0	0	0	0
C. Turnbull	35-40	70-75	2.5-5	0-2.5	829	742	87
J. Brown (1) - see above	25-30	60-65	2.5-5	2.5-5	649	570	79
A. Glen (2) - see above	0-5	0	0-2.5	0	2	0	2
H. Pedley	25-30	55-60	2.5-5	2.5-5	461	390	71
S.A. Wright	20-25	70-75	0-2.5	0-2.5	486	449	37

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

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

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

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

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

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

Remuneration and Staff Report (continued)

Compensation for loss of office

14 employees left under voluntary exit/ early retirement terms during the year. The table below summarises the exit packages for those staff. It includes payments made to staff and the accrued pension cost of added years.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	0	4	4
£10,000-£25,000	0	7	7
£25,000-£50,000	0	3	3
Total number of exit packages	0	14	14
Total cost (£)	**0**	**£264,741**	**£264,741**

Exit packages

No Board member or senior manager left under voluntary or compulsory exit schemes in 2016-17 (2015-16 - none)

Staff Report

The Staff Report contains information relating to staff costs and staff numbers.

Staff Costs

Staff costs for the year were as follows:

	Directly employed staff £'000	**Seconded and agency staff £'000**	**2016-17 Total £'000**	Directly employed staff £'000	Seconded and agency staff £'000	2015-16 Total £'000
Wages and salaries	6,372	40	6,412	6,140	46	6,186
Social security costs	561	0	561	457	0	457
Other pension costs	1,595	0	1,595	1,372	0	1,372
Total	**8,528**	**40**	**8,568**	7,969	46	8,015
Average number of FTE	215	1.5	216.5	213	1.5	214.5

The College employed 198 females and 120 males as at 31 July 2017. Of the four College Senior Executives at July 2017, two are male and two are female.

Sickness Absence

The total number of days lost per full-time equivalent (FTE) to sickness absence during 2016-17 was 8 days, which has increased from 6.4 days in 2015-16.

Equality, Diversity and Inclusion

Dumfries and Galloway College is committed to the provision of equal opportunities in all aspects of College life. We welcome students and staff from all backgrounds and aim to provide equal services to all our students and staff, and believe in human rights for all connected with the organisation and all members of the community. We are committed to the fulfilment of all agreements and acts, which may have implications for our role in training and education.

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

The College actively seek to advance equality of opportunity, foster good relations and eliminate discrimination, harassment and victimisation because of the protected characteristics of: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation and marriage & civil partnership.

Remuneration and Staff Report (continued)

Equality, Diversity and Inclusion (continued)

Under the Equality Act (2010) and the Public Sector Equality Duty, the College, in the exercise of its functions, has a general duty to have regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010;

- Advance equality of opportunity between people of different groups; and

- Foster good relations between people from different groups, tackling prejudice and promoting understanding between people from different groups.

In addition to the general duty, the College has a specific duty to:

- Report progress on mainstreaming the public sector duty:
- Publish equality outcomes and report progress:
- Assess and review policies and practices (impact assessment);
- Gather and use employee information:
- Publish statements on equal pay;
- Consider award criteria and conditions in relation to public procurement; and
- Publish in a manner which is accessible.

The above reports are available on the College website.

The College has reviewed the initial equality outcomes, which centred on culture and embedding equality and diversity across the College, including the Board of Management and the College Leadership Team and throughout the College. An Access and Inclusion Strategy has been produced, which supports Vision 2020 an the Regional Outcome Agreement. Training for staff will continue with the introduction of a revised e-learning module, and all Board members have Equality and Diversity training as part of their induction.

A number of other measures taken include equality data monitoring, devising a suite of equality reports for learners and monitoring through learner voices', and gender imbalance events across courses in the College.

New outcomes have been devised for 2017-21. The outcomes are aligned to key strategic documents and national priorities including the Outcome Agreement with SFC, the College Strategic Plan, Education Scotland and the Public Sector Equality Duty:

Equality Outcome 1
The College's gender pay gap will be reduced by addressing the causes of gender inequality to create a more equal and balanced workforce with both men and women being more equally represented at all levels of the organisation.

Equality Outcome 2
Opportunities will be created in targeted curriculum areas to address gender imbalance and stereotyping. The College will aim to eliminate barriers to subject choice and therefore enable learners to maximise their education and employment opportunities.

Equality Outcome 3
Learners' successful completion regardless of protected characteristics is increased.

Remuneration and Staff Report (continued)

Equality, Diversity and Inclusion (continued)

Equality Outcome 4
The College designs and delivers programmes and services to meet the needs of learners from all backgrounds and circumstances.

The College is establishing an Equality and Diversity Committee, which will lead on taking forward the Outcomes and devising action plans to support them. A report detailing progress in achieving the outcomes will be published in 2019 and 2021.

Approved by order of the members of the Board on 12 December 2017 and signed on its behalf by:

Brian Johnstone
Chairman

Carol Turnbull
Principal

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

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Dumfries and Galloway College for the year ended 31 July 2017 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, and Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2017 and of its deficit for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the college has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Board of Management for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor’s responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Other information in the annual report and accounts

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements in accordance with ISAs (UK), our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinion on other prescribed matters

We are required by the Auditor General for Scotland to express an opinion on the following matters.

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

In our opinion, based on the work undertaken in the course of the audit

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the college and its environment obtained in the course of the audit, we have not identified material misstatements in the Performance Report or Governance Statement.

We are required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in our opinion

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

David Eardley, (for and on behalf of Scott Moncrieff)

Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

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

Statement of Comprehensive Income

	Note	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
INCOME			
SFC grants	2	**10,074**	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		**12,450**	12,456
EXPENDITURE			
Staff costs excluding exceptional costs	7	**8,718**	7,969
Fundamental restructuring costs		**265**	0
Other operating expenses	9	**3,051**	3,930
Depreciation	12	**1,195**	1,197
Interest and other finance costs	10	**186**	193
Total Expenditure		**13,415**	**13,289**
(Deficit)/ Surplus before other gains and losses		**(965)**	**(833)**
(Loss) on disposal of fixed assets		**(15)**	0
(Deficit)/ Surplus for the year		**(980)**	(833)
Actuarial (loss) in respect of pension schemes	19	**(101)**	(1,825)
Total comprehensive income for the year		**(1,081)**	**(2,658)**
Represented by:			
Unrestricted comprehensive income for the year		**(1,081)**	**(2,658)**

All items of income and expenditure relate to continuing activities.

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.

The adjusted operating position on a Central Government accounting basis, after taking account of the non-cash pension adjustments, is a small surplus.

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 August 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	(980)	0	**(980)**
Other comprehensive income	(101)	0	**(101)**
Transfers between revaluation and income and expenditure reserve	277	(277)	**0**
Total comprehensive income for the year	(804)	(277)	(1,081)
Balance at 31 July 2017	**(996)**	**4,144**	**3,148**

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	**422**	511
Cash and cash equivalents	14	**1,633**	1,947
Total current assets		**2,055**	2,458
Less: Creditors - amounts falling due within one year	15	**(2,807)**	(2,984)
Net Current Assets/ (Liabilities)		**(752)**	(526)
Total Assets less Current Liabilities		**34,805**	36,230
Less: Creditors - amounts falling due after more than one year	16	**(22,619)**	(23,710)
Provisions			
Pension provisions	17	**(9,038)**	(8,291)
Total net assets		**3,148**	4,229
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		**(996)**	(192)
Revaluation reserve		**4,144**	4,421
Total reserves		**3,148**	4,229

The financial statements on pages 32 to 55 were approved by the Board of Management on 12 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		**(980)**	(833)
Adjustment for non-cash items			
Depreciation		**1,195**	1,197
Decrease/ (increase) in debtors		**115**	(214)
(Decrease)/ increase in creditors		**(1,264)**	(817)
Increase/ (decrease) in pension provision		**641**	460
Increase/ (decrease) in other provisions		**0**	(9)
Adjustment for investing or financing activities			
Investment income		**5**	0
(Loss)/ Profit on sale of fixed assets		**(15)**	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

Notes to the Financial Statements

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.

Notes to the Financial Statements (continued)

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 2017 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 2017 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	**65**	252
Total	**10,074**	9,909

	2017 £000	2016 £000
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

	2017 £000	2016 £000
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

	2017 £000	2016 £000
5 Other operating income		
Residences and catering	**373**	375
Other income-generating activities	**16**	19
Other income	**33**	28
Total	**422**	422

	Year ended 31 July	Year ended 31 July
	2017	2016
	£000	£000
6 Endowment and investment income		
Bank interest	**4**	11
7 Staff costs		
Wages and salaries	**6,372**	6,140
Social security costs	**561**	457
Other pension costs (including IAS 19 adjustments of £455k (2016 - £271k) note 19)	**1,595**	1,372
Total pay costs	**8,528**	7,969
Other employee related non-pay costs	**190**	130
Total staff costs excluding exceptional costs	**8,718**	8,099
Exceptional costs - severance costs	**265**	0
Staff costs including exceptional costs	**8,983**	8,099
Academic/ Teaching departments	**4,338**	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
Other employee related non-pay costs	**190**	130
Total	**8,983**	8,099

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

	No.	No.
Academic/ Teaching departments	**88**	86
Academic/ Teaching services	**21**	21
Administration and central services	**89**	89
Premises	**14**	14
Other expenditure	**3**	3
Catering and residences	**0**	0
Total	**215**	213

7 Staff costs (continued)

The number of staff, including senior post-holders and the Principal, who received total annual emoluments (excluding pension contributions and compensation for loss of office) 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	1	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
	2	**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	**278,494**	278,845
Pension contributions	**54,174**	54,622
Total emoluments	**332,668**	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	**872**	1,003
Administration and central services	**1,041**	1,087
Premises costs (including additional Lennartz credit £72,000. 2016 - £170,000, note 16)	**489**	572
Planned maintenance	**231**	713
Agency Staff Costs	**39**	46
Residences and catering	**379**	379
Overspend on student support funds	**0**	0
	3,051	3,800
Transfer to Arms Length Foundation	**0**	0
Total	**3,051**	**3,800**

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.*

Non-cash allocation

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 (where funds are spend on revenue items) 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 £980,000 for the year ended 31 July 2017. After taking account of the Government non-cash budget and non-cash pension adjustments, the College shows an 'adjusted' surplus of £35,000 on a Central Government accounting basis. This demonstrates that the College is operating sustainably within its funding allocation.

The adjusted operating position on a Central Government accounting basis is as follows:

	Year ended 31 July 2017	Year ended 31 July 2016
	£000	£000
(Deficit) before other gains and losses (FE/ HE SORP basis)	**(965)**	(833)
Add Back:		
- non-cash allocation for depreciation (net of deferred capital grant)	**354**	390
- Non-cash pension adjustments	**646**	464
Operating surplus on Central Government accounting basis	**35**	21

10 Interest payable	**Year ended 31 July 2017 £000**	Year ended 31 July 2016 £000
Net interest cost on pension liability (note 19)	**186**	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	**36**	50
Prepayments and accrued income	**386**	461
	422	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	**75**	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	**842**	969
Deferred capital grants	**758**	758
Bursaries and Access funds for future disbursement (note 14)	**460**	363
	2,807	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)	(612)	**(660)**	(639)
Additional provision required in period	49	1,067	**1,116**	889
Revaluation adjustment	0	101	**101**	1,825
Interest charged	4	186	**190**	201
At 31 July 2017	788	8,250	**9,038**	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

Notes to the Financial Statements (continued)

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	**641**	464
Total pension cost	**1,777**	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%	2.0%
Rate of return on investments in excess of rate of increase in pensions	3.50%	3.5%
Market value of the assets as at 31 March 2005	£18.474m	£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

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	**2.70%**	2.40%
Expected rate of return on plan assets	**2.70%**	2.40%
Future salary increases	**4.50%**	3.90%
Inflation/ pension rate increase	**2.50%**	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	**15,369**	13,016	12,143
Corporate bonds	**3,033**	3,031	2,429
Property	**1,820**	1,783	1,619
Other	**0**	0	0
	20,222	17,830	16,191
Actual return on plan assets	**1,748**	809	1524

19 Pensions and similar obligations (continued)

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

	Year ended 31 July 2017	Year ended 31 July 2016
	£000	£000
Scheme assets	**20,222**	17,830
Scheme liabilities	**(28,448)**	(25,314)
	(8,226)	(7,484)
Present value of unfunded defined benefit obligations	**(24)**	(24)
Deficit in the scheme - net pension liability	**(8,250)**	(7,508)
Current service cost	**(1,067)**	(853)
Total operating charge	**(1,067)**	**(853)**

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

Interest cost	**(616)**	(780)
Expected return on assets	**430**	587
Interest on net deficit	**0**	0
Net charge to other finance income	**(186)**	**(193)**
Total income and expenditure charge before deduction for tax	**(1,253)**	(1,046)

Analysis of other comprehensive income for LGPS pensions:

Gain on assets	**1,748**	809
Experience loss on liabilities	**(1,849)**	(2,634)
Total other comprehensive income before deduction for tax	**(101)**	**(1,825)**

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	**612**	582
Current service cost	**(1,067)**	(853)
Other finance charge	**(186)**	(193)
(Loss) recognised in other comprehensive income	**(101)**	(1,825)
Deficit at the end of the period	**(8,250)**	(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	**430**	587
Participants contributions	**172**	163
College contributions	**612**	582
Benefits paid	**(570)**	(502)
Return on assets	**1,748**	809
Present value of assets at the end of the period	**20,222**	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)	**(1,067)**	(853)
Interest cost	**(616)**	(780)
Participants contributions	**(172)**	(163)
Benefits paid	**570**	502
Change in financial assumptions and other experience	**(1,849)**	(2,634)
Present value of obligations at the end of the period	**(28,472)**	(25,338)

The Actuarial report has highlighted that the 2017-18 charge is higher than 2016-17 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. The Crichton Foundation provided grant funding of £10,000 for student support in July 2016 which was fully disbursed to students by the College during 2016-17. In addition, £1,000 was invoiced to Crichton Foundation in respect of prizes for the annual College Award Ceremony. £1,000 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 year (including interest)	1,728	247	159	**2,134**	2,218
	2,077	247	159	**2,483**	2,457
Expenditure	(1,401)	(247)	(173)	**(1,821)**	(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	430	0	0	**430**	349
Represented by:					
Repayable to Funding Council as Clawback	327	0	0	**327**	243
Retained by College for Students	103	0	0	**103**	106
	430	0	0	**430**	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 year	**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

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

Financial Update at September 2017

1. Net out-turn for Academic year 2017/18

1.1 The budget and forecasts for the academic year August 2017 to July 2018 are based on achieving an underlying operating break-even operating position. The overall forecast deficit includes planned 'depreciation cash' expenditure of £330,000 to meet costs for the 2015/16 consolidated pay award and costs relating to Operational Plan developments.

1.2 The forecasts include assumptions for some of the larger items of income. The material forecasts include numbers of HE students and related fee income from SAAS, student numbers for construction apprentices, re-charges to UWS for teaching and shared library costs, and assumptions on fee income for potential other partnership working.

1.3 The forecasts will be reviewed when more information is available, but it is still too early in the academic year to be able to project with more accuracy.

2. Budget Changes

2.1 The budget has been revised to include SFC Flexible Workforce Development Grant of £200,000 and some transfers between departments. The net addition of £180,000 has been matched by a transfer to contingency of the same amount in order to leave an overall break-even out-turn.

3. Results to 30th September 2017

3.1 Key Performance Indicators

The Key Performance Indicators monitoring the forecast out-turn for the year, and working capital position at 30th September 2017 are summarised as follows:

Income and Expenditure:

Operating Surplus/ deficit as % of income	0.00%
Non-SFC income as % of total income (including ALF grant income)	16.71%

Balance Sheet:

Current Assets: Current liabilities	0.71	(31.07.17 – 0.73)
Days cash to annual expenditure (excluding depreciation)	36 days	(31.07.17 – 49 days)

The KPI's indicate that the College is operating with low net assets, in line with the requirements of Central Government budgeting and reporting, with a current ratio of less than 1 due to the accounting treatment of deferred grants. The College continues to have sufficient cash balances to pay creditors as they fall due.

Bank balances were lower at the end of September, in line with projected cash flows and reflects a decrease in cash drawn from SFC in order to maintain cash sufficient to meet payments as they fall due.

3.2 Income and Expenditure

Income and expenditure for the two months to September 2017 and forecasts to July 2018 are summarised in paragraph 6.

Grant income receivable during September includes 17% of the SFC core grant due for the year, in accordance with the budget profile.

SAAS fees for full-time HE students has been estimated based on the planned numbers. As the actual fees will not be known until November, the forecasts will be reviewed and revised if required later in the year.

Other income has been higher than expected, and will be monitored as the year progresses.

Pay costs for August and September include back pay for the support staff pay award, and holiday pay for part-year staff.

Other overheads include some early IT and estates expenditure from the Operational Plan requests.

Forecasts to July are based on the College meeting the credit target, and assumes that there will be no clawback of funds to SFC.

Finance and General Purposes Committee

3.3 Depreciation Cash Budget Expenditure

In line with SFC guidance for depreciation cash expenditure, the following costs are included in projections for the year:

Consolidated 2015/16 pay award costs	£ 80,000
Operational Plan developments	250,000
Total	£330,000

Costs to date of £13,000 have been allocated against depreciation cash in respect of consolidated pay award.

3.4 Balance Sheet

The balance sheet movement for the period between July and September was:

	September 2017	**July 2017**	***Movement***
	£000	**£000**	***£000***
Fixed Assets	35,364	35,557	*-193*
Current Assets	2,005	2,055	*-50*
Current Liabilities	(2,818)	(2,823)	*5*
Long Term Liabilities	(22,492)	(22,619)	*127*
Pension Liability	(9,038)	(9,038)	*-*
Net Assets	3,021	3,132	*-111*
Revaluation Reserve	(4,118)	(4,144)	*26*
I&E Account	1,097	1,012	*85*
	(3,021)	(3,132)	*111*
Cash at Bank	**1,095**	**1,633**	*-538*
Net current assets/(liabilities)	**(813)**	**(768)**	*-45*

3.5 Fixed Assets
The costs to completion of the Stranraer Heating project were finalised during September, and the only other movement during the period relates to depreciation charges.

3.6 Current Assets and Liabilities
Bank balances reduced in September due to a reduction in draw-down of core grant from SFC.

Debtor balances increased during the period due to invoices issued for student fees.

Creditor balances decreased and include payment of Lennartz instalments during the period.

3.7 Long Term Liabilities
The reduction in long-term liabilities is due to release of capital grants during the period.

4. Student Support

4.1 The forecasts assume that all of the student support grants will be utilised during the year. Projections are currently being reviewed as per of the SFC in-year re-distribution process.

4.2 Income and expenditure forecasts for student support funds are as follows:

	PERIODS 1 AND 2		FORECAST - 12 MONTHS TO JULY 2018				
	August and September 2017		August 2016 to July 2018				
	Actual	Budget	Forecast	Budget approved	*Changes for approval*	Revised Budget	*Variance*
	£000	£000	£000			£000	£000
Income	**181**	181	**2,333**	**2,333**	**0**	**2,333**	**0**
Expenditure	**181**	181	**2,333**	**2,333**	**0**	**2,333**	**0**
Net costs to be met by College	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Finance and General Purposes Committee

5. Income and Expenditure Summary

	PERIODS 1 AND 2		12 MONTHS TO JULY 2018				
	August and September 2017		August 2017 to July 2018				
	Actual	Budget	Forecast *	Budget approved 09.17	*Changes for approval*	Revised Budget	*Variance*
INCOME	**£000**	**£000**	**£000**	**£000**	***£000***	**£000**	**£000**
Grant Income	**1,474**	1,474	**9,681**	9,501	*180*	**9,681**	*0*
Release of deferred capital grant	**126**	126	**758**	758	*0*	**758**	*0*
Fee Income	**241**	247	**1,684**	1,691	*0*	**1,691**	*7*
Other Income	**12**	10	**61**	59	*0*	**59**	*(2)*
Total Income	**1,853**	**1,857**	**12,184**	**12,009**	**180**	**12,189**	**5**
EXPENDITURE							
Gross pay costs	**1,022**	1,012	**6,428**	6,421	*0*	**6,421**	*(7)*
Pensions	**187**	188	**1,146**	1,146	*0*	**1,146**	*0*
National Insurance	**94**	96	**642**	644	*0*	**644**	*2*
Total Pay Costs	**1,303**	**1,296**	**8,216**	**8,211**	***0***	**8,211**	**(5)**
Property Costs	**63**	68	**860**	860	*0*	**860**	*0*
Other overheads	**399**	367	**1,683**	1,655	*0*	**1,655**	*(28)*
Depreciation	**199**	199	**1,193**	1,193	*0*	**1,193**	*0*
Contingency *	**0**	0	**232**	90	*180*	**270**	*38*
Total Other Costs	**661**	**634**	**3,968**	**3,768**	***180***	**3,978**	**10**
Total Expenditure	**1,964**	**1,930**	**12,184**	**12,009**	**180**	**12,189**	**5**
UNDERLYING OPERATING SURPLUS/ (DEFICIT)	**(111)**	**(73)**	**0**	**0**	**0**	**0**	**0**

DEPRECIATION CASH EXPENDITURE		**13**	**13**		**330**		**330**	**0**	**330**		***0***
OVERALL OPERATING SURPLUS/ (DEFICIT)		**(124)**	**(86)**		**(330)**		**(330)**	**0**	**(330)**		**0**

**** NOTE - The forecast expenditure will be reviewed with the aim of achieving an underlying break-even out-turn, before allowing for expenditure on depreciation cash funds***

Finance and General Purposes Committee

Aged Debt Report as at October 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 July 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 October 2017

	July 2017 Total	October 2017 Total	Current	1 Month	2 Months	3 Months	3 Plus	No of Debts
Client	9,358	43,902	23,404	17,036	3,361	-	101	32
Student	-9,287	25,600	1,634	5,845	17,445	-	677	50
Bursary 2015/16	284	-	-	-	-	-	-	-
Bursary 2016/17	2,883	2,843	-	-	-	-	2,843	2
Total	**3,238**	**72,346**	**25,038**	**22,881**	**20,806**	**-**	**3,621**	**84**

2.1. The total debt has increased by £69,108 since July 2017. The overall level of outstanding balances at this time is consistent with the same period last year, and includes a number of invoices for student fees as well as invoices to clients for work-based learning.

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.

Finance and General Purposes Committee

3. Breakdown of debtor balances

3.1 Client debt has increased by £34,544 from balances at July 2017. Total client debt at 31 October 2017 of £43,902 and includes one large value invoice which has subsequently been paid and several smaller balances.

3.2 The total level of student debt has increased by £34,887 since July 2017. A number of students who are not eligible for SAAS funding for fees in 2017-18 are paying in agreed instalments. Reminder letters have been issued in accordance with College procedures for the remaining outstanding debt.

3.3 Bursary debt has decreased by £324 to £2,843 since July 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 no balances at this time which are considered irrecoverable by the agency.

4. Bad debt provision

4.1 There has been no change at 31 October 2017 from the provision in the accounts at 31 July 2017, 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 £4,201 and is being handled by TNC. Of this balance, £1,257 relates to course fees, £101 relating to client debt, with the bursary debt making up the remaining amount of £2,843.

6. Balances to write-off

6.1 No balances have been highlighted for proposed write off at this time.

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 October 2017.

Appendix

Summary of amounts previously written-off:

Year debt was written-off	Year of original debt:						
	2016/17	**2015/16**	**2014/15**	**2013/14**	**2012/13**	**2011/12**	**2010/11**
2017/18	885.00	283.56					
2016/17		3,534.67					
2015/16			1,636.62	691.00			
2014/15				7,025.33			
2013/14					8,107.20	634.42	
2012/13						200.00	
2011/12							2,033.17
2010/11							220.00
	882.00	**3,818.23**	**1,636.62**	**7,716.33**	**8,107.20**	**834.42**	**2,253.17**

Finance and General Purposes Committee

Cash Flow Forecasts for 2017-18

1. Purpose of the Report

1.1 The purpose of this report is to present the Cash Flow forecasts for 2017-18 to the Committee and highlight the key aspects for review.

2. Report

2.1 The Scottish Funding Council (SFC) have established a process to manage the payment of grants to Colleges, in line with Government Financial Reporting and Budgeting requirements. The College is expected to maintain a minimum level of cash reserves required in order to operate effectively and meet costs as they fall due. The College submits a monthly claim to SFC which highlights actual and forecast bank balances, and expected expenditure each month as well as any variances from budget allocations set by SFC.

2.2 The format of the College's internal cash flow projections was previously updated in order to predict cash movements as accurately as possible and forecast cash requirements each month. The working papers for the College projections cover the sixteen-month period from April 2017 to July 2018, in order to comply with SFC reporting requirements. The attached paper covers the academic year from August 2017 to July 2018.

2.3 The cash flow report includes separate areas to highlight core College cash movements and Lennartz balances. The Lennartz agreement which is due to be completed in July 2018, with current balances of £418,000 set aside to cover remaining instalments. Annual 'partial exemption' adjustments will be undertaken in November, and will assess any changes to the remaining instalments.

2.4 The monthly grant claim is calculated in order to provide sufficient bank balances to meet operating expenditure.

2.5 The forecast balance at 31 March 2018 is expected to be low due to a higher portion of student support due to be claimed in order to meet the forecast spend for that period.

2.5 The main area to highlight to the Committee is the movement at the SFC budget cut-off periods March and July, and the forecast reduction in the overall bank balances over the period to July 2018 which reflects the payment of Lennartz.

3. Recommendation

3.1 Members are asked to note the forecast movements and closing bank balances in the period.

Cash Flow Forecasts for 2017-18 **Appendix**

	Actual Aug-17	Actual Sep-17	Actual Oct-17	Forecast Nov-17	Forecast Dec-17	Forecast Jan-18	Forecast Feb-18	Forecast Mar-18	Actual FY	Forecast Apr-18	Forecast May-18	Forecast Jun-18	Forecast Jul-18	Projected AY 2016-17
Forecast 17-18	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income														
SFC Grants														
SFC Core Grant	493,928	693,928	893,928	693,928	1,293,928	693,928	343,928	132,668	8,797,403	1,208,120	708,120	908,120	719,383	8,783,907
SFC additional Lecturer pay							-	14,374	59,980	8,369	-	-	-	22,743
Flexible Workforce Development Fund 2017-18	-	-	50,743	-	-	50,743	-	-	101,486	50,743	-	-	50,742	202,971
Student Support														
Bursary	-	300,000	213,012	263,012	233,012	213,012	213,012	164,940	2,095,810	194,853	144,853	99,431	-	2,039,137
SFC - Student Support clawback AY 2016/17					(277,000)				(277,000)	-	-	-	-	(277,000)
Capital Maintenance						333,918			333,918	-	-	-	-	333,918
Capital Grant				16,629		23,371			40,000					
EMA Admin	-	-	-	8,000	-	-	-	-	20,710	4,000	-	-	-	12,000
EMA Student Maintenance	52,360	630	630	21,380	25,000	25,000	25,000	25,000	212,710	25,000	25,000	25,000	-	250,000
ESOL (16-17)	-	-	-	-	3,785	-	-	-	17,034	-	-	-	-	3,785
ESOL (17-18)	-	5,174	-	5,174	2,587	2,587	2,587	2,588	20,697	4,233	4,233	4,233	4,235	37,631
										-	-	-	-	
Other Income										-	-	-	-	
Scottish Colleges Foundation	-	-	-	-	-	-	-	-	255,000	-	-	-	-	-
ERDF Grants received	-	-	-	-	-	-	-	-	170	-	-	-	-	-
Other grant income	-	10,000	650	3,483	3,483	3,483	3,483	3,484	31,066	3,011	3,011	3,011	3,012	40,111
HE Hardship	53,863	-	-	-	-	-	-	-	77,350	23,084	-	-	-	76,947
SAAS Fees	-	911	1,285	-	-	-	569,452	-	592,280	-	-	-	-	571,648
Re-charges - UWS/ Gl. Uni/ DGC	4,560	484	720	-	75,074	-	40,000	35,340	353,629	13,300	45,126	13,300	13,300	241,204
Other cash received in SDS 2017-18	43,297	122,389	48,160	105,256	76,703	76,703	76,703	76,703	882,797	78,238	78,238	78,238	78,239	938,867
Total cash in	**648,008**	**1,133,516**	**1,209,128**	**1,116,862**	**1,436,572**	**1,422,745**	**1,274,165**	**455,097**	**13,615,040**	**1,612,951**	**1,008,581**	**1,131,333**	**868,911**	**13,277,869**
Expenditure														
Payroll	677,730	682,729	686,726	731,359	689,630	743,980	738,980	738,356	8,350,990	698,980	697,980	698,980	732,800	8,518,230
ESOL Salaries		482							5,875	-	-	-	-	482
ESOL (2016-17)									47,195	-	-	-	-	-
ESOL 2017-18)	767	-	-	-	-	-	-	-	767	-	-	-	-	767
EMA payments	210	10,105	19,830	28,971	28,971	28,971	28,971	28,971	238,060	25,000	25,000	25,000	-	250,000
SFC Bursary and other student support payments (inc. student transport)	5,286	126,160	198,858	406,227	233,012	213,012	213,012	241,928	2,073,629	144,853	144,853	144,852	4,579	2,076,632
HE Hardship	-	2,557	6,743	8,620	8,620	8,620	8,620	9,167	73,603	8,000	8,000	8,000	-	76,947
Other Student Support (CF and HT)	-	-	-	-	-	-	-	-	92	-	-	-	-	-
Depreciation spend - VSS/ other	221,781	-	-	56,219	-	-	-	-	278,000	-	-	-	-	278,000
PL payments (excl student transport)	109,030	280,454	171,118	375,516	210,050	150,000	170,000	98,832	2,420,008	156,424	150,000	165,000	153,212	2,189,636
Maintenance costs - from SFC Capital Mainteance grant	19,885	20,524	17,290			316,219			485,174	-	-	-	-	373,918
Catherinefield capital	-	43,650	-	14,380	-	-	-	-	120,000	-	-	-	-	58,030
Other payments	8,063	27,006	20,616	10,000	10,000	10,000	10,000	10,000	177,753	10,000	10,000	10,000	10,000	145,685
Total cash out	**1,042,752**	**1,193,667**	**1,121,181**	**1,631,292**	**1,180,283**	**1,470,802**	**1,169,583**	**1,127,254**	**14,271,146**	**1,043,257**	**1,035,833**	**1,051,832**	**900,591**	**13,968,327**
Net cash inflow/(outflow)	**(394,744)**	**(60,151)**	**87,947**	**(514,430)**	**256,289**	**(48,057)**	**104,582**	**(672,157)**	**(656,106)**	**569,694**	**(27,252)**	**79,501**	**(31,680)**	**(690,458)**
Balance b/f	1,132,577	737,833	**677,682**	765,629	251,199	507,488	459,431	564,013	**547,962** -	108,144	461,550	434,298	513,799	1,132,577
Balance c/f	**737,833**	**677,682**	**765,629**	**251,199**	**507,488**	**459,431**	**564,013**	**(108,144)**	**(108,144)**	**461,550**	**434,298**	**513,799**	**482,119**	**442,119**

	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Actual FY	Apr-18	May-18	Jun-18	Jul-18	Projected AY 2016-17
Lennartz:														
Quarterly payments	-	79,361	-	-	76,698	-	-	76,698	313,972	-	-	76,699	-	309,456
Cash outflow	**-**	**79,361**	**-**	**-**	**76,698**	**-**	**-**	**76,698**	**313,972**	**-**	**-**	**76,699**	**-**	**309,456**
Balance b/f	497,008	497,008	**417,647**	417,647	417,647	340,949	340,949	340,949	578,223	264,251	264,251	264,251	187,552	497,008
Balance c/f	**497,008**	**417,647**	**417,647**	**417,647**	**340,949**	**340,949**	**340,949**	**264,251**	**264,251**	**264,251**	**264,251**	**187,552**	**187,552**	**187,552**
Total closing bank balances	**1,234,841**	**1,095,329**	**1,183,276**	**668,846**	**848,437**	**800,380**	**904,962**	**156,107**	**156,107**	**725,801**	**698,549**	**701,351**	**669,671**	**629,671**