

Board of Management Finance and General Purposes Committee

Date: 20 November 2018

Time: 12midday

Room: 2009

A G E N D A

**Presented
by**

- | | | | |
|----|---|------------|----|
| 1 | Welcome and Apologies for Absence | | RF |
| 2 | Declaration of Interest | | RF |
| 3 | Minute of Meeting of 18 September 2018 | (attached) | RF |
| 4 | Matters Arising | | |
| | 4.1 Actions Monitoring List | (attached) | AW |
| 5 | National Bargaining – Update | (verbal) | AG |
| 6 | Review of Monitoring and Reporting arrangements for Annual Budget control | (attached) | KH |
| 7 | Student Association Budget and Benefits | (attached) | AG |
| 8 | Draft Financial Statements 2017-18 | (attached) | KH |
| 9 | Financial Update | (attached) | KH |
| 10 | Revised Budget for 2018-19 | (attached) | KH |
| 11 | Annual Plan for Papers presented to the Committee | (attached) | RF |
| 12 | Strategic Risk Register | (attached) | AG |
| 13 | Any Other Business | | |
| 14 | Date and Time of Next Meeting - Tuesday 26 February 2019 at 12md | | |

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 20 November 2018 at 12 noon in Room 2009, Dumfries Campus.

Present: Ros Francis (Chair) Sue Livermore
John Henderson Karen McGahan

In attendance: Karen Hunter, Head of Finance
Andy Glen, Vice Principal Business Development & Corporate Services
Brian Johnstone, Regional Chair
Ann Walsh, Board Secretary
Delia Holland, Regional Vice Chair

Minute Taker: Heather Tinning, Executive Assistant

1 Welcome and Apologies for Absence

The Chair welcomed all to the meeting, including Regional Chair Brian Johnstone. Apologies for absence were received from Carol Turnbull (Principal).

The Committee agreed that there needed to be a minimum of two non-executive members of the Committee present to make the meeting quorate and that the membership of the Committee needed to increase.

Action: Board Secretary to amend the F&GP Committee Terms of Reference

The Board Secretary confirmed the meeting was quorate.

2 Declaration of Interest

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

3 Minute of Meeting of 18 September 2018

The Minute of the Finance and General Purposes Committee meeting held on 18 September 2018 was approved.

4 Matters Arising

The Chair asked members to note the new format of recording Matters Arising, which will be used going forward. The Secretary to the Board talked through the paper, items being either completed, on the agenda, updated on the log or to be brought back to a future meeting.

There were no other Matters Arising not identified in the log.

National Bargaining - Update

The VP Business Development & Corporate Services provided an update on National Bargaining, highlighting key points:

- EIS have rejected their offer for a Cost of Living rise and are balloting for Industrial Action
- The Staff Support Pay Award is being implemented
- Job Evaluation of Support Staff - A terms and conditions working group nationally has been formed. The college will be looking at Job Evaluations in 2019

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(Karen McGahan joined the meeting)

6 Review of Monitoring and Reporting arrangements for Annual Budget Control

The Head of Finance spoke to the report which had been issued, providing information to the committee to address the varied reasons for the deficit, including:

- Flexible Workforce Development Fund (FWDF) – this will be closely monitored. Meetings are to be arranged with staff moving forward
- National Bargaining – There was an issue with the timing in terms of the National Bargaining costs
- Employee Costs – Accrual of holiday pay at the end of the year was paid to a long-term absent member of staff

In terms of going forward and achieving a break-even position for the year:

- The Executive Leadership Team and College Leadership Team will examine budgets more closely
- Consider setting aside £55,000 contingency until June 2019
- Financial Management Training is in place for next year
- Budget Planning and predictions will be built from a zero-base for next year

The VP Business Development & Corporate Services reported that budgetholders were being encouraged to be more open about potential unused allocations. K McG stressed the importance of budgetholders feeling involved in the budget setting process. In terms of Income Generation and Awareness, the VP advised of a proposed workshop for Managers.

The Chair requested that, in future, the Chair of F&GP and the Regional Chair be notified as soon as a deficit position is forecast.

The Chair advised that the Board should be made aware of the current situation. Members discussed the Board paper to explain the position, including:

- To note that the College is budgeting for this year on a break-even position but this includes £41,000 of delayed income from 2017/18. The Head of Finance to consider whether any of this can be ringfenced to return a surplus.
- Paper to be updated to include future arrangements for communicating a suspected deficit to Regional and F&GP Chairs.
- Board to be asked to approve use of up to £74,000 of historic reserves to fund any deficit that cannot be recovered by returning a surplus in 2018/19.

Action: The paper to be tweaked as above to go to December Board.

7 Student Association Budget and Benefits

The VP Business Development & Corporate Services spoke to the report which had been issued, reporting on the differences between the Student Association and Student Engagement, including:

- The Student Association is now line managed by the Marketing Manager
- The Student Association budget will move to the Marketing Manager going forward
- The Student Association is responsible for events and campaigns arranged through the SA
- Student Engagement is a Quality Function, that leads into Self Evaluation
- The Student Engagement budget will remain with Quality

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In terms of the non-staff budgets, the VP reported on the 2017-18 budget:

- £8,226 Student Engagement
- £8,232 Events/Campaigns

The Regional Chair spoke of the valuable role with the Student Association engaging with school pupils and employers. The Student Association President attends the DYW meetings. The Student Association President's term of office is for a one-year period, members discussed the challenge of continual change for the college and the role. The Student Association President is to undertake a costed operational plan for the year, once she has received her finance training. The Chair of F&GP considered that in the context of overall College budgetary pressures, the quantum of the Student Association budget did not merit dedicated F&GP attention going forwards.

8 Draft Financial Statements 2017-18

The Head of Finance had circulated the draft financial statements for 2017-18 in advance, as agreed at the last meeting. The Head of Finance summarised key points including:

- The Auditors made an adjustment to the valuation of Stranraer Campus re including costs for the Stranraer heating project
- There are corresponding changes in the Revaluation Reserve
- The Adjusted Operating Position in Note 10 reconciles the Adjusted operating deficit of £74,000 with the FE SORP base deficit of £1,086,000 shown on the face of the Statement of Comprehensive Income.
- The Head of Finance advised that the college has no outstanding debt/PFI Finance (that other colleges have)

Members agreed that the cover paper budget report was very detailed, and although welcomed the detail it was agreed to highlight key messages and figures for the Board meeting on 11th December 2018. The Regional Chair's suggestions included:

- The college has good relationships with suppliers
- The college pay Creditors on time
- Identify the number of staff employed and the number of students in college

The Regional Chair also suggested that committee members read the Governance detail in the report, and feedback any further comments to the Head of Finance.

Actions:

- The Head of Finance and Principal to prepare a one-page summary with key messages and figures to present to the Board in December.
- F&GP to recommend approval of the Financial Statements to the Board

The Head of Finance advised that once the Accounts are approved and signed at the December Board meeting by the Regional Chair and Principal, they are sent to the SFC and Audit Scotland. The accounts are also laid before Scottish Parliament and included on the college website.

9 Financial Update

The Head of Finance spoke to the report which had been issued, highlighting the Income and Expenditure to date:

- Staff costs are lower than the original budget

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- Overall the balance sheet has little movement from July
- The cash flow projection is now appended to the Financial Update
- Student Support commitments show a potential overspend of £0.5m
- The final Lennartz Payment has now been made

Members discussed their concern over the potential £500k overspend in terms of Student Support. It was reported that the College had overspent its Student Support allocation but was hopeful of being allocated more funds from SFC. This had happened in previous years and there was no reason to doubt it would not happen again. The only way the College could exercise control was to restrict the intake of students requiring financial support once the original allocation was exhausted.

The Committee considered this to be a significant risk and the Chair asked that this be brought to the Board's attention. It was noted that this is a red risk on the risk register.

Action: The Chair to provide feedback to the Board under summary of Committee minutes

SOSEP

The Head of Finance reported that there has only been a commitment for the Architects expenditure, a monthly payment profile has been agreed. A meeting has been agreed with the Architects to discuss Procurement for the building going forward. The Head of Finance reported that no cash has been drawn down from the SFC to date. The SOSEP Project will be identified separately in the budget and Financial Update. Allowing for time frames, it is anticipated that there will not be a lot of spend before the end of March.

10 Revised Budget for 2018-19

The Head of Finance spoke to the report which had been issued, highlighting key revisions:

- Budget reflects the total funding allocation for the (FWDF) Flexible Workforce Development Fund
- Income and costs removed from the budget for the Support Staff Job Evaluation, as the costs will not be known until the Evaluation has been completed
- Additional costs owing to Lecturers undertaking their TQFE, which the college now has to fund the qualification and time for staff to undertake this
- Caveat includes increases in Teacher's pension costs, which are to be funded by the SFC for the first year
- Changes to the costs to include other projects

The Chair of F&GP noted that, due to layout changes, it was difficult to relate the proposed revised budget to the budget approved by Board in June and highlighted some inconsistencies. The Committee welcomed the new layout as clearer. The Head of Finance agreed to include the June budget for consistency until the revised budget was approved.

The Finance & General Purposes Committee reviewed the revisions to the budget, and agreed to recommend the revised budget to the Board. The Committee also approved of the proposed changes to the layout of the budget summary

Action: The Finance & General Purposes Committee to recommend the revised budget to the Board.

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11 Annual Plan for Papers presented to the Committee

Members discussed the proposed Annual Plan for Papers presented to the Finance & General Purposes Committee to decide what should be included.

Actions:

- The Board Secretary to update the Schedule of planned work following discussion
- The recent Estates report from the Head of Corporate Services to be sent out to committee members – the Board Secretary to arrange to share the report with members

12 Strategic Risk Register

Members discussed the Strategic Risk Register, reviewing the financial risks. The Committee commented as follows:

Decision:

- Risk No 2.1 – Arithmetical error – Post Mitigation score should equal 6
- Risk No 2.5 – Queried whether this was a strategic risk as only £25,000 remained in the Foundation.

Action: The Principal to consider amendments to the Risk Register

13 Any other business

13 Green Economy Funding

The VP Business Development & Corporate Services reported that the Head of Corporate Services had been successful in an award for funding from the SP Energy Networks' Green Economy Fund. The college will receive £200,000 for the teaching and development of renewable technologies. The VP advised that the college was the only educational establishment to successfully receive the funding.

Members congratulated the college on the successful bid.

14 Date and time of Next Meeting

The date and time of the next Finance and General Purposes Committee is Tuesday 26th February 2019, 12 noon.

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 18 September 2018 at 12 noon in Room 2009, Dumfries Campus.

Present: Ros Francis (New Chair) Sue Livermore
Carol Turnbull

In attendance: Karen Hunter, Head of Finance
Andy Glen, Vice Principal Business Development & Corporate Services
Brian Johnstone, Regional Chair
Ann Walsh, Secretary to the Board

Minute Taker: Heather Tinning, Executive Team Assistant

1 Welcome and Apologies for Absence

In her position as new Chair of the Finance & General Purposes Committee, Ros Francis welcomed all to the meeting, including new member Sue Livermore and Chair of the Board Brian Johnstone.

Apologies for absence were intimated on behalf of John Henderson (outgoing Chair) and Karen McGahan.

The Secretary to the Board confirmed the meeting was quorate.

2 Declaration of Interest

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

3 Minute of Meeting of 22 May 2018

The Minute of the Finance and General Purposes Committee meeting held on 22 May 2018 was approved.

4 Matters Arising

4.1 College Arms Length Foundation (ALF) – follow up with Trustees

The Principal confirmed that the process to wind down the College Arms Length Foundation has started. The ALF will be formally closed, following submission of the end of year accounts.

Actions:

- The Principal to update the Finance & General Purposes Committee once the ALF is formally closed.

4.2 2018/19 Budget (recommended to the Board)

The 2018/19 budget was approved by the Board in June 2018

4.3 Evaluation of Income v Benefits for the Student Association

Following discussion, it was agreed to report on the Student Association budget at the next Finance & General Purposes Committee meeting. In terms of the Student Association (SA) budget, the Regional Chair suggested to consider the wider purpose and benefits of the SA when considering costs. The Vice Principal Business Development & Corporate Services would report back on any review they conduct, suggesting that November might be a good time.

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Actions:

- Student Association accounts for 2017-18 to be prepared
- The Vice Principal Business Development & Corporate Services will report back on the Student Association budget and the benefit gained from this spend, at the next Finance & General Purposes meeting
- The Student Association budget to be included within the next budget report

5 Draft Annual F&GP Committee Report 2017/18

The Head of Finance spoke to the suggested Annual F&GP Committee Report 2017/18, highlighting the key activities and decisions of the committee for the Financial Period of 2017-18. Members agreed the report subject to inclusion of the following amendments:

- Item 3.3: To update this section to include all attendees
- Item 6: Change to refer to the 2017 financial statements which were formally approved during the period covered by the report
- Item 7: To include:
 - reference to monitoring the impact of the South of Scotland Economic Partnership (SOSEP) STEM developments
 - continued uncertainty over SFC grant funding and budgets, cash and working capital
 - reference to the deficit out turn for 2017-18 and the planned review of this by the Finance & General Purposes Committee

During discussion, the Chair suggested that a paper come to the November meeting on planned Committee work for the year and asked committee members to engage

Action: The Draft Annual F&GP Committee Report 2017/18 to be amended for presentation to the Board at meeting on 9th October 2018

Members noted the draft Annual F&GP Committee Report for 2017/18.

6 Estates/Facilities Update

The Chair welcomed the Head of Corporate Services. He spoke to the report which had been issued, reporting on the key updates on Facilities developments.

He referred to a table that included spend from the Scottish Funding council Capital Grant 2018-19. He advised that slight savings are likely to be made by using local contractors, but any savings must be used for work identified within this list and all spend has to be identified on a financial return submitted to the Scottish Funding Council. Members noted and discussed one of the areas of concern with regard to the investment in ICT. The Principal reported on the Colleges Scotland Colleges Spending Review Submission for Scottish Government and advised that the Executive Leadership team are re-prioritising budgets moving forward.

In terms of the new Catering Contract with the firm Aramark, a 3-year appointment, the Head of Corporate Services reported that Aramark are looking to work with and involve the Hospitality students, which was well received by committee members.

The Chair thanked the Head of Corporate Services for the update.

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Members noted the report.

7 National Bargaining - Update

The Principal provided an update on National Bargaining, including:

- Migration Award
- Cost of Living Award
- EIS Consultative Ballot

The Principal reported that she and the Head of HR are attending an Employers Association Residential this week, at which further discussions will take place on National Bargaining including ratification on the pay offer for Support Staff.

Members noted the update.

8 Cash Flow Report

The Head of Finance spoke to the report, highlighting key points to note:

- Projected cash flow for next year, will be updated to include the SoSEP funded projects, for which a separate cash flow spreadsheet will be established
- Balance of cash at March 2019 expected to be very low. Finance team are monitoring the situation closely
- The final payment for Lennartz is due next month

In answer to a question with regard to the SoSEP projects, the Principal confirmed that although there is clarity on the division of expenditure between the two colleges, there is no clarity on any advance payments. The cash flow prediction is based on what expenditure is incurred and drawn down from the Scottish Funding Council.

Action: The cash flow to be included in the Financial Update moving forward

The Head of Finance reported on recent discussions at a Funding meeting on the Scottish Funding Council and calculation of depreciation spend, and the change of methodology.

Members noted the Cash Flow report including the forecast movements and closing bank balances for period 2018-19.

9 5 year Financial Forecast Return

The Head of Finance spoke to the report, which had been issued highlighting key points to note:

- Main figures for return are based on Scottish Funding Council scenarios
- The out-turn for 2017-18 for forecast are based on June Management Accounts, rather than year end. Forecast to be amended to reflect the draft accounts
- The return has been prepared for the Scottish Funding Council to meet the submission date of 28th September 2018

Board of Management Finance and General Purposes Committee

The VP Business Development & Corporate Services reported on a recent meeting with Scottish Funding Council representatives, looking at the demographics model, advising that the model highlighted some anticipated growth – however nothing has been agreed at this stage.

Action: The Head of Finance to revise figures to include the impact of National Bargaining once final offers have been agreed

Decision: Members approved the Financial Forecast Return, based on the assumptions provided by the Scottish Funding Council, and noted the projected out-turn based on the alternative scenarios.

10 Draft Financial Statements 2017-18

The Head of Finance spoke to the report, which had been issued, as a first draft to be presented to the Auditors next week, reporting on key points to note:

- A change this year in terms of disclosure of underlying results
- Pension adjustments are significant
- In terms of underlying position, the Head of Finance reported on the operating deficit of £74,000.

The Chair requested that we look at the timing of circulating the draft Financial Statements to Finance & General Purposes Committee members, possibly in advance of the November agenda, allowing more time for members to view the draft statements.

Actions:

- The full draft Financial Statements for 2017-18 to be presented at the next Finance & General Purposes Committee meeting
- The Head of Finance to circulate the draft Financial Statements to the Finance & General Purposes Committee, following review by the Auditors, to include the narrative and draft figures
- In terms of the deficit, the Principal and Head of Finance to review the reasons behind the deficit, the forecast breakeven position and lessons learned. Paper to come to November meeting

11 Aged Debt Report

The Head of Finance spoke to the report which had been issued, as an update on debt figures at the end of July 2018. The Chair noted the much improved position on aged debt and asked whether the aged debt report could now come annually.

Members noted that the Bursary balance from AY 2016/17 is presenting a higher balance than normal.

Decision: The Aged Debt Report to be presented annually to the Finance & General Purposes Committee, following confirmation from the Head of Finance with reference to the wording in the Financial Procedures

Action: The Head of Finance to check the Financial Procedures regarding the suggested change to present the report annually

Members noted the aged debt balances at July 2018 and approved the proposed balances for write-off.

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12 Strategic Risk Register

The Principal spoke to the Strategic Risk Register, advising that there were no significant changes to the risks. The Principal advised that she had undertaken a review of the Risk Register over the summer in terms of presenting the register in a new format. The revised Risk Register will be presented to the Audit Committee on 19 September 2018 for adoption, to be used going forward. The Principal advised that the revised Risk Register identifies who is responsible for managing the risk.

The Chair queried the purpose of the Strategic Risk register coming to every Committee meeting. She felt that strategic risks could not be mapped to Committees and that by the time the document was discussed at Board it had become tired. The Regional Chair agreed to raise at Audit Committee.

Action: The Principal to re-visit risk number 2 in terms of the narrative on the budget to reflect the draft budget presented today

Members approved the Strategic Risk Register presented to the committee, allowing for the amendment of risk number 2, and presentation of the revised Risk Register at the next Finance & General Purposes Committee meeting.

13 Any other business

None.

14 Date and time of Next Meeting

The date and time of the next Finance and General Purposes Committee is Tuesday 20th November, 12 noon.

Finance & General Purposes Committee

Actions/Matters Arising - Monitoring Sheet

Agenda Item No	Agenda Item & Action	Date to be Completed	Responsible Manager	Progress
Meeting of 18 September 2018				
4.1	College Arms Length Foundation (ALF) The Principal to update the Finance & General Purposes Committee once the ALF is formally closed	TBC	Carol Turnbull	To update at November Agenda
4.3	Evaluation of Income v Benefits for the Student Association i. Student Association accounts for 2017-18 to be prepared	1 Nov 18	Andy Glen	On November Agenda
"	ii. To report on the Student Association budget and the benefit gained from this spend, at the next Finance & General Purposes meeting	20 Nov 18	Andy Glen	On November Agenda
"	iii The Student Association budget to be included in the next budget report	13 Nov 18	Karen Hunter	From Feb meeting
8	Cash Flow Report The cash flow to be included in the Financial Update moving forward	13 Nov 18	Karen Hunter	Completed
9	5 year Financial Forecast Return The Head of Finance to revise figures to include the impact of National Bargaining once final offers have been agreed	TBC	Karen Hunter	TBC
10	Draft Financial Statements 2017-18 i. The Head of Finance to circulate the draft Financial Statements to the Finance & General Purposes Committee, following review by the Auditors, to include the narrative and draft figures	1 Nov 18	Karen Hunter	Completed
"	ii. In terms of the deficit, the Principal and Head of Finance to review the reasons behind the deficit, the forecast breakeven position and lessons learned. Paper to come to November meeting	13 Nov 18	Carol Turnbull Karen Hunter	On November Agenda
11	Aged Debt Report Check the Financial Procedures regarding the suggested change to present the Aged Debt Return annually	8 Nov 18	Karen Hunter	Completed
12	Strategic Risk Register The Principal to re-visit risk number 2 in terms of the narrative on the budget to reflect the draft budget presented today	2 Oct 18	Carol Turnbull	Completed

Finance and General Purpose Committee

Review of Monitoring and Reporting arrangements for Annual Budget control

1 Back ground and Purpose of the Report

At the Finance and General Purposes committee held on 18 September 2018, the College reported an end of year underlying deficit position of £74k for the period August 2017- July 2018. This has subsequently been verified by our external auditors.

This paper is to report on the reasons behind the deficit, the forecast break even position that had been reported to the Committee and any changes that will be implemented as a result.

2 Reasons for deficit:

FWDF income forecast that was not realised in the period to July 2018. Previous monitoring reports had indicated that income would be £41,000 higher and forecasts had been prepared on that basis. Guidance from SFC was revised during the year to allow some flexibility in the timing of the training delivered by the project, and final figures on training actually delivered were not available until after July.

Costs associated with implementation of technical note issued in respect of National Bargaining agreements not known until June, which amounted to £23,000.

Employee costs associated with a member of staff deciding to leave after a long term absence were not known until August, which resulted in additional costs of £10,000 accrued at the year-end.

These costs did not occur until after the May F&GP committee meeting at which a break-even position had been forecast and reported.

3 Changes implemented as a result of the Review:

- 1 More detailed explanation provided in Budget papers to Committee on assumptions and rationale for forecast positions.
- 2 Ensure ongoing and regular communication with managers particularly where there are new funds/alternative income streams.
- 3 Increased scrutiny in budget monitoring.
- 4 Management training programme for 2018-19 includes budget training.
- 5 To provide for a contingency of £55k in the annual budget – to be released at the end of June if not required.

4 Funding the Deficit

The budget for 2018-19 will be revised with the aim of ring-fencing the income which was delayed at the year-end. This will enable the College to comply with SFC's Resource Expenditure budget for the fiscal year April 2018 to March 2019.

Finance and General Purpose Committee

5 Recommendation

Members are invited to discuss the report and approve the proposed changes.

Karen Hunter, Head of Finance
Carol Turnbull, Principal
November 2018

Finance & General Purposes Committee

Report Title: Student Association Budget and Benefits

1 Introduction

This report aims to give the committee an overview of spend over the past few years on the Student Association and gives some of the benefits associated in having an active a vibrant Student Association

2 The Report

This is the fourth year of employing students to take on elected roles within the student association. This year we have a full time President (Nikki Vjatschslav) and a part time Vice President (Ailsa Paton). Both of these positions are temporary for positions for 40 weeks and both positions required the post holders to be current students of the college. This means both students must carry out some levels of study this year.

As can be seen from the budget figures supplied by the Head of Finance (Appendix A), there was initial income from the Scottish Funding Council, to set up these paid appointments, but in recent years the funding for this has ceased. Colleges are expected to now meet these costs themselves. It is difficult to give a quantifiable value on the return on the investment the college puts into the Student Association, however there are a number of benefits. This report will highlight some of the benefits and areas for development worth considering.

Benefits

The benefits of having a vibrant and well-functioning student association are many.

- These include supporting students in difficulty, as often students may prefer in the first instance to speak with a fellow student rather than perhaps an authority figure.
- The student association is a key element within How Good is Our College? There is a requirement to have a student voice on the Board.
- Signposting students to the correct areas for help, both within and outwith the college (examples include Samaritans, Citizens Advice etc)
- Giving the voice of students at Board and other committees (Learning and Teaching)
- Arranging events and clubs for all students to benefit from their time at college. (Halloween, sustainability, sporting events etc.)
- Promotion of volunteering opportunities
- Campaigning on matters and issues that important to students, for example Mental Health is a priority this year.
- Promoting the college at various events throughout the region and also nationally. For example Nikki is currently featured in a national TV campaign.

Challenges

- It can be difficult to have longer term planning on activities. Each year new elected student members will, rightly, have their own manifesto and aims. Therefore, longer term plans are difficult to develop.
- The question of accountability and autonomy is a recurring theme. For example is the student association accountable to the student body that elected the members

or is it accountable to the college who funds the positions? It can be a balancing act around agreeing an operational plan for the year forward.

- In the past we have had resignations mid-year, this has an impact on student association activities. This can mean sometimes there may well not be value for the finance spent on the student association, therefore success and value for money is variable.
- Student engagement and student association, although there is close working between the two areas are different functions. This can be confusing at times, as the student association work plan contained both association and engagement tasks (please note that tasks will be differentiated for Board members going forward). This possible confusion is one of the main reasons for changing the line management of the student association earlier this year. Historically both functions have been managed by Quality.

Budgets, Value for Money and Moving Forward.

One measure for value for money is the annual student satisfaction questionnaire which is carried out by the SFC. This year the recently published figures shows D&G College above the national average for each, and every one, of the ten questions asked of every student in the country. This national picture is the student voice of Scotland and our Student Association gives feedback to our college throughout the year, so that we can make the necessary changes to ensure our students do have a great time at college.

The annual student satisfaction survey was recently published by the SFC and questions 10 asks; *“The college Students’ Association influences change for the better”*, our college students rated this question positively with 64.6% agreeing or strongly agreeing, the national average for this question was 57.7%. This is another measure of success for our college and our student association.

There is a requirement for each college to have a Student Association, but there has been variation in college spend on the association over recent years (See appendix A). We reduced the amount of time/funds for office bearers this year (Where we had two full time office bearers) to 1.5 WTE this year. We will allocate a small budget for the President to manage. Ongoing staffing budget for staff to support the student association is managed by the Marketing and Admissions manager.

Moving forward we want the Student Association to both be a point of contact for all students within the college, as well as potential students. There is a desire to promote the college further to the wider community and to highlight to our community the role that students play in D&G.

Regular reviews of student association spend and budget take place. The Head of Planning and Quality and the Marketing and Admissions manager are considering a longer term marketing plan for spend where the student association can raise publicity for both itself and for the college. This is one of the benefits achievable from moving the line management of the student association from Quality to Marketing and will be done within existing resources.

3 Recommendation

The Committee is asked to note the paper.

Finance & General Purposes Committee

Appendix A

Dumfries and Galloway College					
Student Association Income and Expenditure					
	2014-15	2015-16	2016-17	2017-18	
Income	£	£	£	£	
SFC Grant funding	71,000	71,000	-		
Expenditure:					
Staff costs					
Sabbaticals	10,786	26,861	17,971	31,613	
Dedicated support staff	30,283	47,921	38,902	46,135	
	41,069	74,782	56,873	77,748	
	2014-15	2015-16	2016-17	2017-18	
Non-staff costs	£	£	£	£	
Student engagement	14,004	17,278	5,391	8,226	
Events/ Campaigns	2,857	12,032	6,819	8,232	
Travel and subsistence	1,413	1,722	952	993	
Training and development	1,825	1,219	404		
Other -Radio	240	5,729	2,025	4,000	
	20,339	37,980	15,591	21,451	
Total expenditure	61,408	112,762	72,464	99,199	

Andy Glen

Vice Principal for Business Development and Corporate Services

7/11/2018

Finance and General Purposes Committee

DRAFT FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

1. Purpose of the Report

- 1.1 The purpose of this report is to provide a summary of changes made to the previous draft Financial Statements for the year ended 31 July 2018.
- 1.2 A copy of the revised draft Financial Statements, incorporating the Performance Report and Accountability Report is attached.

2. Changes applied to the draft accounts

- 2.1 Following completion of the External Audit fieldwork, the revaluation of the Stranraer campus has been revised to include the costs incurred for the Stranraer heating project. The costs of the heating had originally been excluded from the revaluation adjustment, but as the valuation at 31 July 2018 includes an assessment of the heating and hot water systems, it is appropriate to include those costs as part of the overall valuation adjustment at the year end.
- 2.2 The net effect of the adjustment is to decreased the unrealised surplus on revaluation by £125,000 in the Statement of Comprehensive Income at page 35, and fixed assets and reserves on page 37. The supporting notes have also been adjusted by the same amount.

3. Performance Report

- 3.1 The Performance Report is set out on pages 3 to 14 of the draft financial statements.
- 3.2 The 2017-18 Government Financial Reporting Manual (FReM) sets out the scope of the Performance Report, which is intended to provide information on the College, its main objectives and strategies, and principal risks it faces. The requirements are similar to Companies Act disclosures, which have been adapted for public sector reporting, and must provide a fair, balanced and understandable analysis of the College's performance.
- 3.3 A summary of performance for the year is set out on page 3, with a fuller description of key issues and risks, performance during 2017-18, future developments, and environmental and social matters on pages 4 to 13.
- 3.4 The disclosures required by Scottish Funding Council (SFC) in their Accounts Direction are set out on pages 11 and 12, and show the expenditure of 'Cash Budget for Priorities' and the 'Adjusted Operating Position'.

Finance and General Purposes Committee

3.5 The Cash Budget for Priorities sets out a breakdown of the cash budget allocation which was previously earmarked for depreciation.

3.6 The Adjusted Operating Position is intended to adjust the operating results which are in accordance with the SORP for any non-cash adjustments and material one-off or distorting items which are required under the SORP rules.

4. Accountability Report

4.1 The Accountability Report is set out on pages 15 to 31 of the draft financial statements, and incorporates statements on Corporate Governance, and the Remuneration and Staff Report.

4.2 The Corporate Governance report is intended to explain 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.

4.4 Additional disclosure requirements for 2017-18 include 'other employee matters' such as diversity issues and equal treatment in employment and occupation, employment issues including employee consultation, health and safety at work and trade union relationships and human capital management.

4.5 An additional requirement for public sector reporting is the table of Trade Union Facility Time.

5. Recommendation

Members are asked to recommend for Board approval the financial statements for the year ended 31 July 2018.

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The financial statements were approved and authorised for issue on 11 December 2018.

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Dumfries

MacRoberts Solicitors
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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 2018.

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 2017-18 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 2017-18, with 30,696 credits achieved against a target of 30,371, which represents an over-delivery of 1%. The College was unable to meet the target of 268 credits for Childcare, and plans are in place to increase numbers during 2018-19 in line with Scottish Funding Council targets. Overall retention figures for 2017-18 remain low, and further work is taking place to analyse the data available, identify specific issues, and develop a strategy for improvement. The new Curriculum Management structure is now in place, and closer monitoring of each course by the Curriculum Managers should help to improve overall retention and attainment rates.

The financial out-turn for 2017-18 shows an overall operating deficit, which includes non-cash adjustments for pension valuation and expenditure from the allocation of 'Fixed Cash Budget for Priorities' as explained in the Performance Analysis pages. The underlying position shows an underlying small deficit, which reflects the difficulty in maintaining a break-even position each year within the budget constraints for the Scottish College Sector. Actions are being implemented to help ensure targets are achieved in 2018-19.

The College completed its annual Self Evaluation and Enhancement Plan 'How Good is Our College' in September 2018, which has recently been updated, and takes into account all aspects of the College. The Scottish Funding Council and Education Scotland have formally endorsed that the enhancement plan is well informed by and linked appropriately to the findings of the evaluative report, communicates clearly the plans to address areas of provision and services which require improvement, and identifies what the College aims to achieve and by when. An Enhancement Plan has been agreed, which will be monitored throughout 2018-19 and will inform developments and priorities.

The support management restructure which took place during the year is now completed, and with the exception of one or two posts, we were able to appoint internal candidates. This is all part of growing and recognising our own talent and will be supported by a robust management development programme. We will monitor the effectiveness of the new structure as we go through the coming year to make any adjustments as necessary.

The College was successful in a joint funding bid to the South of Scotland Economic Partnership (SoSEP) with Borders College to develop a South of Scotland Learning and Skills Network, which will require a fundamental shift in how we use technology to teach and to provide other services. A digital skills strategy will highlight our key aims and ambitions, and a staff development programme will support staff to develop their skills.

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 are progressing towards 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 Scottish Funding Council priorities. We are committed to regularly monitor progress towards delivery of the strategic outcomes. From 2018-19 the College will implement the new SFC and Education Scotland quality arrangements, which integrates quality arrangements evaluation with outcome agreement evaluation and reporting. A self-evaluative report 'How Good is Our College?' was produced for the first time in 2016-17 and will be repeated in the coming years. Internal processes, including Student Evaluation, will continue to be improved over the coming year to enable the College to meet the requirements of 'How Good is Our College?'.

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:

- **Failure to achieve institutional sustainability** - The changes in funding methodology, public sector funding cuts, and the reclassification of the Scottish College sector as public bodies from 1 April 2014 have all impacted on the College's financial sustainability. Regular monitoring of budgets, review of financial strategies and effective budgetary control will minimise the impact on learners and staff.

- **Pay pressures** - there is a risk that salary and cost implications of changes to conditions of service will outstrip the College's ability to fund those costs. The College will continue to work with the Employers' Association to influence negotiations, and model pay costs going forward.

- **Maintaining positive relations with staff** - the risk of industrial action has increased, and the College management will take mitigating action where possible to adhere to good practice, effective communication with Trade Unions and staff, and maintain open communications with staff.

- **Meeting deadlines for the College's SoSEP project** - the project aim of establishing a Hub and Spoke project for Engineering, Construction and Care by August 2019 will require robust governance, project planning and close working with Borders College.

Performance Report (continued)

Performance Summary

The reported Key Performance Indicators show a reduction in overall student achievement for 2017-18, but further analysis of the statistics indicates that a number of learners have left due to either progressing to employment or another educational programme. Despite this, overall activity targets were exceeded, with 30,696 credits delivered against a target of 30,335. As a result of timing issues at the year-end, the underlying operating position, excluding pension valuation adjustments and planned expenditure from depreciation cash, was a deficit of £74,000.

Student Numbers

During academic year 2017-18, the College delivered 30,696 credits against a target of 30,335 (2016-17 30,338 delivered against the target of 30,371). Total numbers for student enrolments increased from 6,827 in 2016-17 to 6,951, an increase of 1.8%. Within these overall numbers full-time student numbers decreased to 1,540 from 1,560, which represents an increase of 43 full time FE students but a decrease of 63 full time HE students. Total numbers for part-time students increased marginally to 5,287. Part-time HE students decreased by 302 to 341, and FE numbers increased by 446 during 2017-18.

Student Achievements

The overall numbers of full-time students successfully completing their programme of study in 2017-18 was 62%, which decreased from 65% in 2016-17. The split between full-time Further Education and Higher Education student achievements was FE - 60% and HE - 69% (2016-17 - 62% and 71%).

Successful completion for part-time students decreased from 57% to 53% for FE students and HE students increased from 36% to 46%.

As noted above, further analysis of the Key Performance Indicators has provided further insight into reasons why some learners have left their course of study early. In 2017-18, 15% of early leavers left due to either obtaining a job, progressing to a programme at another educational establishment, or progressing onto another college programme. Under current reporting arrangements, these are considered to be a failure of the College.

The College has identified a number of key actions to be taken with the aim of improving learner retention and achievement during 2018-19:

- we have introduced a new structure, and developed in-house tools to support staff in analysing data and allow targeted support for students at risk of leaving early;
- we will balance the challenges of increasing access to FE and HE with the support required for students who have barriers to learning - including transport within the region and financial problems;
- we will look at innovative ways to support students who are in financial difficulties, including offering a 'breakfast club' as well as a review of learner support policies and procedures to provide information and support to students on accessing funding;
- appointment of Guidance Coaches to provide help to learners with anything that may impact attendance and ability to stay on their course, including financial, personal issues, travel, or health and wellbeing;
- we are reviewing the format for the pre-enrolment Information and Advice sessions following self-evaluation and feedback from learners.

Quality Assurance and Enhancement

The College has evaluated what is working well and what needs to improve, through the use of Education Scotland's 'How Good is Our College?' framework. The evaluative report and enhancement plan was endorsed by Education Scotland and SFC in January 2018, identifies clearly what is working well, and what needs to improve. A number of actions have been set out in the Enhancement Plan, which will be monitored throughout 2018-19.

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 its curriculum to key industries and learner need across both campuses.

Performance Report (continued)

The College has introduced an overarching Equality and Diversity Framework, which is underpinned by a number of updated and streamlined policies and plans including an Annual Equality and Diversity Plan.

Simplified systems are being piloted to evidence the inclusion of equality and diversity across the curriculum, and a range of training package options are available on demand to address emergent issues.

The College continues to examine the “learner journey” in full, from the transition from school into FE or HE and further academic progression, whilst taking into account the desires and needs of the people within our region.

The College has now developed a Work Experience/Placement Action Plan. It is the College aim that all provision comprises of significant, relevant work related learning, work placement and work experience. The local National Health Service (NHS), Dumfries and Galloway Council (DGC) and care providers offers approximately 180 placement opportunities to College students per year.

With a few exceptions, the nature of the businesses in Dumfries and Galloway do not have a particular demand for high-level STEM qualifications. Where there are, the College is active in working partnership with industry to deliver the qualifications they require eg in renewable industries. However, many of the businesses are not fully utilising or exploiting digital technologies because of a lack of awareness or basic digital skills. It is important to recognise the relative importance of this in considering the contribution of the College.

Dumfries and Galloway College is a key partner in delivering Modern Apprenticeships in the South of Scotland as the major providers of off the job training as well as contracting in their own right. Delivering Foundation Apprenticeships programme is difficult with insufficient funding to run programmes with small cohort, but the College continues to increase the number of Foundation Apprenticeship pathways. In 2017-18, we have offered a foundation apprenticeship pathway in Engineering.

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.

We have introduced a new structure, and have developed in house tools to support staff to analyse data which in turn will allow more targeted support for students who may be at risk of leaving early. We will balance the challenge of increasing access to FE and HE with the support required to give to support students who have barriers to learning.

Dumfries and Galloway College, in a joint bid with Borders College, has been successful in being awarded funding from the South Of Scotland Economic Partnership (SoSEP) to develop STEM Hubs across the south of Scotland. The key aim of the project is to establish a digital learning network by creating a digital and physical hub and spoke system which will address the immediate skills gaps identified in the region in key sectors - Energy, Engineering, Construction and Care. Dumfries and Galloway College will establish a STEM Care Hub and a STEM Renewable Energy/ Engineering Hub in Dumfries, and a mini-STEM Hub for Engineering in Stranraer. The learning centres will be digitally connected with each other, and also with the Hubs being developed by Borders College. In addition, pilot spokes will be developed in schools.

The impact of this network will be monitored through the College's Regional Outcome Agreement, and the aims of the project includes:

- delivery of high quality, digitally connected learning centres as noted above;
- delivery of pilot digital Spokes, connected to the Hubs, and to each other;
- increased numbers of employers upskilling employees through the STEM Hubs and Spokes within the South of Scotland Region;
- increased numbers of students studying STEM related courses in the College;
- increased numbers of students achieving recognised qualifications on courses related to STEM Hub activity;
- increased number and quality of work placement opportunities for students on activities related to STEM Hubs;
- a wider curriculum and vocational qualifications being delivered by the College;
- increased volume and proportion of Credits being delivered at HE level to learners;
- increased number of qualifying learners in positive destinations after completing their programme.

Performance Report (continued)

Future Developments (continued)

The College will continue to widen access to education for a range of society that have historically had difficulties in accessing FE and HE this includes care experienced students, people who have caring responsibilities, those from postcode areas with high levels of deprivation and people who are disabled. The College's Access and Inclusion Strategy gives the details how the college will achieve this, and the success of the initiatives will be monitored.

We will continue the work we have started, with our "Passport to College" course, which will build skills and confidence of students ensuring they are better equipped for all the challenges of College.

Priority outputs to be delivered in 2018-19 are:

- achieving the activity target of 30,176 credits;
- improvement in student retention and attainment;
- an increase in the numbers of students entering positive destinations; and
- a curriculum which reflects the skills requirements and meets the needs of the region.

We are progressing towards 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 the Scottish Funding Council priorities. We are committed to regularly monitoring progress towards the delivery of the outcomes set out in this agreement. From 2018-19 the College will implement the new SFC and Education Scotland quality arrangements, which integrates quality arrangements evaluation with outcome agreement evaluation and reporting.

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 utilise £211,000 of grant funding from the Scottish Colleges Foundation to fund the purchase of engineering equipment. Some further developments are planned for 2018-19 which have been successful in obtaining a grant offer to meet those costs.

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 College Strategic Outcomes set out in the 2017-18 SFC Outcome Agreement supports the Scottish Funding Council's four priority outcomes:

1. A more equal society because learning is accessible and diverse, attracting and providing more equal opportunities for people of all ages, and from all communities and backgrounds.
2. An outstanding system of learning where all students are progressing successfully and benefitting from a world-class learning experience, in the hands of expert learners delivered in modern facilities:
3. A more successful economy and society with well prepared and skilled students progressing into jobs with the ability, ideas and ambition to make a difference;
4. High performing institutions - a coherent system of high performing sustainable institutions with modern, transparent and accountable governance arrangements.

The College's Priority Outcomes for 2017-18, which are aligned to the support SFC's outcomes above, were:

- to contribute to reduction in youth unemployment and improving life chances;
- to ensure provision is effectively delivered, accessible and meets national, regional and local employer needs;
- to support learners to complete their study and achieve successful outcomes.

Performance Report (continued)

How we measure performance (continued)

Priority Outputs to be delivered in 2017-18 were:

- Achievement of Activity target of 30,336 credits;
- Improvement in student retention and attainment;
- An increase in the number of students entering positive destinations;
- An increase in non-SFC income as a percentage of total income.

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. 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 produced an evaluation report and enhancement plan in October 2018.

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

The Key Performance Indicators highlight that, although the College has exceeded overall credits target, the figures for student retention and outcomes have decreased from 2016-17 levels. Analysis of the overall figures provides further insight into reasons why some learners have left their course of study early - including 15% of early leavers due to obtaining a job, progressing to a programme at another educational establishment, or progressing onto another college programme. Under current reporting arrangements, these are considered to be a failure of the College.

In common with all colleges, Dumfries and Galloway College is adversely affected by the classification of students who have left mid-course for employment, as they are considered to have failed to complete. This is particularly common where students are placed on work experience with potential employers, or who leave to progress onto a Modern Apprenticeship - we believe it is more accurate to identify these as transfers into positive destinations.

Performance Report (continued)**Development and performance during the year (continued)**

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'.

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

	<u>2017-18</u>	<u>2016-17</u>
Credits achieved	30,696	30,338
Credits per FTE staff	141	141
<i>Target Credits (including additional childcare places)</i>	30,335	30,067
Full-time equivalent funded places	2,046	2,022
Enrolments	6,951	6,827
Early Student Retention		
- Full Time Further Education	117	102
- Full Time Higher Education	40	40
Student Retention		
- Full Time Further Education	193	211
- Full Time Higher Education	64	63
Student Outcomes:		
- Full Time Further Education	60%	62%
- Full Time Higher Education	69%	71%
Operating deficit (inclusive of IAS 19 adjustments)	(£1,086,000)	(£980,000)
Deficit as a % of total income	8.66%	7.87%
Deficit as a % of total expenditure	7.96%	7.30%
Staff costs (excluding fundamental restructuring costs) as a % of total expenditure	67.6%	65.0%
Ratio of current assets to current liabilities	0.54	0.73
Days cash to total expenditure excluding depreciation	22	49
Non SFC income as a % of total expenditure	16.3%	17.7%

Performance Report (continued)

Financial Out-turn for the period

The College operating results are for a twelve month accounting period, from 1 August 2017 to 31 July 2018. The results for the period show an operating deficit of £1,068,000, which includes non-cash depreciation costs, net of deferred grant release, of £443,000 as well as a net charge of £762,000 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 2018, in accordance with the technical accounting requirements as detailed at Note 10.

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 2018 shows net current liabilities of £901,000. Included in creditors are deferred capital grants of £757,000 and unspent student support funds of £183,000.

Spend of Cash Budget for Priorities

Following their reclassification as central government bodies from 1 April 2014, colleges are now also required to comply with Central Government budgeting rules. In addressing the impact of these budgeting rules, Scottish Government and SFC committed to providing the cash budget previously earmarked for depreciation to use on specified priorities.

Colleges have now each been given a fixed cash budget for priorities which must be spent on agreed government priorities as outlined in the table below. Spend of the College's cash budget for priorities, and the impact on the operating position for the academic year, is detailed below.

Table of cash budget for priorities spend:

	2017-18 £000	2016-17 £000
Revenue Priorities		
2015-16 Pay award	80	77
Curriculum developments	310	-
Staff Voluntary Severance Scheme	-	265
Staff Settlement payment	-	12
Total cash budget for priorities spend	390	354

Adjusted operating position

The Statement of Comprehensive Income presents the financial performance during the year in accordance with the Statement of Recommended Accounting Practice (SORP) 2015: 'Accounting in Further and Higher Education' (The FE/ HE SORP) and Financial Reporting Standards FRS 102. The adjusted operating position is intended to reflect the financial performance of the College after allowing for non-cash adjustments and other material one-off or distorting items required by the SORP. The adjusted operating position is therefore designed to smooth any volatility in reported results arising from FRS 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the College. This should give a better indication of the College's operational cash generative capacity.

	2017-18 £000	2016-17 £000
(Deficit) before other gains and losses (FE/ HE SORP basis)	(1,086)	(965)
Add back:		
- Depreciation (net of deferred grant release) on both government funded and privately funded assets	443	437
- Non-cash pension adjustments - Net service cost	532	455
- Non-cash pension adjustments - Net interest cost	230	186
- Gain/ (loss) on disposal of fixed assets	18	(15)
Deduct:		
- Non-government capital grants (Scottish Colleges Foundation capital grant)	(211)	-
Underlying operating (deficit)/ surplus	(74)	98

Performance Report (continued)**Review of Resource outturn for the year ended 31 March 2018**

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 2017-18 budgeting period are outlined below:

	RDEL £000	CDEL £000
Resource budget for year ended 31 March 2018	10,969	10,846
Expenditure against resource budget	11,036	11098
Net underspend/ (overspend) against budget	<u>(67)</u>	<u>(252)</u>

The outturn reflects the clawback of unspent student support funding during 2017-18 which related to the period August 2016 to March 2017.

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 1.44% (2016-17 - 1.6%). 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 (CCAP) 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. An update to the College Finance and General Purposes Committee in February 2018 noted an overall increase in emissions for the reporting period to 2016 due to the first full year of operations for the College training kitchen and restaurant. However the increase was minimal due to the efficiency measures which have already been introduced. The College is still on target to meet the 20% reduction in greenhouse gas emissions by the end of the CCAP period, which is the end of 2019.

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.

Social Matters

Respect for Human Rights

Our new Equality and Diversity Impact Assessment template requires consideration of Human Rights as part of the screening process. These are completed for every new or reviewed strategy, policy or procedure produced by the College. We introduced this system in the past year, incorporating a requirement to record that it had been completed within each official document as part of the publication process.

Anti-corruption and anti-bribery

The College has an established Anti-Fraud and Corruption Policy, which is updated on a regular basis. Any instances of fraud or corruption by College employees, Board members or contractors will be treated as a serious breach of discipline and as potentially criminal acts. The overriding principle applied is to prevent any acts of fraud or corruption. Preventative measures adopted by the College are:

- Policies and procedures - to reduce as far as possible the risks from fraud or corruption, these measures include risk management processes, procurement, and the scheme of delegation;
- Systems - incorporating internal controls, and segregation of duties;
- Internal audit - the internal audit programme supports the systems and procedures in place;
- Culture - the College aims to maintain a culture of openness, honesty and accountability, which is also supported by a Whistleblowing Policy;
- Staff Recruitment, Induction and Training - references are taken up for all permanent and temporary staff, and part of the induction includes raising awareness of all policies and procedures pertinent to the post, including governance processes.

Performance Report (continued)**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 non-cash depreciation costs, net of deferred grant release, of £443,000 as well as a net charge of £762,000 included in the Statement of Comprehensive Income to reflect the pension valuation changes for the Local Government Pension Scheme. In addition, deferred government capital grants of £22,658,000 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.

The College continues to have ongoing planning discussions with SFC through the Outcome Agreement Manager. Budget forecasts have been prepared in order to ensure that sufficient budget and funds are available to cover ongoing costs including payroll and other expenses which are necessary to deliver services to students and the targets set out in the Regional Outcome Agreement with SFC. The College has prepared medium-term financial forecasts including modelling of pay costs to identify potential challenges and inform strategies for future years, curriculum planning and longer-term developments. In addition, the College will continue to identify where efficiencies can be achieved, in order to reduce future expenditure and increase non-SFC income in order to meet the costs of future developments.

Carol Turnbull

11 December 2018

Principal

Accountability Report

Corporate Governance Report

Board of Management

Dumfries and Galloway College Board of Management was established under the provisions of the Further and Higher Education (Scotland) Act 1992, and became a regional college under the provisions of the 2013 Act. The College is also a charity registered in Scotland in terms of the Charities and Trustee Investment (Scotland) Act 2005 with registered number SC021189. The Constitution and Standing Orders of Dumfries and Galloway College Board of Management set out the Board's policy and practice on those issues which it has powers to determine

The Board of Management comprises of representatives from industry, commerce and education, and benefits greatly from Members' extensive expertise of business and public life together with practical experience in education and training. The private and public sectors are represented, as is the College's Executive Management Team (by the Principal), teaching and support staff and the student body.

The Board's key duties are to:

- Set the strategic direction and priorities of the College;
- Promote commitment to the values and ethos of the organisation, including equality and diversity;
- Ensure satisfactory delivery of the organisation's performance and financial objectives, high quality learning and outcomes, and a good learning experience;
- Be accountable to and maintain the trust of key stakeholders;
- Comply with relevant legal and financial requirements, including the Scottish Public Finance Manual;
- Ensure identification and control of the main risks to the organisation's responsibilities and business objectives;
- Adhere to the sector's Code of Good Governance and the organisation's Financial Memorandum.

The Regional Board for Dumfries and Galloway College comprises of the Chair, the Principal, two student members, two staff members and twelve non-executive members, one of which is the Vice Chair and Senior Independent Member. 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 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 2017-18 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, Audit Committee and a Grievance/ Appeals Committee. All committees are required to report back to the Board on their activities.

Accountability Report

Corporate Governance Report

Board of Management (continued)

The Board considered the Risk Management Process during 2017-18. The Risk Register is now considered by all Committees to ensure that their collective expertise is focused on specific risks. It was agreed to review the format of the Risk Register over the summer, for the changes to take place in 2018-19. A summary of the current risks is set out on page 5 of the Performance Report.

The following key decisions and actions were made by the Board during 2017-18, following due consideration of reports presented:

- Approval of the GDPR Policy and Strategy, and training requirements for College staff and Board members;
- Development of Key Facts and Stakeholder leaflets, to support promotion of the College externally;
- Board members taking a lead role to champion key issues: Equality and Diversity and Cybersecurity;
- Proactively encouraging student engagement;
- Strengthening the Dumfries and Galloway Developing the Young Workforce Board by including a College student Board member;
- Considering and approving changes to the Management Structure to enable succession planning following changes in senior positions in the College, and to take forward strategic developments and business opportunities.

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 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.

The Board will ensure good governance arrangements are in place including appropriate knowledge and leadership for the SoSEP projects being jointly implemented with Borders College.

Members of the Board of Management

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

Janet Brennan
Hugh Carr
Ros Francis
Barry Graham
John Henderson
Delia Holland (Vice Chair and Senior Independent Member)
Naomi Johnson
Brian Johnstone (Regional College Chair)
Pat Kirby
Sue Livermore (Support Staff member)
Stuart Martin
Karen McGahan
Rob Orr
Ailsa Paton (Student member)
Robbie Thomas
Carol Turnbull (Principal and Chief Executive)
Nikki Vjatschslav (Student member)
Ian White (Lecturing Staff Member)

Accountability Report (continued)**Corporate Governance Report (continued)****Members of the Board of Management (continued)**

The following individuals were also Board members in the period from August 2017 up to 31 July 2018:

Anthony Conlon (Student member, term of office finished 30 June 2018)
Kenny Henry (Support Staff Member, term of office finished 31 July 2018)
Leah Thomas (Student member, term of office finished 30 June 2018)

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>

Ann Walsh acted as Board Secretary throughout the period August 2017 to July 2018.

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 Business Development and Corporate Services)

Andy Wright (Vice Principal Learning and Skills)

In addition, Helen Pedley was Director of Organisational Development and Facilities until December 2017.

Committees of the Board of Management

The Board of Management has formally constituted several committees 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 2018.

Current Committee Members are as follows:

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, Ros Francis, Delia Holland, Brian Johnstone (Chair), Pat Kirby, and Stuart Martin

Remuneration Committee

Members - Ros Francis, Delia Holland (Chair), Brian Johnstone and Ian White

Audit Committee

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

Finance and General Purposes Committee

Members - Ros Francis (Chair), John Henderson, Sue Livermore, Karen McGahan and Carol Turnbull

Learning and Teaching Committee

Members - Barry Graham, John Henderson, Delia Holland, Naomi Johnson, Pat Kirby (Chair), Sue Livermore, Rob Orr, Ailsa Paton, Carol Turnbull, Nikki Vjatschslav, and Ian White.

Grievance/ Appeals Committee

Janet Brennan, Ros Francis, Brian Johnstone (Chair), Stuart Martin, Karen McGahan

Accountability Report (continued)**Corporate Governance Report (continued)****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 2018 are set out in note 8 to the financial statements.

Audit Committee

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

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 four 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.

Accountability Report (continued)**Corporate Governance Report (continued)****Grievance/ Appeals Committee**

The Grievance and Appeals Committee's remit is to hear any grievance or appeal of decision made by the Principal in accordance with discipline, grievance and capability procedures.

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.

Self Evaluation

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.

An external Board Governance Effectiveness Review was undertaken in January 2017. The report in February 2017 concluded that 'the college meets its obligations under the Code of Good Governance and, in a number of areas, promotes highly effective governance'.

Self Evaluation of the Board was undertaken in January 2018. This happens each year, apart from the years for External Review which are planned for every third year.

The outcome of the Self Evaluation was very positive. Key areas identified for further improvement include:

- To develop a Board Links Scheme to facilitate improved organisational knowledge and the opportunity to understand staff views, culture and College business;
- Refining the organisation and content of Board and Board Committee meetings and communication - to continue to improve the effectiveness of the meetings structure and the facilitation of effective decision making;
- Continue to improve strategic knowledge and understanding of priorities in the sector;
- Stakeholders - promote College activities and get feedback on what they want from us;
- Review and further improve Induction Packs for new Board members;
- Continue with the good uptake of development/ learning opportunities including development of networking with other college Boards.

In addition to this, the Board will continue to review and refine the organisation of Board meetings and effectiveness of Board meetings.

Accountability Report (continued)**Corporate Governance Report (continued)****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.

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 2018 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 2018 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.

Accountability Report (continued)**Corporate Governance Report (continued)*****Risk and control framework (continued)***

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.

The Audit Committee meets with internal and external auditors independently of College staff, to gain independent reassurance.

The College Leadership Team and Executive Management Team keep risk management under regular review, reporting into all Committee and the Board. Any urgent or escalating risks are also reported to the Chair in addition to this process.

Significant risks and management action that have been considered and agreed during 2017-18 are set out at page 5 of the Performance Report in these financial statements.

The Board have considered actions taken in respect of Cybersecurity, Prevent and implementation of GDPR. The Board has also considered actions being taken to help improve retention and attainment, and achievement of the College's credit target, including staff and Board training and approving revisions to policies and procedures. In addition, the Board continue to monitor external influences including Government Policies, employer engagement, and consider management actions to reduce risks.

Risk Management and Internal Control***Review of effectiveness***

As described on Page 5 of the Performance Report, 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.

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

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

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

The Executive Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Management Team and the Audit Committee also receive regular reports from the internal auditor, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board of Management's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Board of Management carried out the annual assessment for the period ended 31 July 2018 by considering documentation from the Executive Management Team and internal audit, and taking account of events since 31 July 2018.

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.

Accountability Report (continued)**Corporate Governance Report (continued)****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.

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 principles of the 2016 Code of Good Governance for Scotland's Colleges, and it complied throughout the year ended 31 July 2018.

Data Security

There were no personal data-related incidents reported to the Information Commissioners Office during the 2017-18 financial period.

Going Concern

As noted on Page 14 of the Performance Statement, the College continues to prepare budget forecasts to ensure that adequate resources are available for the foreseeable future. medium-term financial forecasts and costs modelling have been prepared to inform strategies for future years. 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

In our opinion 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 11 December 2018 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 (FRoM) issued by the Scottish Government, and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Management, the Board of Management, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

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

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

The Board of Management has taken reasonable steps to:

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

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

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outcomes;
- 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;

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

- 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 2017-18.

Approved by order of the members of the Board on 11 December 2018 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 2017-18 Government Financial Reporting Manual (FReM) issued by the Scottish Government, which is relevant for the financial period ending 31 July 2018.

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 £10,000 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 2018 are set out in note 7 to the financial statements.

Remuneration including salary entitlements

Remuneration of the Executive Management Team is set out in note 7 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 £10,000 above £60,000 or more.

	12 Month period ended 31 July 2018		12 Month period ended 31 July 2017	
	Number senior post- holders	Number other staff	Number senior post-holders	Number other staff
£60,001 to £70,000	2	0	1	0
£70,001 to £80,000	0	0	0	0
£80,001 to £90,000	0	0	0	0
£90,001 to £100,000	1	0	1	0
£100,001 to £110,000	0	0	0	0
£110,001 to £120,000	0	0	0	0
£120,001 to £130,000	0	0	0	0
	3	0	2	0

Remuneration and Staff Report (continued)

During the period, the College made no non-cash benefits available to staff (2016-17 - 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 2017-18 was £95,000 - £100,000. (2016-17 - £95,000 - £100,000). This was 3.9 times (2016-17 - 3.8 times) the median remuneration of the workforce which was £25,301 (2016-17 £25,301).

Salary entitlements

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

Name	12 months ended 31 July 2018			12 months ended 31 July 2017		
	Actual			Actual		
	Salary £'000	Pension benefit * £'000	Total £'000	Salary £'000	Pension benefit £'000	Total £'000
B. Johnstone	20-25	0	20-25	20-25	0	20-25
C. Turnbull	95-100	20-25	120-125	90-95	45-50	140-145
A. Glen	60-65	20-25	80-85	10-15	0-5	10-15
H. Pedley (1)	25-30	0-5	25-30	65-70	60-65	125-130
S.A. Wright	60-65	0-5	60-65	55-60	10-15	70-75

* 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) H Pedley left the Executive Management Team on 31.12.17. Her full time equivalent salary was in the £60-65k band.

The salary and pension benefits above are shown in bands of £5,000 in accordance with the 2017-18 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 three 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 20.

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.

Name	Accrued pension at pension age at 31 July 2018 £'000	Accrued lump sum at pension age at 31 July 2018 £'000	Real increase in pension 1 August 2017 to 31 July 2018 £'000	Real increase in lump sum 1 August 2017 to 31 July 2018 £'000	CETV at 31 July 2018 £'000	CETV at 31 July 2017 £'000	Real increase in CETV £'000
B. Johnstone	0	0	0	0	0	0	0
C. Turnbull	40-45	70-75	0-2.5	0	910	829	47
A. Glen	0-5	0	0-2.5	0	17	2	8
H. Pedley (see 1 above)	25-30	55-60	0-2.5	0	467	461	0
S.A. Wright	25-30	75-80	0-2.5	0-2.5	520	486	12

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**

No employees left under voluntary exit/ early retirement terms during the year (2016-17 - 14 employees). The table below summarises the exit packages for those staff who left during 2016-17. It includes payments made to staff and the accrued pension cost of added years.

Exit package cost band (Prior year 2016-17)	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 2017-18 (2016-17 - 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 employ ed staff £'000	Seconded and agency staff £'000	2017-18 Total £'000	Directly employed staff £'000	Seconded and agency staff £'000	2016-17 Total £'000
Wages and salaries	6,621	24	6,645	6,372	40	6,412
Social security costs	591	0	591	561	0	561
Other pension costs	1,739	0	1,739	1,595	0	1,595
Total	8,951	24	8,975	8,528	40	8,568
Average number of FTE	218	1	219	215	1.5	216.5

The College employed 204 females and 125 males as at 31 July 2018. Of the three College Senior Executives at July 2018, two are male and one is female.

Sickness Absence

The total number of days lost per full-time equivalent (FTE) to sickness absence during 2017-18 was 8 days, which was level with 2016-17.

Social Matters, Respect for Human Rights

Our new Equality and Diversity Impact Assessment template requires consideration of Human Rights as part of the screening process. These are completed for every new or reviewed strategy, policy or procedure produced by the College. We introduced this system in the past year, incorporating a requirement to record that it had been completed within each official document as part of the publication process.

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.

Remuneration and Staff Report (continued)**Equality, Diversity and Inclusion (continued)**

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.

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 and 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.

Other diversity issues and equal treatment in employment and occupation

Dumfries and Galloway College is committed to promoting equality of opportunity, celebrating and valuing diversity, eliminating unlawful discrimination, harassment and victimisation, and promoting good relations for all our staff, students, visitors and partners.

We aim to achieve equality for all by addressing discrimination in education and employment on the grounds of age, disability, gender, gender identity, marriage and civil partnership, pregnancy and maternity, race, religion or belief, or sexual orientation. By fostering a culture of dignity and respect, we will ensure that every student and member of our staff achieves their full potential. Our Board currently has a 50:50 gender split for non-executive Board members (taking into account the legislation's guidance that if an odd number of Board members exist, the lower even number be used to determine the split percentage), and a 55:45 gender split in favour of female members when executive members are included. Plans are in place to produce our statutory gender, race and disability pay gap information for April 2019 along with our reviewed Equality Outcomes and Mainstreaming Report. Impact assessment, as outlined earlier in this report, has been redesigned this year and a management training package to ensure wider application has been arranged for February 2019.

A root and branch review of our equality and diversity activity and progress in mid-2017 led to the introduction of the new continuous improvement Equality and Diversity Framework we use to shape our work in this field. This clearly demonstrates how the different elements of our work link together to progress fairness for everyone in our College family. We meet our commitment through a clear Equality and Diversity Policy, setting outcomes to address prioritised issues to improve equality, and embedding our equality practice in everything we do. An annual Equality and Diversity Action Plan sets out what we plan to do to meet our outcomes, and we report on progress against this action plan each year to the Board in April. The cross-College Equality and Diversity Committee meets quarterly to oversee progress. In addition, we have supporting Gender and BSL Action Plans in place and subscribe to the Disability Confident standards. Last year, we provided face to face training in equality law, gender identity and preventing harassment to around 130 staff and 240 students, as well as to a third sector partner agency.

Employment issues including employee consultation and or participation

Preparations were made in the latter part of the 2017/18 academic year to hold two Staff Wellbeing Days to allow staff to try out beneficial activities during their working day. These were enthusiastically received and will be repeated year on year. A staff survey was also designed. Results from this survey are currently under analysis, with initial results suggesting that our people are proud to work at College and enjoy contributing to our goals, whilst indicating that our communication could be improved to help staff understand where their contribution fits into the whole.

Health & Safety at Work

Dumfries and Galloway College is committed to continuous improvement in health, safety and safety performance. It recognises its duty of care to employees, students, members of the public and employees of sub-contractors in all college situations. A number of processes and procedures are in place in order to comply with statutory responsibilities, which are set out in our Health and Safety Policy which is reviewed and updated regularly. The College provides information, instruction, training and supervision for all individuals, as well as maintaining suitable reporting lines and implementing corrective measures where appropriate.

Trade Union Relationships

Dumfries and Galloway College recognises the Trades Unions listed in the National Recognition Procedures Agreement (NRPA). Locally our staff are represented by EIS/FELA and Unison who attend our Local Joint Negotiating Committee (LJNC). Staff who are elected representatives of the trade unions are provided support through paid facility time, and those details are set out on page 31.

Remuneration and Staff Report (continued)**Staff Development and Workforce Planning**

As our most valuable resource, the College recognises the importance of investing in and developing our staff to support the strategic objectives set out in the Vision 2020 Strategy. The College believes that all employees have the potential to grow, both in their work role and personally, and endeavours to provide opportunities for this growth. A number of mechanisms are in place in order to help with this aim, including providing a broad range of development opportunities for staff. The College has processes and procedures in place to ensure that recruitment is carried out effectively and appropriate complaints processes are in place to encourage free communication between employees and their managers, and resolve any potential problems quickly and satisfactorily. Disciplinary, Attendance Management and Capability processes have been designed to help and encourage all employees to achieve and maintain standards of conduct, attendance and performance and consistent and fair treatment for all staff.

Facility Time

In accordance with the Trade Union (Time Facility Publication Requirements) Regulations 2017, the College provided the following support through paid facility time for union officials working at the College during the period April 2017 to March 2018:

Relevant Union Officials

Number of employees who were relevant union officials during the relevant period:	Full-time equivalent employee number:
6 (April to July)	4.7
3 (August to March)	3.9

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	0
1-50%	6 (April to July) 3 (August to March)
51-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time:	£12,263
Total pay bill:	£8,174,539
Percentage of total pay bill spent on facility time:	0.15%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility hours:	36%
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Approved by order of the members of the Board on 11 December 2018 and signed on its behalf by:

Brian Johnstone
Chairman

Carol Turnbull
Principal

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 2018 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 2018 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, the audited part of the remuneration and staff report, 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

Opinions on other matters prescribed by the Auditor General for Scotland

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

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 2018 £000	Year ended 31 July 2017 £000
INCOME			
SFC grants	2	10,146	10,074
Tuition fees and education contracts	3	1,448	1,808
Other grant income	4	356	142
Other operating income	5	386	422
Endowment and investment income		0	4
Total Income		12,336	12,450
EXPENDITURE			
Staff costs excluding exceptional costs	6	9,067	8,718
Fundamental restructuring costs		0	265
Other operating expenses	8	2,922	3,051
Depreciation	12	1,203	1,195
Interest and other finance costs	11	230	186
Total Expenditure		13,422	13,415
(Deficit)/ Surplus before other gains and losses		(1,086)	(965)
Gain/ (Loss) on disposal of fixed assets		18	(15)
(Deficit)/ Surplus for the year		(1,068)	(980)
Unrealised surplus on revaluation of land and buildings	12	2,099	0
Actuarial gain/ (loss) in respect of pension schemes	20	6,919	(101)
Total comprehensive income for the year		7,950	(1,081)
Represented by:			
Unrestricted comprehensive income for the year		7,950	(1,081)

All items of income and expenditure relate to continuing activities.

The Statement of Comprehensive Income is prepared under the FE/ HE SORP. The SORP does not permit colleges to reflect the non-cash budget for depreciation in the Statement of Comprehensive Income. Note 10 provides details of the adjusted operating position on a Central Government accounting basis.

Statement of Changes in Reserves for the year ended 31 July 2018

	Income and expenditure reserve	Revaluation reserve	Total
	£000	£000	£000
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
	<u>(804)</u>	<u>(277)</u>	<u>(1,081)</u>
Balance at 1 August 2017	(996)	4,144	3,148
Surplus/ (Deficit) from the income and expenditure statement	(1,068)	0	(1,068)
Other comprehensive income	6,919	2,099	9,018
Transfers between revaluation and income and expenditure reserve	141	(141)	0
Total comprehensive income for the year	<u>5,992</u>	<u>1,958</u>	<u>7,950</u>
Balance at 31 July 2018	<u>4,996</u>	<u>6,102</u>	<u>11,098</u>

Balance Sheet as at 31 July 2018

	Note	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Non-current assets			
Fixed assets	12	<u>36,706</u>	<u>35,557</u>
Current Assets			
Trade and other receivables	13	327	422
Cash and cash equivalents	14	<u>744</u>	<u>1,633</u>
Total current assets		1,071	2,055
Less: Creditors - amounts falling due within one year	15	<u>(1,972)</u>	<u>(2,807)</u>
Net Current Assets/ (Liabilities)		<u>(901)</u>	<u>(752)</u>
Total Assets less Current Liabilities		35,805	34,805
Less: Creditors - amounts falling due after more than one year	16	<u>(21,901)</u>	<u>(22,619)</u>
Provisions			
Pension provisions	17	<u>(2,806)</u>	<u>(9,038)</u>
Total net assets		<u><u>11,098</u></u>	<u><u>3,148</u></u>
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		4,996	(996)
Revaluation reserve		6,102	4,144
Total reserves		<u><u>11,098</u></u>	<u><u>3,148</u></u>

The financial statements on pages 35 to 57 were approved by the Board of Management on 11 December 2018 and were signed on its behalf by:

Brian Johnstone
Chairman

Carol Turnbull
Principal

Statement of Cash Flows for the year ended 31 July 2018

	Note	Year ended 31 July 2018	Year ended 31 July 2017
		£000	£000
Cash flow from operating activities			
(Deficit)/ Surplus for the period		(1,068)	(980)
Adjustment for non-cash items			
Depreciation	12	1,203	1,195
Decrease/ (increase) in debtors		59	115
(Decrease)/ increase in creditors	15,16	(1,763)	(1,264)
Increase/ (decrease) in pension provision	17	687	641
Increase/ (decrease) in other provisions		0	0
Adjustment for investing or financing activities			
Investment income		0	5
Gain/ (loss) on sale of fixed assets	12	18	(15)
Net cash (Outflow)/ Inflow from operating activities		<u>(864)</u>	<u>(303)</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets	12	19	120
Payments to acquire fixed assets	12	(44)	(131)
		<u>(25)</u>	<u>(11)</u>
(Decrease)/ increase in cash and cash equivalents in the period		<u><u>(889)</u></u>	<u><u>(314)</u></u>
Cash and cash equivalents at beginning of the period		1,633	1,947
Cash and cash equivalents at end of the period		744	1,633

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 2017-18 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 Basis of accounting

In preparing the financial statements, the College is required to make estimates and assumptions which affect reported income, expenses, assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The accounting policies have been approved by the Board of Management, and are consistent with previous years. The key areas where judgement and estimation have been applied are as follows:

Estimate	Basis of Estimation
Valuation of buildings	College buildings are of a specialist nature and are valued on the depreciated replacement cost basis.
Useful economic lives of buildings and equipment	Buildings are depreciated over their useful economic lives as assessed by an independent, qualified valuer. The useful life of each item of equipment is assessed by appropriately experienced senior College staff, and is based on previous experience, taking into account changes in how the asset will be used and technological advancement where relevant.
Recoverable amount of trade debtors	Trade debtors are reviewed by appropriately experienced senior College staff, with appropriate provision for potential irrecoverable balances being charged to the financial statements as required.
Obligations under the Local Government Pension Scheme	The College has relied on the assumptions made by suitably qualified Pension Scheme Actuaries, which have been reviewed and are considered to be reasonable and appropriate.

Notes to the Financial Statements (continued)**1. Statement of Accounting Policies (continued)****1.3 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.

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.

1.4 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.

Notes to the Financial Statements (continued)**1. Statement of Accounting Policies (continued)****1.4 Fixed assets (continued)*****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.

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2018. 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.

1.5 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.

Notes to the Financial Statements (continued)**1. Statement of Accounting Policies (continued)****1.6 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.

1.7 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.

1.8 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.

1.9 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)****1.10 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.

1.11 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 2018 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 2018 have been brought into the Statement of Comprehensive Income irrespective of when actual payments were made.

1.12 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.

1.13 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 2018	Year ended 31 July 2017
	£000	£000
2 SFC Grants		
SFC FE recurrent grant (including fee waiver)	8,794	8,620
FE and HE childcare funds	257	259
Release of deferred capital grants	673	671
Infrastructure grant	334	459
Other SFC grants	88	65
Total	10,146	10,074
3 Tuition Fees and education contracts		
FE fees - UK	417	428
HE fees	722	742
SDS contracts	208	301
Other contracts	101	337
Total	1,448	1,808
4 Other grant income		
Release of deferred capital grants	87	87
Scottish Colleges Foundation - Revenue grant	0	24
Scottish Colleges Foundation - Capital grant (Note 10)	211	0
Other grants	58	31
Total	356	142
5 Other operating income		
Residences and catering	355	373
Other income-generating activities	8	16
Other income	23	33
Total	386	422

Notes to the Financial Statements (continued)

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
6 Staff costs		
Wages and salaries	6,621	6,372
Social security costs	591	561
Other pension costs (including IAS 19 adjustments of £532k (2017 - £455k) note 20)	1,739	1,595
Total pay costs	8,951	8,528
Other employee related non-pay costs	116	190
Total staff costs excluding exceptional costs	9,067	8,718
Exceptional costs - severance costs	0	265
Staff costs including exceptional costs	9,067	8,983
Academic/ Teaching departments	4,411	4,338
Academic/ Teaching services	1,078	1,017
Administration and central services	2,836	2,874
Premises	486	420
Other expenditure	140	144
Catering and residences	0	0
Other employee related non-pay costs	116	190
Total	9,067	8,983

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

	No.	No.
Academic/ Teaching departments	88	88
Academic/ Teaching services	24	21
Administration and central services	88	89
Premises	15	14
Other expenditure	3	3
Catering and residences	0	0
Total	218	215

Notes to the Financial Statements (continued)

6 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 2018 senior post- holders	Year ended 31 July 2017 senior post- holders
£60,001 to £70,000 per annum	2	1
£70,001 to £80,000 per annum	0	0
£80,001 to £90,000 per annum	0	0
£90,001 to £100,000 per annum	1	1
	<u>3</u>	<u>2</u>

7 Senior post-holders' emoluments

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

2018 No.	2017 No.
<u>3</u>	<u>4</u>

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

	Year ended 31 July 2018 £	Year ended 31 July 2017 £
Salaries	252,838	278,494
Pension contributions	50,074	54,174
Total emoluments	<u>302,912</u>	<u>332,668</u>

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

	£	£
Salary (including holiday pay)	<u>97,533</u>	<u>95,000</u>
Pension contributions	<u>20,089</u>	<u>19,285</u>

The Principal and one 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 seven members of the Board of Management during the year amounted to £1,131.

Notes to the Financial Statements (continued)

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
8 Other operating expenses		
Teaching departments	850	872
Administration and central services	958	1,041
Premises costs (including additional Lennartz credit £22,000. 2017 - £72,000)	559	489
Planned maintenance	165	231
Agency Staff Costs	24	39
Residences and catering	366	379
	2,922	3,051
Transfer to Arms Length Foundation	0	0
Total	2,922	3,051
Other operating costs include:		
Auditors' remuneration - external audit of these financial statements	16	16
-internal audit services *	23	20
- other services	5	5
Hire of plant and machinery - operating leases	95	76

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

9. Impact of Depreciation Budget on Statement of Comprehensive Income

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

Under the FE/ HE SORP, the College recorded an operating deficit of £1,086,000 for the year ended 31 July 2018. After taking account of the Government non-cash budget and non-cash pension adjustments, the College shows an 'adjusted' deficit of £696,000 on a Central Government accounting basis. The deficit is attributed to other factors reflected in the adjusted operating table at Note 10, and the College is therefore operating sustainably within its funding allocation.

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
(Deficit) before other gains and losses (FE/ HE SORP basis) for academic year	(1,086)	(965)
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	390	354
Operating (deficit) on Central Government accounting basis for academic year	(696)	(611)

10. Adjusted Operating Position

The Statement of Comprehensive Income presents the financial performance during the accounting period in accordance with the FE/ HE SORP. The adjusted operating position is intended to reflect the financial performance of the College after allowing for non-cash adjustments and other material on-off or distorting items required by the SORP. The adjusted operating position is therefore designed to smooth any volatility in reported results arising from FRS102 and also to recognise that some of the reported costs do not have an immediate cash impact on the College. This should give a better indication of the College's cash generative capacity.

Notes to the Financial Statements (continued)

10. Adjusted Operating Position (continued)

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
(Deficit) before other gains and losses (FE/ HE SORP basis)	(1,086)	(965)
Add Back:		
- Depreciation (net of deferred grant release) on both government funded and privately funded assets (1)	443	437
- Non-cash pension adjustments - Net service cost (2)	532	455
- Non-cash pension adjustments - Net interest cost (3)	230	186
- Gain/ (loss) on disposal of fixed assets (4)	18	(15)
Deduct:		
- Non-government capital grant (ALF grant) (5)	(211)	0
Adjusted operating (deficit)/ surplus	(74)	98

(1) Depreciation is a non-cash item and is therefore excluded when calculating the adjusted operating position.

(2) The adjustments to the pensions charge represents the non-cash element of service cost (i.e. including the present value of projected benefits resulting from employee service in the current year) less cash contributions paid.

(3) The net interest cost is the interest accumulated on the pension liability and this is offset against the current year's interest earned on pension assets. These are non-cash adjustments.

(4) The gain on disposal of fixed assets represents cash received during the year from the sale of surplus equipment and vehicles. (2017 - the loss represents a net deficit on disposal of a surplus building).

(5) A grant was received from the Scottish Colleges Foundation during the year for engineering equipment. This income is not matched by expenditure as it has been used to fund capital assets which will be depreciated over the life of the asset.

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
11 Interest payable		
Net interest cost on pension liability (note 19)	230	186

Notes to the Financial Statements (continued)

12 Tangible Fixed Assets

	Land and Buildings £000	Fittings and Equipment £000	Motor Vehicles £000	Course of Construction £000	Total £000
Cost or valuation					
At 1 August 2017	38,069	337	253	131	38,790
Additions	6	248	0	0	254
Disposals	0	0	(98)	0	(98)
Transfers	131	0	0	(131)	0
Surplus on revaluation	(1,226)	0	0	0	(1,226)
At 31 July 2018	36,980	585	155	0	37,720
Depreciation					
At 1 August 2017	2,714	314	205	0	3,233
Provided during period	1,173	13	17	0	1,203
On disposals	0	0	(97)	0	(97)
Written-back on revaluation	(3,325)	0	0	0	(3,325)
At 31 July 2018	562	327	125	0	1,014
NBV at 1 August 2017	35,355	23	48	131	35,557
NBV at 31 July 2018	36,418	258	30	0	36,706
Inherited	3,570	0	0	0	3,570
Financed by capital grant	32,848	258	30	0	33,136
Other	0	0	0	0	0
At 31 July 2018	36,418	258	30	0	36,706

Land and buildings were revalued at 31st July 2018 by DM Hall, Chartered Surveyors in the capacity of independent valuer. The basis of valuation adopted was depreciated replacement cost and the valuation was made in accordance with the Royal

Inherited Land and Buildings with a net book value of £3,570,000 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)

13 Debtors: Amounts falling due within one year

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Trade debtors - net of provision for doubtful debts	85	36
Prepayments and accrued income	242	386
	327	422

14 Cash and cash equivalents

	31 July 2018	31 July 2017
	£000	£000
Cash and cash equivalents	744	1,633

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 £183,000 are included in the cash and cash equivalents at the year end.

15 Creditors: Amounts falling due within one year

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Trade creditors	42	75
VAT	80	79
HMRC Lennartz Scheme	0	307
Other taxation and social security	155	151
Pension	144	135
Accruals and deferred income	611	842
Deferred capital grants	757	758
Bursaries and Access funds for future disbursement (note 14)	183	460
	1,972	2,807

Notes to the Financial Statements (continued)

16 Creditors: Amounts falling due after more than one year

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Deferred capital grants	<u>21,901</u>	<u>22,619</u>

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 15 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)	2017-18 Total	2016-17 Total
At 1 August 2017	788	8,250	9,038	8,291
Expenditure in the period	(52)	(704)	(756)	(660)
Additional provision required in period	(23)	1,236	1,213	1,116
Revaluation adjustment	0	(6,919)	(6,919)	101
Interest charged	0	230	230	190
At 31 July 2018	<u>713</u>	<u>2,093</u>	<u>2,806</u>	<u>9,038</u>

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%.

18 Lease obligations

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Total rentals under operating leases for equipment and vehicles are as follows:		
Payable during the period	<u>78</u>	<u>55</u>
Future minimum lease payments due:		
- Not later than 1 year	71	55
- Later than 1 year and not later than 5 years	<u>121</u>	<u>155</u>
Total lease payments due	<u>192</u>	<u>210</u>

19 Financial Instruments

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Financial assets		
Financial assets measured at amortised cost	<u>829</u>	<u>1,669</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>836</u>	<u>1,377</u>

Notes to the Financial Statements (continued)**19 Financial Instruments (continued)**

Financial assets measured at amortised cost comprise cash and cash equivalents, trade debtors, proceeds of sale of fixed assets and other debtors (Excluding VAT debtor).

Financial liabilities measured at amortised cost comprise trade creditors, accruals and deferred income, bursary and discretionary funds for future disbursement and repayable to SFC.

20 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 2018 £000	12 months to July 2017 £000
Contribution to STSS	545	523
Contribution to LGPS	662	613
Pension costs as a result of implementing FRS 102	762	641
Total pension cost	1,969	1,777

Employer contribution rates during the period were:

STSS - 17.2% from September 2015

LGPS - 20.3% plus £25,000 as noted below from August 2017 to March 2018, and from April 2018 - 21.2%

The Scottish Teachers Superannuation Scheme

The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified by the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2012. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019.

The scheme is an unfunded multi-employer defined benefit scheme, however it is accepted under FRS 102 (28) that the scheme can be treated for accounting purposes as a defined contribution scheme as the College is unable to identify its share of the underlying assets and liabilities in the STSS scheme on a consistent and reasonable basis.

As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal of the scheme.

The employer contribution rate from 1 August 2015 was 14.9% of pensionable pay, increasing to 17.2% from September 2015. While the employee rate applied is a variable it will provide an actuarial yield of 9.6% of pensionable pay.

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 2017 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 2018.

Notes to the Financial Statements (continued)

20 Pensions and similar obligations (continued)

Following the revaluation of the Dumfries and Galloway Council pension fund at 31 March 2017, the actuary determined that the funding level for Dumfries and Galloway College's element of the fund has increased from 98% as at 31 March 2014 to 102% as at 31 March 2017. The proposed employer rate has been derived using a risk based approach, taking into account the employers' perceived risk to the Fund and the time horizon over which funding takes place as well as the cost of the build up of pension by current active members and the actuarially calculated funding level. For 2018-19 the actuary has proposed an employer contribution rate for Dumfries and Galloway College of 21.2% of pensionable pay. This consists of a rate of 22.4% for benefits going forward less an allowance of 1.2% to utilise the surplus. (the 2017-18 rate of 20.3% of pensionable pay plus £25,000 deficit payment equates to a total rate of 21.2% of pensionable pay).

Employer contribution rates applied previously were 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

And from 2018-19 - 21.2% of pensionable pay as noted above.

Assumptions

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

	As at 31/07/18 %	As at 31/07/17 %
Discount rate	2.80%	2.70%
Future salary increases	3.20%	4.50%
Inflation/ pension rate increase	2.40%	2.50%

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2016 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: 21.8 years (male), 24.3 years (female).
- Future retiree upon reaching 65: 23 years (male), 26.2 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 2018 Fair value £000	Year ended 31 July 2017 Fair value £000	Year ended 31 July 2016 Fair value £000
Equities	17,184	15,369	13,016
Corporate bonds	3,124	3,033	3,031
Property	2,009	1,820	1,783
Other	0	0	0
	22,317	20,222	17,830
Actual return on plan assets	1,127	1,748	809

Notes to the Financial Statements (continued)

20 Pensions and similar obligations (continued)

The analysis of the amounts charged to the Statement of Comprehensive Income (SOCl) is as follows:

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Charged to staff costs:		
Current service cost	(1,236)	(1,039)
Past service costs	0	(28)
Total charged to staff costs	(1,236)	(1,067)
 Credit/ charge for net return on pension scheme:		
Interest income	551	430
Interest cost	(781)	(616)
Net interest charged	(230)	(186)
 Credit/ charge to other comprehensive income:		
Return on assets	1,127	1,748
Other experience	3,596	(1)
Gains and losses on changes in financial assumptions	2,153	(1,848)
Changes in demographic assumptions	43	0
Actuarial Gain/ (Loss)	6,919	(101)
 Total charge to the SOCI	5,453	(1,354)
 Analysis of the movement in deficit during the year:		
Deficit in scheme at start of year	(8,250)	(7,508)
Service costs	(1,236)	(1,067)
Employers contributions	704	612
Net interest costs	(230)	(186)
Actuarial gain/ (loss)	6,919	(101)
Deficit in scheme at end of year	(2,093)	(8,250)

The Actuarial report has highlighted that the financial assumptions at July 2018 result in a slightly higher net discount rate compared to July 2017, and average LGPS fund returns over the year have generally been higher than the 2017 accounting discount rate assumption. Combining these two factors should improve the 2018 balance sheet position.

Notes to the Financial Statements (continued)**21 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 August 2017 which was fully disbursed to students by the College during 2017-18. In addition, £12,000 was received in July 2018 which relates to funding which will be available to students during 2018-19. Purchase invoices were received from Crichton Foundation of £259 during the year which related to a fundraising event.

The College provided training courses to Dumfries and Galloway Housing Partnership during the year ended 31 July 2018. Invoices to Dumfries and Galloway Housing Partnership amounted to £86,248. No balances were due to the College from Dumfries and Galloway Housing Partnership at 31 July 2018.

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

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 seven members of the Board of Management during the year amounted to £1,131.

Remuneration of the Executive Management Team is set out in note 7.

Notes to the Financial Statements (continued)

22 FE Bursaries and other Student Support Funds

	FE			Year ended 31 July 2018	Year ended 31 July 2017
	Bursary	EMA's	Other	£000	£000
	£000	£000	£000		
Balance brought forward	430	0	0	430	349
Allocation received					
in year (including interest)	1,745	150	161	2,056	2,134
	2,175	150	161	2,486	2,483
Expenditure	(1,679)	(150)	(187)	(2,016)	(1,821)
Repayable to Funding Council as Clawback	(323)	0	0	(323)	(246)
College Contribution to funds	0	0	0	0	0
Virements between FE and HE Childcare and FE Discretionary funds	0	0	26	26	14
Balance Carried forward	173	0	0	173	430

Represented by:

Repayable to Funding Council as Clawback	70	0	0	70	327
Retained by College for Students	103	0	0	103	103
	173	0	0	173	430

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 Statement of Comprehensive Income.

23 FE and HE Childcare Funds

	Year ended 31 July 2018	Year ended 31 July 2017
	£000	£000
Balance brought forward	16	3
Allocation received in year	287	287
	303	290
Expenditure	(257)	(260)
Repayable to Funding Council as Clawback	(14)	
Virements to FE Discretionary funds	(26)	(14)
Balance Carried forward	6	16

Represented by:		
Repayable to Funding Council as Clawback	6	16
Retained by College for Students	0	0
	6	16

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

2017-18 Accounts direction for Scotland's colleges

- 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 2017-18 (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 2018.
- 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
13/07/2018

Finance and General Purposes Committee

Financial Update at September 2018

1 Budget Changes

- 1.1 Proposed changes to the budget for 2018-19 have been summarised on a separate report for this committee to consider. The Income and Expenditure forecasts included in the Appendix here incorporate the proposed changes to the budget.
- 1.2 The format of the detailed Income and Expenditure as set out in the Appendix to this report has been revised to the same format as the budget report, and provides additional breakdown for grant income and expenditure for 2018-19.

2 Results to 30th September 2018

- 2.1 The results for the period to date include a number of estimates, including SAAS fee income and pay harmonisation costs which could have a significant impact on the budget and out-turn for the year. The budget and forecasts will be revised to reflect accurate information when it is available - SAAS fees for full time HE students will be confirmed in December, but potential additional costs for cost-of-living pay awards may not be known for some time.
- 2.2 A contingency of £55,000 has been set aside to meet any additional costs arising or reductions in income as the year progresses.
- 2.3 Costs for payroll and ICT were lower for August and September than the original budget allocation, and materials were higher than budget. Some net savings have been made for this initial period as there have been a number of staff vacancies which have not yet been filled, but as costs may be higher later in the year, it would be prudent to revise the budget profile rather than assume that there will be an overall saving for the year to July 2019.
- 2.4 Additional measures are being implemented to scrutinise the ongoing assumptions for forecast income and expenditure, and regular communication with managers in monitoring forecasts will take place, including regular discussions at College Leadership Team meetings. Budgets will also be scrutinised in detail, and variances discussed with managers.

Finance and General Purposes Committee

2.5 The Key Performance Indicators monitoring the forecast out-turn for the year, and working capital position at 30th September 2018 are summarised as follows:

Income and Expenditure:

Operating Surplus/ deficit as % of income	0.78%	(31.07.18 – 8.66%)
Non-SFC income as % of total expenditure (including ALF grant income)	13.87%	(31.07.18 – 16.3%)

Balance Sheet:

Current Assets: Current liabilities	0.50	(31.07.18 – 0.54)
Days cash to annual expenditure (excluding depreciation)	18 days	(31.07.18– 22 days)

2.6 Income and expenditure for the two months to September 2018 and forecasts to July 2019 are summarised in the Appendix to this report.

Additional SFC grant funding for some new projects, including Flexible Workforce Development Fund (FWDF) and Crichton Campus Leadership Group (CCLG) has been announced by SFC, and funding will be drawn down each month via the Cash Flow Return which is submitted to SFC. Expenditure against those projects will be monitored to ensure that funds are not being claimed before costs are incurred.

2.7 Balance Sheet

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

	September 2018 £000	July 2018 £000	<i>Movement</i>
Fixed Assets	36,459	36,706	- 247
Current Assets	857	1,071	- 214
Current Liabilities	(1,701)	(1,972)	271
Long term liabilities	(21,710)	(21,901)	191
Pension Liability	(2,806)	(2,806)	-
Net Assets	11,099	11,098	1
Revaluation Reserve	(6,064)	(6,102)	38
I&E Account	(5,035)	(4,996)	- 39
	(11,099)	(11,098)	- 1

Finance and General Purposes Committee

	September 2018 £000	July 2018 £000	<i>Movement</i>
Cash at bank	583	744	- 161
Net Current Assets (Liabilities)	(844)	(901)	57

2.8 Some replacement equipment is planned for 2018-19, which will qualify as fixed assets for accounting purposes. £25,000 has been included in the SFC capital budget allocation to cover those costs but no expenditure has been incurred against that budget yet.

2.9 Current Assets and bank balances have decreased between July and September. The ALF-funded engineering equipment was invoiced in August, and the Lennartz instalment for the period to July 2018 was paid out which has decreased current liabilities.

3 Cash Forecasts

3.1 Cash forecasts for the period up to July 2019 show a reduction in bank balances to £240,000, which reflects the level of free cash reserves held by the College following re-classification and the final payment of Lennartz liabilities.

3.2 The cash forecasts indicate that the balances at 31 March 2019 will be sufficient to meet payments as they fall due, but this will continue to be monitored with any potential issues highlighted for the Executive Management Team and this committee.

3.3 The detailed cash flow projections for the period to July 2019 is included in the Appendix to this report.

4 Student Support

4.1 Student support costs for the period to date reflect scheduled payments of bursary, EMA, childcare and discretionary funds as well as accrued costs for buses and purchase of materials from the 'study costs' budget.

Finance and General Purposes Committee

- 4.2 SFC's Bursary Policy for 2018-19 emphasise the flexibilities in the bursary policy, and the expectation that college payment of bursaries should be based on student engagement and not just attendance. Procedures and reporting mechanisms are being implemented to monitor this, which will link in with the roles of the new Guidance Coaches.
- 4.3 The commitments for student support for the remainder of the academic year include costs for the higher-rate of bursary for students who have qualified as 'Care-Experienced', and also reflects costs for the additional two weeks in the extended academic year.
- 4.4 Total commitments, before taking account of future withdrawals and reduced payments, indicate that costs will be £500,000 more than the grant allocation. Approximately £200,000 has been committed for the Care Experienced bursary payments, and the remainder of the potential shortfall reflects the reduction in grant funding from 2017-18 bursary grant from SFC.
- 4.5 SFC have issued a circular requesting additional information on student support committed by colleges, and additional funding to meet over-commitments for support. The requests are due to be sent to SFC by 26th November, and SFC aims to advise colleges of the outcome of the re-distribution exercise in December.
- 4.6 The forecasts have not been revised from the original budget allocation, on the basis that grant income will be received to fund additional costs.

5 Student Association Budget for 2018-19

- 5.1 A budget of £23,600 has been set aside for 2018-19 to cover events, materials, training, and other non-staff expenditure.
- 5.2 Pay costs for the two elected roles of President and Vice President have been included in the payroll budget.

6 SoSEP Budget

- 6.1 The budget for the South of Scotland Economic Partnership (SoSEP) Project will be reviewed to split revenue and capital costs, and the revenue grant and related expenditure will be included in the overall College budget.

Finance and General Purposes Committee

6.2 Grant funding for the project is expected to be drawn-down from SFC with the monthly cash flow return, and expenditure is being monitored using monthly budget returns detailing expenditure to date, forecast monthly expenditure and any potential delays highlighted.

6.3 Dumfries and Galloway College's share of the grant funding for 2018-19 amounts to £3,900,000, with further income of £430,000 in 2019-20.

7 Scottish Colleges Foundation/ Arm's Length Foundation

7.1 The balance retained by the Scottish Colleges Foundation for Dumfries and Galloway College amounts to approximately £80,000.

7.2 Funding of £55,000 has already been approved for the College to draw during 2018-19 for curricular equipment.

	PERIODS 1 AND 2		12 MONTHS TO JULY 2019		
	August and September 2018		August 2018 to July 2019		
	Actual	Budget	Forecast *	Revised Budget	Variance
	£000	£000	£000	£000	£000
INCOME					
Grant Income					
- SFC Core grant	(1,581)	(1,581)	(9,526)	(9,526)	0
- FWDF grant	(12)	(12)	(203)	(203)	0
- CCLG grant	0	0	(49)	(49)	0
- Access to free sanitary products	0	0	(35)	(35)	0
- Other SFC grants	0	(2)	(12)	(12)	0
- Hollywood Trust	0	0	(47)	(47)	0
- ALF Grants	(10)	(10)	(55)	(55)	0
- Other grants	(11)	(11)	(15)	(15)	0
- Capital maintenance grant	0	0	(381)	(381)	0
- Release of deferred capital grant	(127)	(127)	(762)	(762)	0
Fee Income	(259)	(250)	(1,586)	(1,577)	9
Other Income	(9)	(9)	(57)	(57)	0
Total Income	(2,009)	(2,002)	(12,728)	(12,719)	9
EXPENDITURE					
Total Pay Costs	1,423	1,482	9,071	9,130	59
Property Costs	133	153	754	774	20
Supplies and services	123	99	694	670	(24)
FWDF Costs	-	-	203	203	0
Other employee costs	20	30	172	182	10
Telephones and ICT Infrastructure	64	70	363	369	6
Transport	6	9	59	62	3
Refectory	29	29	4	4	0
Other	18	24	207	213	6
Registration costs	3	3	210	210	0
Marketing	11	12	75	76	1
Depreciation	247	247	1,433	1,433	0
Contingency	0	0	55	55	0
Total Other Costs	654	676	4,229	4,251	22
Total Expenditure	2,077	2,158	13,300	13,381	81
Operating Surplus/ (Deficit)	(68)	(156)	(572)	(662)	(90)
Adjustment for non-cash and other items:					
Non-government capital grants	0	0	0	0	0
Depreciation net of deferred grant released	(127)	(127)	671	671	0
Underlying operating surplus/ (deficit)	59	(29)	99	9	(90)

STUDENT SUPPORT

Income

Expenditure

Net costs to be met by College

PERIODS 1 AND 2	
August and September 2018	
Actual	Budget
£000	£000
(305)	(305)
305	305
0	0

12 MONTHS TO JULY 2019			
August 2018 to July 2019			
Forecast		Revised Budget	Variance
£000		£000	£000
(2,112)		(2,112)	
2,112		2,112	
0		0	0

Dumfries and Galloway College
Cash Flow Projections for 2018-19

	<u>Actual</u> Sep-18 £000	<u>Actual</u> Oct-18 £000	<u>Forecast</u> Nov-18 £000	<u>Forecast</u> Dec-18 £000	<u>Forecast</u> Jan-19 £000	<u>Forecast</u> Feb-19 £000	<u>Forecast</u> Mar-19 £000	<u>Projected FY</u> 2018-19 £000	<u>Forecast</u> Apr-19 £000	<u>Forecast</u> May-19 £000	<u>Forecast</u> Jun-19 £000	<u>Forecast</u> Jul-19 £000	<u>Projected AY</u> 2018-19 £000
<u>Income</u>													
<u>SFC Grants</u>													
SFC Core Grant	800,000	1,400,000	850,000	850,000	550,000	450,000	34,463	9,278,206	600,000	850,000	910,000	979,054	9,073,517
SFC additional Lecturer pay	36,112	36,112	36,112	36,112	36,112	36,112	36,118	294,531	166,626			-	452,788
SFC Other	8,182	4,091	4,091	4,091	4,091	4,091	4,091	36,728	4,091	4,091	4,091	4,093	49,094
Access to sanitary products		17,453			17,453			34,906					34,906
Flexible Workforce Development Fund 2018-19		50,743			50,743			101,486					101,486
Flexible Workforce Development Fund 2017-18		18,500			(63,745)			(53,231)				-	45,245
<u>Student Support</u>													
Bursary	170,000	200,000	200,000	170,000	170,000	170,000	49,479	1,640,616	219,224	219,224	219,224		1,787,151
Capital Maintenance - revenue					356,214			356,214					356,214
Capital Maintenance - capital					25,000			25,000					25,000
SFC - Student Support clawback			(61,933)					(61,933)					(61,933)
EMA Admin				4,000				12,270	8,000				12,000
EMA Student Maintenance	2,490			31,440	26,207	26,207	26,205	127,819	25,000	25,000	25,000		202,819
ESOL (17-18)								16,934					-
<u>Other Income</u>													
Proceeds of sale of fixed assets								15,925					-
Scottish Colleges Foundation	-				55,000			55,000					55,000
Other grant income			15,800	46,500				74,300					62,300
HE Hardship	58,005							81,089	7,500	7,500	7,500		80,505
SAAS Fees	4,882						419,424	463,709	104,856				529,162
Re-charges - UWS/ Gl. Uni/ DGC			12,000				165,000	295,439					177,000
Other cash received in SDS 2017-18	99,039	60,102	77,695	77,695	77,695	77,695	127,695	857,423	77,695	77,695	77,695	77,711	991,442
Total cash in	1,178,710	1,787,001	1,133,765	1,219,838	1,304,770	764,105	862,475	13,652,431	1,212,992	1,183,510	1,243,510	1,060,858	13,883,206
<u>Expenditure</u>													
Payroll	716,821	748,960	730,000	730,000	740,000	740,000	730,000	8,776,726	925,000	789,000	790,000	792,313	9,161,748
SFC Additional Campus Manager	8,182	-	4,909	4,909	4,909	4,909	4,909	32,727	4,091	4,091	4,091	4,093	49,093
EMA payments	10,810	11,310	12,500	12,500	12,500	25,000	25,000	148,620	25,000	25,000	25,000	-	184,620
SFC Bursary and other student support payments (inc. student transport)	155,635	255,871	200,000	170,000	170,000	170,000	6,624	1,701,443	219,224	219,224	219,224	-	1,787,151
HE Hardship	6,372	875	7,500	7,500	7,500	7,500	7,500	71,383	7,500	7,500	7,500	-	67,247
PL payments (excl student transport)	109,444	282,529	201,040	176,040	181,040	138,960	120,000	2,071,930	208,000	230,000	206,000	200,083	2,151,778
Scottish Colleges Foundation - capital	211,000		14,000	-				225,000					225,000
Scottish Colleges Foundation - revenue	9,664	10,000		5,000			-	24,664	55,000				79,664
Maintenance costs - from SFC Capital Maintenance grant	71,226		55,000	60,000	146,890			356,214					356,214
Other payments	24,959	30,407	17,750	17,750	17,750	17,750	7,750	213,109	17,750	17,750	17,750	17,725	212,048
Lennartz	79,776	-	-	-	-	-	-	157,690	-	-	-	-	79,776
Capital Grant - payments	-	-	-	-	25,000	-	-	25,000	-	-	-	-	25,000
Total cash out	1,403,889	1,339,952	1,242,699	1,183,699	1,305,589	1,104,119	901,783	13,804,506	1,461,565	1,292,565	1,269,565	1,014,214	14,379,339
Net cash inflow/(outflow)	(225,179)	447,049	(108,934)	36,139	(819)	(340,014)	(39,308)	(152,075)	(248,573)	(109,055)	(26,055)	46,644	(496,133)
Balance b/f	808,112	582,933	1,029,982	921,048	957,187	956,368	616,354	729,121	577,046	328,473	219,418	193,363	736,140
Balance c/f	£582,933	£1,029,982	£921,048	£957,187	£956,368	£616,354	£577,046	£577,046	£328,473	£219,418	£193,363	£240,007	£240,007

Finance and General Purposes Committee

REVISED BUDGET FOR 2018-19

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek approval for revisions to the 2018-19 budget.
- 1.2 The budget approved by this committee in June has been updated to reflect subsequent changes which have arisen including additional grant income, revisions to College staffing structure and pay harmonisation, and changes arising following completion of the year-end which have an impact on the current year.

2 INCOME

- 2.1 Grant income has been revised to reflect the following:

SFC funding announced after July:

Flexible Workforce Development Fund (FWDF)	£203,000
Access to Free Sanitary products	35,000
Crichton Campus Leadership Group (CCLG)	<u>49,000</u>
	£287,000
Reduction in SFC grant - job evaluation being paid on completion of the exercise	<u>(208,000)</u>
	<u>£ 79,000</u>

- 2.2 Some of the training which had been planned in 2017-18 from Flexible Workforce Development Fund has been carried over into the current year, and the budget reflects the total funding allocation. SFC have advised that funding of £101,000 will be paid initially, with any further funds to be drawn down based on need, and reports are required by SFC every two months with training committed and any forecast underspend as at January 2019.
- 2.3 The original budget included an allocation of SFC grant of £208,000 to cover the support staff Job Evaluation costs which were previously modelled. As the costs for the exercise will not be known until the exercise has been completed, the income and costs which were previously estimated have been removed from the budget.
- 2.4 There have been no proposed changes to fee income for this report. An update of SAAS fee income should be available in December which will be based on confirmation from SAAS detailing students who have been awarded funding.

3 PAYROLL AND STAFFING

- 3.1 The payroll budget for 2018/2019 has now been updated to account for a number of changes which have and will take place over the coming year. The revised support management structure is now in place which has helped more clearly define the tiers of management across the college. This increased our management headcount by 1 FTE whilst maintaining the current costs following the removal and regrading of posts within the structure.
- 3.2 The budget also accounts for 2 funded posts relating to the Crichton Campus development which are funded from SFC and a further temporary post within the Human Resources team to allow work to be carried out relating to national bargaining and job evaluation for support staff. This post may also be funded by SFC, however the mechanisms for this have yet to be agreed.
- 3.3 The decreases in lecturer contact time relating to national bargaining have been addressed through a change to the College Calendar to increase the number of weeks spent on curriculum delivery. There are however more costs associated with allowing lecturers paid time away from teaching to complete the Teaching Qualification in Further Education (TQFE) as we now have to pay for the qualification and allow time off to complete it.
- 3.4 From April 2019 there will be changes to the employer contributions to the Pensions Agency for Lecturing staff. This will cost the College an additional £60,000 in 18/19 and approximately £180,000 for the full year of the change. There is an indication that this will be funded in year one, however this cost will have to be met following this.
- 3.5 The staffing budget does not at this point account for any changes which may happen as a result of the support staff job evaluation exercise. It is understood that this would be funded.

4 OTHER COSTS

- 4.1 Changes made to other costs are as follows:

Costs for 'Access to Free Sanitary products' project	£ 26,000
Estimated costs for FWDF project	203,000
Budget for Stranraer Hair and Beauty omitted previously	12,000
Increase in depreciation forecasts	<u>260,000</u>
	<u>£501,000</u>

Planned budget reductions have been applied for the following areas:

Operational Plan	£(10,000)
ICT	(50,000)
Estates	(70,000)
Curricular materials	<u>(20,000)</u>
	<u>£(150,000)</u>

Net increase in other costs	<u>£351,000</u>
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- 4.2 The costs relating to the 'Access to Free Sanitary products' project have been added to the budget. An estimate of £9,000 of the grant funding has been offset against staffing costs to cover costs of administering the project, with £26,000 budgeted to meet the costs of materials.

- 4.3 The FWDF project has been assumed to be cost-neutral, and projected costs of £203,000 have been added to the budget to reflect this.
- 4.4 Target savings have been applied in some areas of expenditure including operational plan, ICT and estates, and further work will be carried out in conjunction with budget holders in order to achieve this.
- 4.5 Depreciation forecasts have been revised following the property revaluation at July 2018. The valuation for the campus buildings at Dumfries and Stranraer both increased, and depreciation charges for the current year have been revised to reflect the updated values. The increase mainly relates to the Crichton campus, as the allocation of fixtures and fittings has increased, which is being depreciated over a short period of time.
- 4.6 The property revaluation has resulted in an increased release of 'revaluation reserve' which will affect reserves as shown in the year-end financial statements, but this does not have any impact on the operating results shown in the budget.
- 4.7 Budget of £55,000 has been transferred from departmental budgets and added to the 'Contingency' budget. This represents approximately 10% of the annual budget for materials and other non-staff costs, and reflects some areas which had surplus budget previously, as well as potential savings for the current year.

5 STUDENT SUPPORT

- 5.1 An exercise has been carried out in order to forecast the demand for student support expenditure for 2018-19. The applications for student support indicate that although overall student numbers are similar to 2017-18, there has been an increase in the number of individuals who are eligible for a bursary rather than an EMA. In addition, the applications for childcare funding have increased.
- 5.2 An increased bursary award has been made available to Care experienced students for the current year. To date 32 students have applied for this funding, and a further six are in the process of submitting documents to support their applications.
- 5.3 The net impact of these changes is a forecast spend of £2m, against grant funding of £1,460,000. SFC have issued the 'In Year Redistribution' circular, and an application will be made to SFC to seek additional funding to meet those commitments. The forecast spend will be revised to take account of an estimate for withdrawals, which will reduce the request for additional funding.

6 SoSEP PROJECT

- 6.1 The budget will require to be updated to reflect the income and expenditure for the South of Scotland Economic Partnership (SoSEP) project, and this will be reported at the next meeting of this Committee.
- 6.2 A separate budget is being monitored for the SoSEP project, which will require to be split between revenue and capital items, as only the revenue expenditure and related portion of grant funding will be applied to the core College budget.
- 6.3 The net impact of the project on the core budget and underlying operating results is assumed to be nil.

7 FORECAST OPERATING RESULTS

- 7.1 The Appendix to this report summarises the budget changes and compares the net adjustments to the original budget.
- 7.2 The net changes to the budget is an underlying operating surplus of £9,000.
- 7.3 A change to the layout of the budget summary at the attached Appendix to this report has been proposed, which shows the income and expenditure and overall results before the adjustments are applied for non-cash items including depreciation and release of deferred capital grants. This layout corresponds with the presentation in the financial statements and notes, and should help highlight the underlying results as well as the overall out-turn for the financial statements.

8 RECOMMENDATION

- 8.1 Members are requested to review the revisions to the budget, and recommend the revised budget to the Board. Members are also requested to approve the proposed changes to the layout of the budget summary.

Appendix

Budget Summary:	Actual results for the period August 2017 to July 2018	Budget Approved in June 2018	Revised Budget for Approval - November 2018	Change from original budget
Income		£'000	£'000	£'000
Grant Income				
- SFC Core grant	(8,794)	(9,734)	(9,526)	208
- FWDF grant	(36)	0	(203)	(203)
- CCLG project	0	0	(49)	(49)
- Access to free sanitary products	0	0	(35)	(35)
- Other SFC grants	(53)	(12)	(12)	0
- Hollywood Trust	(2)	(47)	(47)	0
- ALF grants	(211)	(55)	(55)	0
- Other grants	(55)	(15)	(15)	0
- Capital maintenance grant	(334)	(381)	(381)	(0)
- Release of deferred capital grant	(760)	(762)	(762)	(1)
Fee Income	(1,448)	(1,577)	(1,577)	(0)
Other Income	-65	(58)	(57)	1
Total Income	(11,757)	(12,640)	(12,719)	(79)
Expenditure				
Total Pay Costs *	8,419	9,129	9,130	1
Property Costs	720	854	774	(80)
Supplies and Services	527	708	670	(38)
FWDF costs	-	-	203	203
Other Employee Costs	116	182	182	0
Telephones and ICT Infrastructure	517	419	369	(50)
Transport	48	62	62	0
Refectory	11	4	4	(0)
Other	215	213	213	(0)
Registration costs	231	210	210	0
Marketing	56	76	76	0
Depreciation	1,203	1,173	1,433	260
Contingency	-	-	55	55
Total Other Costs	3,644	3,901	4,251	349
Total Expenditure	12,063	13,030	13,381	350
Operating Surplus/ (Deficit)	(306)	(390)	(663)	272
Adjustment for non-cash and other items:				
Non-government capital grants	(211)	-	-	-
Depreciation net of deferred grant release	443	411	671	260
Underlying operating surplus/ (deficit)	(74)	21	9	(12)

Student Support:	Actual results for the period August 2017 to July 2018	Budget Approved in June 2018	Revised Budget for Approval - November 2018	Change from original budget
Income	(2,273)	(2,112)	(2,112)	(0)
Expenditure	2,273	2,112	2,112	0
Net costs	0	0	0	0

* NOTES:

SPPA Pension rate increase - costs for the period April 2019 to July 2019 are forecast to be £60,000. The Scottish and UK Government are currently discussing how this will be funded, but costs are expected to be covered for the first year.

Actual pay costs for 2017-18 exclude the non-cash pension adjustment of £532,000 which is shown in the financial statements

Finance & General Purposes Committee

Timetable of Work (Papers) for the Finance & General Purposes Committee

	September	November	February	May
F&GP Committee Annual Work Plan				✓
Financial Statements	1 st Draft ✓	Final Draft ✓		
Student Association Accounts		✓		
Aged Debt Annual Report	✓			
Annual F&GP Report to the Board	Final Draft ✓			1 st Draft ✓
Scottish Government Draft Budget			✓	
Funding Council Grant Allocation/ Capital Grant				✓
Non-SFC income and expenditure				? ✓
Financial Forecast Return	✓			
5 year Financial Forecast			✓	
Budget Setting	2 nd Draft ✓	Final Draft ✓		1 st Draft ✓
Carbon Management Plan			✓	
Estates/Facilities Report	✓			
National Bargaining	✓	✓	✓	✓
Actions Monitoring	✓	✓	✓	✓
Financial Update	✓	✓	✓	✓
Strategic Risk Register	✓	✓	✓	✓
Estates/Facilities Updates	? ✓	? ✓	? ✓	? ✓

Finance & General Purposes Committee

Strategic Risk Register

1 Introduction

- 1.1 The purpose of this paper is to provide the Finance & General Purposes Committee with the opportunity to review the College's Strategic Risk Register.

2 The Report

- 2.1 The Principal and Executive Management Team routinely review the Strategic Risk Register to reflect the risks the College is facing and the mitigation that will be applied to each risk. There are currently 23 strategic risks, 6 of which are rated 9 (Amber = Significant risk) or above.

2.2 Committee Reporting

As the Strategic Risk Register is now presented at each committee and members asked to pay particular attention to risks pertaining to the work of that committee, the end column on the risk register has been amended to include the name of the Committee who would have 'oversight' of that risk so that members can focus on these in their discussions. There is still the opportunity to discuss other risks at full Board meetings.

Changes have been made to the following:

- **Risk No 3.5 – 'Industrial Relations Problems'**. Likelihood increased to 5 as EIS have announced dispute with Management side and their intention to ballot members re taking industrial action.
- **Risk No 3.11 'Failure to meet the SOSEP funded project deadlines'**. This risk has been added after discussion at the previous BoM meeting to highlight the importance of meeting project deadlines and milestones.
- **Risk No 3.12 – 'Failure to reach contractual agreement with CITB regarding delivery of Construction related Apprenticeships'**. Failure to reach contractual agreement with CITB regarding delivery of Construction related Apprenticeships.. Impact New risk added as agreement has not been reached and matters are becoming 'business critical'.

3 Recommendation

- 3.1 It is recommended that the Finance & General Purposes Committee consider and, if so minded, approve the Strategic Risk Register.

Carol Turnbull
Principal
November 2018

Post Holders	Board	Board of Management	HoC	Head of Curriculum	HoSS&G	Head of Student Support & Guidance
	ELT	Executive Leadership Team	HoP&Q	Head of Planning & Quality		
	CLT	College Leadership Team	HoF	Head of Finance		
	PRIN	Principal	HoHR	Head of Human Resources		
	VPL&S	Vice Principal Learning & Skills	HoBD	Head of Business Development		
	VPBD&CS	Vice Principal Business Development	HoCS	Head of Corporate Services		

Score	Impact	Likelihood
1	Routine	Remote
2	Minor	Unlikely
3	Significant	Possible
4	Major	Probable
5	Critical	Very likely

Risk Number	POTENTIAL CONTRIBUTING FACTORS			TREATMENT		POST MITIGATION EVALUATION				
	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Responsibility /Committee Oversight
1	Strategic and Structural									
1.1	Failure of College strategy to meet the needs of Dumfries and Galloway Region and/or national priorities (eg Employability, DYW, attainment, articulation)	4	4	16	<ul style="list-style-type: none"> Robust strategic planning Effective environmental scanning Strong partnerships Clear links between strategy and practice Concerted demands for increased activity levels 	4	1	4	<ul style="list-style-type: none"> Robust monitoring via ROA Clear performance metrics Amendment of strategic direction/plans Rolling curriculum review 	Board, ELT BoM
1.2	College may be disadvantaged by changes to either UK or Scottish Government policies	4	3	12	<ul style="list-style-type: none"> Effective environmental scanning Negotiation/influence at national level 	4	2	8	<ul style="list-style-type: none"> Review of changes and amendment of strategic direction/plans Financial strategy sensitivities 	ELT BoM
1.3	College disadvantaged by changes arising from UK leaving European Union	3	4	12	<ul style="list-style-type: none"> Negotiation/influence at national level Review of activities/projects Responsiveness to new opportunities 	2	2	4	<ul style="list-style-type: none"> Review of changes and amendment of strategic direction/plans/curriculum Financial strategy not ESF dependent 	ELT BoM

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	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Responsibility/ Committee Oversight
2	Financial									
2.1	Change in SFC Funding Methodology and Allocation – Reduction in Funding	3	3	9	<ul style="list-style-type: none"> Negotiation/influence at national level Contingency plans for reduced funding 	2	3	4	<ul style="list-style-type: none"> Advance modelling of new funding methodologies and allocations Monitoring impact of changes Amendment of strategic or operational direction/plans Financial strategy sensitivities 	ELT F&GP
2.2	Failure to achieve institutional sustainability	5	4	20	<ul style="list-style-type: none"> Protection of funding through dialogue with SFC Robust annual budget-setting and multi-year financial strategic planning (from 2018-19) Effective budgetary control Where required, swift action to implement savings 	4	3	12	<ul style="list-style-type: none"> Regular monitoring of budgets Regular review of financial strategy and non-core income sensitivity 	CLT F&GP
2.3	Salary and conditions of service pressures outstrip ability to pay	4	4	16	<ul style="list-style-type: none"> Influence within Employers Association Management of staffing expenditures 	4	3	12	<ul style="list-style-type: none"> Expenditure modelling On-going discussions with staff Financial strategy sensitivities 	ELT HoHR F&GP

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2	Financial									
2.4	Financial Fraud	4	3	12	<ul style="list-style-type: none"> Strong financial controls: segregation of duties and review of transactions. Review of impact of any changes in structure or duties Whistleblowing arrangements 	3	2	6	<ul style="list-style-type: none"> Continuous review of financial controls Internal Audit programme 	HoF Audit
2.5	Scotlands Colleges Foundation refuses/withholds funding for key College priorities	5	3	15	<ul style="list-style-type: none"> Appropriate bid arrangements in place 	3	2	6	<ul style="list-style-type: none"> Monitor and advise Board of Management 	HoF F&GP
2.6	Failure to achieve credit (activity) target	5	3	15	<ul style="list-style-type: none"> Real time monitoring system Identify & implement additional/alternative provision where required 	4	2	8	<ul style="list-style-type: none"> Continuous review of progress v targets. Make provision in budgets for clawback if required 	ELT HoC HoP&Q F&GP
2.7	Insufficient Student Support Funding to meet demand.	4	5	20	<ul style="list-style-type: none"> Strong financial monitoring Possible opportunity to request additional in year funding 	4	4	16	<ul style="list-style-type: none"> Continuous monitoring of demand v funding allocation. Ongoing dialogue with Scottish Funding Council 	PRIN HoF F&GP

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	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Responsibility /Committee Oversight
3	Organisational									
3.1	Legal actions; serious accident; incident or civil/criminal breach	4	5	20	<ul style="list-style-type: none"> Adherence to legislative and good practice requirements Positive Union relations and staff communication Effective management development programmes 	3	2	6	<ul style="list-style-type: none"> Monitoring and reporting in key areas – eg H&S, equalities, employee engagement Continuous professional development Internal audit programme Staff surveys 	ELT BoM
3.2	Reputational Risk – Loss of reputation with key stakeholders	4	3	12	<ul style="list-style-type: none"> Marketing strategy Positive marketing approaches 	4	2	8	<ul style="list-style-type: none"> Stakeholder engagement Social media monitoring arrangements 	PRIN VPBD&CS HoP&Q BoM
3.3	Disasters – eg Fire, MIS Failure, Failure of Emergency Procedures	5	4	20	<ul style="list-style-type: none"> Sound systems of administration Clear fire and disaster recovery arrangements Staff CPD 	5	1	5	<ul style="list-style-type: none"> Business Continuity Plan including scenario testing 	VPBD&CS VPL&S HoCS BoM
3.4	Failure to meet Prevent and related obligations	5	3	15	<ul style="list-style-type: none"> Prevent training Staff awareness and contingency planning Engagement/practice sharing with local agencies 	5	1	5	<ul style="list-style-type: none"> Business Continuity Plan including scenario testing Information sharing with local agencies 	VPBD&CS HoCS BoM

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	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Responsibility /Committee Oversight
3	Organisational (cont.)									
3.5	Industrial Relations Problems (including industrial action)	4	5	20	<ul style="list-style-type: none"> Adherence to legislative and good practice requirements Positive Union relations and staff communication Effective management development programmes Industrial action continuity planning 	4	5	20	<ul style="list-style-type: none"> Regular union/management dialogue Regular employee engagement monitoring Open communication with staff EIS declare dispute, announce intention to ballot staff for industrial action 	ELT HoHR HR
3.6	Failure to achieve ambitions of ICT strategy; strategy and development is ineffective	4	4	12	<ul style="list-style-type: none"> Planning, careful phasing of changes to processes and systems Effective management of ICT arrangements 	4	2	8	<ul style="list-style-type: none"> Regular review/reporting on milestones, systems effectiveness etc Regular CPD 	VPBD&CS HoCS Audit
3.7	Breach of ICT/Cyber security	4	3	12	<ul style="list-style-type: none"> Effective management of ICT arrangements Active ICT/data security monitoring and cyber security policy 	4	2	8	<ul style="list-style-type: none"> Staff CPD on cyber security issues Regular security monitoring/testing Cyber resilience plan 	VPBD&CS HoCS Audit

Risk Number	POTENTIAL CONTRIBUTING FACTORS			TREATMENT		POST MITIGATION EVALUATION				
	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Responsibility /Committee Oversight
3	Organisational (cont.)									
3.8	Breach of data security / data protection	5	4	20	<ul style="list-style-type: none"> Effective management of ICT arrangements and GDPR compliance Mandatory staff CPD and awareness raising on data protection (relative to role) 	4	2	8	<ul style="list-style-type: none"> Active data protection monitoring and auditing Effective information and data security policies in operation Regular data security monitoring/testing GDPR Action Plan 	VPBD&CS, HoCS Data users Audit
3.9	Failure to reach aspirational standards in learning, teaching and service delivery	4	3	12	<ul style="list-style-type: none"> Clear quality arrangements and priority actions Continuous self-evaluation and action planning Rigorous CPD arrangements in place Regular classroom observation and learner feedback arrangements 	3	2	6	<ul style="list-style-type: none"> Comprehensive monitoring of key PIs and student/staff feedback Regular Stop and Review events External review and validation findings 	VPL&S, VPBD&CS HoP&Q HoC L&T
3.10	Failure to achieve/maintain compliance arrangements, e.g. contracts; awarding bodies; audit.	4	3	12	<ul style="list-style-type: none"> Robust strategic planning and monitoring Effective environmental scanning Strong partnerships Clear links between strategy and practice 	2	2	4	<ul style="list-style-type: none"> Effective internal monitoring/review/verification arrangements External review findings 	PRIN CLT Audit

Risk Number	POTENTIAL CONTRIBUTING FACTORS				TREATMENT	POST MITIGATION EVALUATION				
	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Responsibility /Committee Oversight
3	Organisational (cont.)									
3.11	Failure to meet the deadlines in our successful bid to SoSEP regarding the provision of Hub and Spoke model for Engineering, Construction and Care	3	4	12	<ul style="list-style-type: none">Robust project planning in place and feedback via EMT to Board of ManagementClear and consistent approach to the project with Borders CollegeIndependent scrutiny through clerk of works (for building works)SFC involvement at all stages of the project	3	3	9	<ul style="list-style-type: none">Curriculum development planning through L&T CommitteeOverall project through regular Board of Management updatesFurther scrutiny through SoSEP Board	PRIN VP BD&CS VP L&S BoM
3.12	Failure to reach contractual agreement with CITB regarding delivery of Construction related Apprenticeships.	4	4	16	<ul style="list-style-type: none">National issue, discussions with CITB, SQA now escalated to include SDS and Scottish Government.Request to defer new qualification until 2019/20 being considered by SQA regulatory body.	4	4	16	<ul style="list-style-type: none">Principal actively involved in national discussions.Detailed scenario planning regarding costs of delivery and impact on college currently being completed.Curriculum Manager involved in national forum exploring options.	PRIN VP L&S CM