

Board of Management Finance and General Purposes Committee

Date: 29 Nov 2016

Time: 2pm

Room: 1074b

A G E N D A

**Presented
by**

- | | | | |
|-----|---|------------|----|
| 1 | Welcome and Apologies for Absence | | JH |
| 2 | Declaration of Interest | | JH |
| 3 | Minute of Meeting of 27 Sept 2016 | (attached) | JH |
| 4 | Matters Arising | | |
| 4.1 | Sale of Catherinefield | (verbal) | HP |
| 4.2 | Annual F&GP Report | (attached) | KH |
| 4.3 | Update on Lennartz Ruling | (attached) | KH |
| 5 | 2015-16 Financial Statements | (attached) | KH |
| 6 | Revised Health and Safety Policy | (attached) | HP |
| 7 | Financial Update (inc Management Accounts) | (attached) | KH |
| 8 | Aged Debt Report | (attached) | KH |
| 9 | Cash Flow Forecasts | (attached) | KH |
| 10 | Any Other Business | | |
| 11 | Date and Time of Next Meeting - Tuesday 28 February 2017 at 2pm | | |

Board of Management Finance and General Purposes Committee

Minute of the Meeting of the Finance and General Purposes Committee of the Board of Management of Dumfries and Galloway College, held on Tuesday 29 November 2016 at 2.00 pm in Room 1074b, Dumfries Campus.

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

In attendance: Jannette Brown, Vice Principal Corporate Services & Governance
Karen Hunter, Finance Manager
Helen Pedley, Director of Organisational Development and Facilities
Brian Johnstone, Chair of the Board of Management
Kay Bird, Secretary to the Board/Minute Taker

1 Welcome and Apologies for Absence

The Acting Chair welcomed members and the Chair of the Board of Management to the meeting. Apologies were intimated on behalf of John Henderson.

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

2 Declaration of Interest

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

3 Minute of Previous Meeting

The Minute of the Finance and General Purposes Committee held on 27 September 2016 was amended to make reference at matter 4.1, to DM Hall's valuation. The Minute was approved.

4 Matters Arising

4.1 Sale of Catherinefield

The Director of Organisational Development and Facilities verbally reported the sale had not yet concluded, the solicitors for the purchaser had raised some requisitions which had been attended to and requested new plans which had been drawn up. It was hoped that missives would be concluded prior to Christmas.

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4.2 Draft Annual Finance & GP Committee Report

The Finance Manager spoke to the draft report which had been circulated. The Members discussed the report and agreed to an amendment to include a caveat that the College's inability to set aside cash was a technical deferment.

Decision: The Members approved the Report.

4.3 Update on Lennartz Ruling

The Finance Manager spoke to the report which had been circulated and advised this was a follow on from the previous report. She advised three colleges had submitted claims to HMRC and their claims have been rejected. Ernest & Young have advised that HMRC will defend their position strongly and Ernest & Young are taking a step back. EMT's recommendation is that no further action is taken regarding the College's Lennartz agreement, subject to any further advice from Scott Moncrieff who are waiting to hear further from HMRC. The Members discussed this recommendation.

Decision: It was agreed by the Members that based on the advice received there would be no further action taken and that the funds set aside for Lennartz be re-budgeted.

5 2015-16 Financial Statements

The Finance Manager spoke to the report which had been circulated and summarised the main points. She emphasised the changes in the reporting requirements, the changes in the accounting policies for pension adjustments and depreciation cash spend and confirmed that there would have been a small surplus had these new accounting policies not been put in place. A narrative had been included at the beginning of the Statements to highlight what had happened in the College over the period with some comparisons with the previous year. The Acting Chair congratulated the Finance Manager on the narrative.

The Finance Manager advised spoke to the accounts which now included a statement of comprehensive income and the Members commented that the accounts were not as differently presented as they would have first thought. The Acting Chair and Ros Francis congratulated the Finance Manager on a well presented performance report. The Chair of the Board of Management asked for a one page bulletin to be produced to emphasise the key highlights and the Vice Principal Corporate Services & Governance confirmed this had been drafted.

Action: The Vice Principal Corporate Services & Governance confirmed the one page bulletin would be circulated to Board Members forthwith.

Decision: Members recommend for approval the Financial Statements for the year ended 31 July 2016 to the Board.

6 Revised Health and Safety Policy

The Director of Organisational Development and Facilities spoke to the report which had been circulated and advised the policy was revised every three years or earlier if required. She confirmed the H&S Committee have reviewed the H&S Policy together with the Fire Policy which

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now formed a separate document. The H&S Policy had been simplified and recent changes incorporated. The Members discussed the report and it was agreed that point 1.1.8 on page 23 of the Policy, the word “expects” on the first line would be changed to “required” to strengthen the emphasis and it was confirmed this policy forms part of the employee’s job description and therefore is mandatory.

The Chair to the Board of Management commented that the policies were very detailed and Board Members could not be expected to know whether the policies conform to current legislation, and how the Board satisfies itself in this regard. The Director of Organisational Development and Facilities gave assurances that the Fire Authority had approved the Fire Policy and the College’s H&S Officer was responsible for checking the Policy was compliant. The Principal gave the Committee further assurance that the Policy is compliant and that routine H&S audits take place. The Acting Chair advised that John Henderson, the Chair was in agreement to recommend the two policies to the Board of Management.

Action: The Director of Organisational Development and Facilities to make the change to point 1.1.8 on page 23 of the Policy.

Decision: The Members recommend for approval the H&S Policy and the Fire Policy to the Board of Management.

The Director of Organisational Development and Facilities left the meeting.

7 Financial Update (inc Management Accounts)

The Finance Manager spoke to the report which had been circulated and confirmed there were no big changes to the budget however it was still early in the academic year. The forecasts will be reviewed when November’s figures are available. The Finance Manager advised the format of the accounts and reports will be reviewed to ensure they provide the correct information at the right level for EMT and Board purposes. The Members discussed the budget changes and the Finance Manager asked the Members to approve the changes. Ros Francis raised that there was an underspend on projects and the Finance Manager and Vice Principal of Corporate Services & Governance confirmed that a number of projects were to start in the near future and EMT would be keeping an eye on this and they gave assurance to the Board that unless there were significant budget changes, when a revised budget would be presented, minor budget changes would be brought to the Committee in this way

Decision: The Members approved the budget changes.

8 Aged Debt Report

The Finance Manager spoke to the report which had been circulated and reported that there was only one proposed write-off which was a Bursary from last year. This debt had been put in the hands of a debt collection agency but as the student had no means of repaying the Bursary it would have to be written off. The aged debt balance as at October 2016 was highlighted. The Members discussed the report and the Acting Chair commented that there were very few write-offs which was good practice. The Acting Chair enquired whether write-offs are reported to the SFC and the Finance Manager advised write offs are reported on the Financial Memorandum.

Board of Management Finance and General Purposes Committee

Decision: The Members approved the proposed write-off and noted the aged debt balances as at October 2016.

9 Cash Flow Forecasts

The Finance Manager spoke to the report which had been circulated and advised the report updated the 2016-17 Cash Flow Forecasts. The bank balances for every month are presented to the Committee and the College aims to maintain a minimum amount of £1M. The Members discussed the report and the Chair of the Board of Management asked whether the College had an overdraft facility and the Finance Manager advised that there is no overdraft facility in place due to the fact that there is never a need to use this facility and a fee is charged for this facility.

Members noted the report.

10 Any Other Business

The Chair of the Board of Management raised Audit Scotland's recommendation for a five year strategy for the College being in place and when EMT expect to achieve this. The Vice Principal Corporate Services & Governance advised this strategy will be drafted and will come to this Committee prior to going to the Board of Management; but not prior to March 2017. She advised there is no timescale to adhere to as it is a good practice recommendation.

The Chair of the Board of Management thanked the Finance Manager and her team for all their hardwork.

11 Date and Time of Next Meeting

The next meeting of the Committee will take place on Tuesday 28 February 2017 at 2pm.

Board of Management

Minute of the Meeting of the Finance and General Purposes Committee of the Board of Management of Dumfries and Galloway College, held on Tuesday 27 September 2016 at 2.00 pm in Room 1074b, Dumfries Campus.

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

In attendance: Jannette Brown, Vice Principal Corporate Services & Governance
Karen Hunter, Finance Manager
Helen Pedley, Director of Organisational Development and Facilities
Kay Bird, Secretary to the Board/Minute Taker

1 Welcome and Apologies for Absence

The Chair welcomed members to the meeting, all members were present.

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

2 Declaration of Interest

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

3 Minute of Previous Meeting

The Minute of the Finance and General Purposes Committee held on 17 May 2016 was amended to make reference, at '15 Any Other Business' to the Lennartz Ruling, on the first line, and the Minute was approved.

4 Matters Arising

4.1 Sale of Catherinefield

The Director of Organisational Development and Facilities reported the tenant's survey on the property valued the property at £120,000 and the survey conducted by D M Hall on behalf of the College had valued the property, on the basis that it was occupied, at £140,000. If unoccupied DM Hall advised the valuation would be between £123,000 - £130,000. The tenant's initial Offer to Purchase of £110,000 was rejected and the tenant has submitted a final offer of £120,000. On the facts the property had, previous to this tenancy, been on the market for two years, the deterioration of the property if it stood empty for a further long period, the current property market and DM Halls' valuation, the Members accepted this was a reasonable offer which could be recommended to the Board.

Board of Management

Decision: Members agreed to recommend the tenant's Offer of £120,000 to the Board at its next meeting.

5 Draft Annual Finance & GP Committee Report

The Chair spoke to the draft Annual Finance & GP Committee Report. Figures are still outstanding for items 6.2 and 6.3 and will be available when the accounts have been audited. Discussions followed. The Chair was not comfortable with the wording in 6.3 and the recent changes in financial reporting standards are causing confusion, particularly non-cash items eg, depreciation leading to a deficit.

Action: The Vice Principal of Corporate Services and Governance and the Finance Manager agreed to reword Item 6.3.

The Chair raised the point on Item 8.2 and running deficits in pensions now being shown. The Vice Principal of Corporate Services and Governance advised the Committee should take comfort in the fact that external auditors confirm the college is financially sound and narrative in the accounts offer explanations. Ros Francis asking whether a caveat should be added to the narrative that the college is not able to set money aside.

Action: The Vice Principal of Corporate Services and Governance will amend the report to reflect this.

The Vice Principal of Corporate Services and Governance advised the college pension is revalued every three years. It is due in March 2017 and a report will come to this Committee thereafter. She further advised that it is not just colleges running pension deficit but the whole of Local Government. The Vice Principal of Corporate Services and Governance offered to bring a person to the Board from an investment perspective if further explanation was required by the Committee. The Director of Organisational Development and Facilities advised the Pension Board meets every 3 months and either she or the Finance Manager attends and assurances have been given by the Pensions Board in relation to the deficits. The Director of Organisational Development and Facilities confirmed that if the Pension Board have any concerns she would report this to the Board.

Action: The Chair will, when the revisions have been made, send the report to all the Committee to review.

6 Facilities Update

The Director of Organisational Development and Facilities spoke to the report. There had been a large programme of refurbishment over the summer, which had come in on time and budget, and had been well received. The insurance claim money for the flooding had recently been received. A flood risk assessment, which was a requirement of the insurers, has been carried out and this report is awaited. The Director of Organisational Development and Facilities confirmed any recommended works which may be a result of the risk assessment would need to be met by the college. It was confirmed by the Finance Manager that the claim had not adversely affected the insurance premium when the policy came up for renewal in August 2016. Members noted the report.

Board of Management

7 Revised Health and Safety Policy

The Director of Organisational Development and Facilities advised the Committee the policy is being updated and before being brought to this Committee needs to be presented to the Health and Safety Committee for their input. User friendly on-line risk assessments are being introduced across the College.

Action: The revised Health & Safety Policy will be tabled at the next F&GP Committee.

The Director of Organisational Development and Facilities left the meeting.

8 Revised Budget 2016-17 (and verbal Financial Update)

The Vice Principal of Corporate Service and Governance spoke to the report and highlighted that due to changes in the budget this resulted in an increase in overall operating deficit of £14,000. However, she assured the committee the College is planning a break even outturn for financial year 2016-17 and is currently consulting with budget holders with the intention of reducing the deficit. The Principal commented this illustrates how tight the finances really are at the college. The Chair commented that the Committee understood how difficult it was for the college under the financial constraints imposed and that there is small contingency in place but there is not much room for manoeuvre. Ros Francis raising the question whether the on-going strikes would raise costs. The Principal advised that this was very dependent on how long the strikes continue. Today was the second day of industrial strikes and there are fewer support staff out on strike than the first strike action day. EMT are working with managers to ensure all aspects have been covered so far. A full update on the strikes will be provided at the HR Committee and Board Meeting on 4th October 2016.

The Finance Manager commented that the Management Accounts for August and September will be available at the end of September, student numbers and staff contracts are just settling down. Cashflow is good, the insurance company settled the claim for the flood damage quickly and there has been a VAT rebate. The Vice Principal of Corporate Services and Governance confirmed the Lennartz money was still in the bank. The Finance Manager advised the Royal Bank of Scotland accounts were still not set up due to the delays by RBS, the deadline has been extended. The process between the Government and RBS has proved more complex than originally anticipated. Member noted the report.

9 Draft Financial Statements 2015-16

The Vice Principal of Corporate Services and Governance and the Finance Manager spoke to the report. The Finance Manager advised the Statement of Comprehensive Income looked very different now due to changes in accounting requirements of FRS102. A discussion followed and it was highlighted that the use of narrative within the accounts was essential for external bodies to perceive the changes, and the Vice Principal of Corporate Services and Governance confirmed the external auditors at the Audit Committee on 20 September 2016 had re-iterated this point. Grant Thornton are still to have sight of the accounts however the audit commences next week. It was confirmed that Scott Moncrieff, through Audit Scotland's tendering exercise, have been appointed as the new auditors and Lennartz will be raised with them. The Vice Principal Chair Corporate Services and Governance advised that a paper would be coming to the Committee regarding Audit Scotland's requirement for a five to ten year financial strategy which was very difficult as colleges are financed on a yearly basis. Members noted the report.

Board of Management

10 Aged Debt Report

The Finance Manager spoke to the report. The two larger invoices have now been paid in full. The Principal comment that the finance team had done well to keep aged debt to a minimum and the Chair gave credit to the team for their good efforts. Members noted the report.

11 2016-17 Fee Policy

The Vice Principal of Corporate Services and Governance spoke to the report. The fees have stayed at the same level as 2015-16 and the only proposed increases, in line with the cost of inflation, are in relation to room hire and sports hall hire.

Decision: The Committee approved the fees for 2016-17.

12 Update – Challenge to the Lennartz Ruling

The Finance Manager spoke to the report and provided a further update. Scotland Colleges Steering Group are not happy with Ernest & Young and are trying to get consensus with other colleges. The reputation of colleges and how it would be perceived if colleges claimed back monies due was still an issue. Scott Moncrieff have heard nothing further from HMRC. The Chair advised that the Audit Committee was less concerned regarding how the college would be viewed and took the stance if the money was due back the college should claim it. The question was raised that if the college did receive a windfall of VAT repayment would the college be able to retain this. The Vice Principal of Corporate Services and Governance advised guidance would need to be sought from SFC. The Committee was in agreement to pursue a claim for repayment of VAT with Ernest & Young if the college can engage with them. The Finance Manager will keep the Committee updated. Members noted the report.

13 Any Other Business

The Principal added further to the point on the industrial action which had been discussed at agenda item 8 that if Board members are approached for their comments they should not be drawn in and should refer back to National Pay Bargaining and any queries to Colleges Scotland. The Principal has today sent an update on the industrial action, from Colleges Scotland, to Board Members. The Principal further comments there was no early resolution in sight.

14 Date and Time of Next Meeting

The next meeting of the Committee would take place on Tuesday 29 November 2016 at 2pm.

Finance and General Purposes Committee

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

1 PURPOSE OF REPORT

- 1.1 To advise the Board of Management of the activities and decisions of the Finance and General Purposes Committee during Financial Period 2015-16.

2 BACKGROUND TO REPORT

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

3 ADMINISTRATIVE MATTERS

- 3.1 This report covers a twelve month period from 1 August 2015 to 31 July 2016.

- 3.2 The membership of the Committee during the period was:

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

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

Jannette Brown, Secretary to the Board and Vice Principal Corporate Service and Governance
Helen Pedley, Director of Organisational Development and Facilities
Kay Bird, new Secretary to the Board
Karen Hunter, Finance Manager

Finance and General Purposes Committee

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

| Date of Meeting: | Board members present: |
|-------------------------|---|
| 7 October 2015 | John Henderson Kenny Henry Karen McGahan Carol Turnbull |
| 8 December 2015 | John Henderson Ros Francis Kenny Henry Karen McGahan Carol Turnbull |
| 1 March 2016 | John Henderson Ros Francis Kenny Henry |
| 17 May 2016 | John Henderson Ros Francis Kenny Henry Karen McGahan |

There was an average attendance of 4 members (80%).

4 FINANCIAL MANAGEMENT

- 4.1 The Committee is responsible under the terms of the College's Financial Regulations to ensure that the College has a sound system of internal financial management and control and a robust mechanism for considering financial issues.
- 4.2 The Committee scrutinises the College's annual revenue and capital budget, and recommends the Annual Budget for approval to the Board of Management. The Committee thereafter monitors performance throughout the year in relation to the approved budgets.
- 4.3 The Committee scrutinises the Annual Financial Statements of the College, including the Operating and Financial Review, and recommends them for approval by the Board.
- 4.4 The Committee also review and approve the College Financial Statements Return and Financial Forecast Return, which are based on the Financial Statements and Annual Budget respectively, prior to submission to the SFC.
- 4.5 In order to assess the ongoing financial position of the College during the year, and the changing environmental and other issues which affect the College, the Agenda for each Committee meeting during 2015-16 included the following Items:

Finance and General Purposes Committee

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

- 4.6 The impact of the ONS Re-classification on the College has continued to be the main consideration for the Committee during the year. The difference in the treatment of depreciation for accounting purposes and for HM Treasury budget reporting has been a significant consideration during the year, and the impact of additional expenditure against SFC's 'net depreciation cash budget' has been considered in detail by the Committee.
- 4.7 The Committee have monitored the ongoing developments in National Pay Bargaining throughout the year, including the impact of pay awards on budgets and the move to introduce common terms and conditions for College staff.
- 4.8 The Committee has assessed the ongoing College capital expenditure programme, including developments undertaken using grants received from the Scottish Colleges Foundation, as well as Fire and Health and Safety Audits, and ongoing monitoring of new build retention monies.
- 4.9 The Committee will continue to assess the issues arising from the ONS re-classification and the impact on the College budget and accounts from meeting the requirements of Government Budget and reporting.

5 ANNUAL BUDGET

- 5.1 The Annual Budget for 2015-16, which was approved in March 2015, was monitored against actual results during the current year, including developments and changes impacting on the results and forecasts as well as the impact of expenditure from the College's 'depreciation cash' budget.
- 5.2 The budget for 2016-17 was reviewed at the Board of Management meeting in May 2016.

6 ANNUAL FINANCIAL STATEMENTS

- 6.1 The College Financial Statements for the twelve month period August 2015 to July 2016 are in draft form, and the external audit is scheduled to take place during October 2016. The auditors will issue their final report when the work has been completed.

Finance and General Purposes Committee

- 6.2 The accounting adjustments to reflect the pension valuation at 31 July 2016 has resulted in a net charge of £464,000 against operating results for the period.
- 6.3 In order to achieve the budget targets for Scottish Government reporting, additional expenditure on development works was undertaken during the period which was met from 'depreciation cash grants'. This additional expenditure, together with the Pension Valuation adjustments, have resulted in an operating deficit for the period of £833,000.
- 6.4 The College has prepared the financial statements for the year ended 31 July 2016 in accordance with the Financial Reporting Standard (FRS) 102 for the first time, and the key impact relates to the accounting treatment of capital grants which now require to be disclosed as creditors in the balance sheet. This change in accounting treatment has increased total creditors at 31 July 2016 by £24,135,000. The deferred grants now included in current liabilities amounts to £758,000 which has resulted in a net current liability position in the College balance sheet at 31 July 2016.

7 OTHER MATTERS

- 7.1 There are no capital finance matters arising which require the Board to obtain prior written consent from SFC.
- 7.2 The main focus and work of the Finance and General Purposes Committee for the forthcoming period will be to continue to address the challenges of ONS Reclassification of Scottish Colleges as Public Sector bodies particularly HM Treasury budget treatment of non-cash as well as continued uncertainty over SFC grant funding levels and the impact on operating results and budgets.
- 7.3 There are no other foreseeable events that will affect the work of the Finance Committee.

8 OPINION

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

Finance and General Purposes Committee

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

- *The College's financial affairs are planned, conducted and controlled so that its total income is sufficient, taking one period with another, to meet its total expenditure, and its operational financial viability is maintained, subject to ongoing treatment of depreciation cash funds for HM Treasury reporting purposes and the College's inability to set aside funds for future capital replacement; and*
- *The Board of Management has taken all reasonable steps to ensure that the College has sufficient financial resources to meet its need in the form of cash and other liquid assets or borrowing facilities or has plans to generate such resources, and this will continue to be monitored given the likelihood of ongoing funding reductions.*

Finance and General Purposes Committee

Update on Lennartz Ruling

1. Introduction

The purpose of this report is to update members on recent developments regarding the Scottish college's Lennartz agreements with HMRC.

2. Report

Three of the Scottish colleges who have submitted claims on the basis of the advice from Ernst & Young have subsequently had their claims rejected by HMRC. HMRC's response stated that the claims had no sound basis for making a claim and noted that penalties and interest may be charged if the claims are found to be 'spurious'.

Ernst & Young's litigation department have reviewed the current position and the only option now available would be to proceed to a VAT Tribunal. They have advised that HMRC are expected to defend their position very strongly, and as any litigation process could be lengthy they have confirmed that they are effectively 'stepping back' from taking any further action on behalf of the colleges. The other colleges have considered the option of appointing a different VAT adviser, and the potential costs and likelihood of a successful outcome, and decided not to proceed any further.

Scott Moncrieff have not yet received any additional advice from HMRC regarding the option to unwind Lennartz. The Lennartz agreement with HMRC is due to be completed in July 2018, and the annual adjustment will be calculated in the next month based on the 2016 financial statements. The Executive Management Team will keep a watching brief for any further advice from Scott Moncrieff in this regard, taking into account the short time remaining on the agreement, and any changes to scheduled payments remaining.

3. Recommendation

The Executive Management Team recommends that no further action is taken regarding the College Lennartz agreement at this time, subject to any further advice from Scott Moncrieff.

Finance and General Purposes Committee

Financial Statements for the year ended 31 July 2016

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide an overview of the Annual Report and Financial Statements for 2016.
- 1.2 A copy of the Financial Statements for the period is attached.

2. CHANGES TO REPORTING REQUIREMENTS

- 2.1 All Scottish colleges are preparing their July 2016 financial statements in accordance with Financial Reporting Standard (FRS) 102 and the revised Statement of Recommended Practice: Accounting for Higher and Further Education 2015 (2015 SORP) for the first time.
- 2.2 The College accounting policy for the treatment of capital grants has been revised following the adoption of the 2015 SORP. Government capital grants will continue to be recognised as income on a systematic basis over the expected useful life of the asset, but non-government capital grants will now be recognised as income as soon as the performance-related conditions of the grant have been met.
- 2.3 The balance of deferred government grants to be released in future years has been included in the College balance sheet as a creditor, and has been split between current and long-term creditors.
- 2.4 The Accounting Policies on pages 31 to 35 of the draft financial statements set out the basis of preparation of the accounts, including adoption of the 2015 SORP, recognition of income and capital grants in accordance with the requirements of FRS 102, and transition to the 2015 SORP.
- 2.5 The Statement of Comprehensive Income has replaced the Income and Expenditure Account in the new format. The Statement of Comprehensive Income is a single statement which includes all items of income and expenditure recognised in the period including unrealised surpluses or deficits which were previously included in the Statement of Total Recognised Gains and Losses.
- 2.6 The financial statements for 2015-16 must also comply with the Government Financial Reporting Manual (FReM) which is issued by HM Treasury, which requires further information to be included in addition to the SORP disclosures.

3. FINANCIAL YEAR END

- 3.1 The financial statements have been prepared up to the financial year-end of 31 July 2016. As a result, the report includes results which cover the twelve month period August 2015 to July 2016.

Finance and General Purposes Committee

3.2 The comparative figures are for the sixteen month period April 2014 to July 2015, and have been re-stated in accordance with FRS 102 and the 2015 SORP.

4. AUDIT REPORT

4.1 The wording of the draft audit report is set out on pages 25 and 26, in accordance with the 'Annual Report to the Board of Management and the Auditor General for Scotland 2015/16' which has been issued by Grant Thornton.

4.2 Grant Thornton anticipate that they have now received all of the information they require in order to provide a standard unqualified audit report on these financial statements.

5. PERFORMANCE REPORT

5.1 The FReM requires the College to include a Performance Report in the annual financial statements, which replaces the Operating and Financial Review. The Performance Report is set out on pages 3 to 24 of the financial statements.

5.2 The Performance Overview includes a statement from the Principal providing her perspective on the College's performance over the period, a summary of the purposes and activities of the College, and key issues which could impact on the College delivering its objectives.

5.3 The Performance Analysis provides more details on how the College measures performance, and an analysis of the performance in 2015-16 compared to 2014-15, including outcomes for student numbers and student achievements, and financial performance indicators.

6. ACCOUNTABILITY REPORT

6.1 The Accountability Report covers Corporate Governance, and Remuneration and Staff.

6.2 The Corporate Governance report explains the College's governance structure and how this supports the achievement of objectives, which is similar to the Corporate Governance statements in previous financial statements.

6.3 The Corporate Governance section includes the Remuneration and Staff report, which is similar to the new disclosures in 2015 including pension information for senior executives, and also remuneration policy, and further breakdown of staff costs.

Finance and General Purposes Committee

7. RESULTS FOR THE YEAR

- 7.1 The Statement of Comprehensive Income includes operating income and expenditure as well as unrealised gains and losses including pension scheme adjustments and revaluation changes. The Statement of Comprehensive Income shows an operating deficit of £833,000.
- 7.2 The operating results for the year includes additional planned expenditure from depreciation cash of £380,000 and adjustments for the 31 July 2016 pension valuation amounted to £464,000.
- 7.3 The underlying operating results for the year, excluding the adjustments above, is an operating surplus of £11,000.
- 7.4 Income for the year continues to include release of capital grants from SFC and ERDF. Grants received from the Scottish Colleges Foundation, for both capital and revenue, are now shown in full in income rather than the capital element deferred and released in line with depreciation charges. Grants of £286,000 were received during the current year for curriculum developments, and £1,492,000 was received in the period to 31 July 2015 for hospitality developments.

8. BALANCE SHEET AT 31 JULY 2016

- 8.1 The Balance Sheets at 31 July 2016 and 31 July 2015 show a net current liability position due to the change in disclosure of deferred government capital grants and repayment of Lennartz balances. Deferred government capital grant balances include current creditors of £758,000 and long term creditor balances of £23,377,000.
- 8.2 Lennartz liabilities decreased during the year and the liability for the Local Government Pension Scheme has increased by £2,289,000 as summarised at Note 19.
- 8.3 Total net assets and reserves in the new format exclude deferred capital grant balances. The impact of the transition to FRS 102 on the opening balance sheet is set out in note 27, which highlights the increase in liabilities and reduction in reserves due to the treatment of deferred capital grants.
- 8.4 The actuarial loss on the pension scheme of £1,825,000 charged to the Income and expenditure reserve has resulted in a net debit balance as at 31 July 2016.

9. RECOMMENDATION

Members are asked to recommend for Board approval the financial statements for the year ended 31 July 2016.

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The financial statements were approved and authorised for issue on 6 December 2016.

Professional Advisers

External Auditors:

Grant Thornton UK LLP
Chartered Accountants
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Internal Auditors:

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

Bankers:

Bank of Scotland
Level 6
110 St Vincent Street
Glasgow

Barclays
90 St Vincent Street
Glasgow

Solicitors:

AB & A Matthews
The Old Bank
Buccleuch Street Bridge
Dumfries

Grieve, Grierson, Moodie and Walker
14 Castle Street
Dumfries

MacRoberts Solicitors
152 Bath Street
Glasgow

Performance Report**Performance Overview****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.

In August 2015 the College launched its five-year strategic plan, Vision 2020, setting out its vision and aspirations, and good progress has been made towards achieving the objectives during the academic year 2015-16.

The College achieved 98% of its target student numbers during 2015-16, with 29,871 credits achieved against a target of 30,371. Total numbers for student enrolments increased by 13% from last year, with full-time student numbers maintained at 1,600 and part-time numbers increased from 4,086 in 2014-15 to 4,874 in 2015-16. The College has also managed to maintain the level of student achievements from 2014-15, with 64% overall for full-time students successfully completing their programme of study in 2015-16.

In February 2016, the College was reviewed by Education Scotland, who judged the College has in place effective arrangements to maintain and enhance the quality of its provision and outcomes for learners and other stakeholders.

Strategically, the College is increasingly being recognised as a key partner in economic development and this is evidenced by the Principal chairing the Local Economic Partnership, Chair of the Crichton Campus Joint Academic Strategy Group Regional Chair being a member of Strategic Partnership Board and Developing Young Workforce Regional Group. The College is also fully involved in the development of the Dumfries Learning Town.

The College's curriculum planning process was identified as Best Practice in terms of meeting regional and national needs in the recent Education Scotland Aspect Review, and the curriculum continues to be shaped to support and develop e-learning and blended learning approaches. Hospitality and Catering training facilities have been developed on the Dumfries campus which enabled the College to offer Hospitality and Professional Cookery programmes during 2015-16, which is aligned to one of the growth sectors highlighted in the South of Scotland Regional Skills Assessment 2012-2022. 'Project Search' was delivered with local partners, which was a programme set-up to assist anyone with additional needs find a route to employment, and the College Student Association was further strengthened during 2015-16 with the appointment of a full-time Student Association President.

Partnership and collaboration are at the heart of what we do – with our learners, Dumfries and Galloway Council, Schools across the region, other stakeholders and employers. An Employer Engagement Strategy was developed and introduced in 2015-16. Employer engagement continues to be strengthened across the College with Faculty Teams developing a range of Employer Advisory Partnerships. This closer engagement and partnership working is resulting in focussed, employer-led programmes such as: Reablement training for up to two thousand staff in the Health Service sector; bespoke training programmes for Dumfries and Galloway Housing Partnership, Morgan Sindall and Laing O'Rourke. The College Energy Centre continues to work with key local partners for up skilling in the renewable sector. Numerous employer events were held across the college during the academic year, and these are resulting in increased work placement opportunities and, in some cases, direct recruitment for learners.

The College is taking a key role in supporting the establishment of a Developing Young Workforce Dumfries and Galloway group. The Developing Young Workforce initiative allows employers to play a key role in driving the future agenda for Dumfries and Galloway. The programme will provide a much more universal and structured offer for learners as a whole, which in turn will also help our businesses. The College will continue to strengthen links with schools to develop vocational pathways that offer alternative but meaningful routes to employment, with clear progression opportunities linked where possible directly to industry and employers

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.

Using the South of Scotland Regional Skills Assessment, provided by Skills Development Scotland, we are ensuring our curriculum aligns to local and national economic needs. We continue to invest in our facilities with refurbished state-of-the-art beauty salons at our Dumfries Campus in Summer 2016. Subject to funding, further investment is planned – particularly in the areas of Engineering at the Stranraer Campus. We have a medium-term ambition to become a Science, Technology, Engineering and Mathematics (STEM) centre are currently exploring development of skills academies with universities. We continue to explore opportunities to develop new curriculum areas, especially in the Food and Drink sector which has been identified as a key sector within Dumfries and Galloway. As well as seeking to create learning opportunities through to degree level through collaboration with University partners, we are currently in discussion with University of the West of Scotland to deliver a degree in the Creative Industries Sector. We signed a Memorandum of Understanding with Edinburgh Napier in May 2016.

The Scottish Government's response to the 39 recommendations in the final report of the Commission on Developing Scotland's Young Workforce will influence the allocation of government resources related to education and training. This initiative has enabled the College to strengthen links with schools and we will continue to work with them to develop vocational pathways that offer alternative but meaningful routes to employment, with clear progression opportunities linked where possible directly to industry and employers.

Our Strategic Plan 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.

Over the next 5 years we will support the Scottish Government's key pledges on growing Scotland's economy and tackling social injustice by ensuring we have the highest quality curriculum offering that delivers skills, education and training to meet local and national needs but one that is also inclusive and enables individuals to achieve their maximum potential.

Performance Report (continued)**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;

Key issues and risks affecting Dumfries and Galloway College

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

The Executive Management Team member responsible for planning maintains the College Risk Register, which is updated and considered regularly by the Executive Management Team and considered by the Audit Committee at each scheduled meeting.

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

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

- **Public Sector Funding Cuts.** The continued uncertainty over public sector financial allocations beyond 2016-17 and potential funding cuts will have an impact on the curriculum provision and student services. Scenario planning and budgetary review will be undertaken to minimise the impact on learners and staff;

- **College Reclassification.** The impact on reclassification of the Scottish College sector as public bodies on 1 April 2014 for budgeting and financial reporting has reduced the flexibility of the College to manage financial and estates issues, and meet targets in the Outcome Agreement with the Scottish Funding Council. Internal planning and monitoring processes have been changed in order to minimise the impact of reclassification on learners. The College has been grateful to receive grant support from the Scottish Colleges Foundation to fund estates developments to enhance provision for learners.

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

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

Performance Report (continued)**Performance Summary**

In August 2015 Dumfries and Galloway College launched its five-year strategic plan, Vision 2020, setting out its vision and aspirations, and good progress has been made towards achieving the objectives during the academic year 2015-16.

Student Numbers

During academic year 2015-16, the College delivered 29,871 credits against a target of 30,371 (2014-15 - 42,407 WSUMs). Total numbers for student enrolments increased from 5,705 in 2014-15 to 6,474 in 2015-16, an increase of 13%. Within these overall numbers full-time student numbers were maintained at 1,600 (1,619 in 2014-15). Full-time FE student numbers increased marginally from 1,112 in 2014-15 to 1,120 in 2015-16 but full-time HE student numbers decreased by 5%, from 507 in 2014-15 to 480 in 2015-16. Part-time FE student numbers increased by 19% from 3,861 in 2014-15 to 4,606 in 2015-16.

Student Achievements

The overall numbers of full-time students successfully completing their programme of study in 2015-16 was 64%, which was slightly lower than 66% achieved in 2014-15. The split between full-time Further Education and Higher Education student achievements was FE - 61% and HE 71% (2014-15 - 64% and 71%).

Successful completion for part-time students increased from 70% to 76% for FE students and from 70% to 71% for HE students.

Quality Assurance and Enhancement

In February 2016, the College was reviewed by Education Scotland, who judged the College has in place effective arrangements to maintain and enhance the quality of its provision and outcomes for learners and other stakeholders.

Curriculum Developments

The College's curriculum continues to be shaped to support and develop e-learning, blended learning approaches and online curriculum including Higher National Certificate in Social Care which is fully available online.

The College has developed Hospitality and Catering training facilities on the Dumfries campus which enabled the College to offer Hospitality and Professional Cookery programmes in Dumfries during 2015-16, which is aligned to one of the growth sectors highlighted in the South of Scotland Regional Skills Assessment 2012-2022.

The College, along with local partners, delivered 'Project Search', a programme set-up to assist anyone with additional needs find a route to employment.

The College's curriculum planning process was identified as best practice in terms of meeting regional and national needs in a recent Education Scotland Aspect review.

The College will continue to develop formal articulation routes for its students and recently signed a Memorandum of Agreement with Edinburgh Napier University to explore articulation opportunities – initially in the Engineering area but, potentially, this may expand to include other areas.

SFC provided the College with financial support towards the cost of developing the Student Association, and the College worked towards the Student Association being able to work as equal partners with the College. A full-time Student Association president was appointed in 2015-16, and the President and Vice President (Stranraer) are members of the Board of Management.

Performance Report (continued)**Future Developments**

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

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

The College will continue to embed and develop the Student Association in 2016-17, working with the national Union of Students and ensuring equivalence of Student Association across both the Dumfries and Stranraer campuses.

The College will continue to strengthen links with Business Gateway in order to facilitate and support students who may be considering starting their own business.

Performance Analysis**Financial Objectives**

The College's financial objectives following reclassification are:

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

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

The College has been able to apply to the Scottish Colleges Foundation to seek funding for estates and other developments which may not have been affordable from the College's operating budget. A grant of £286,000 was received during the year to 31 July 2016 for several estates developments (2014-15 - £1,492,000 was received to fund development of a training kitchen and restaurant).

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 2015-16 SFC Outcome Agreement aligned to the Scottish Funding Council's six national priorities:

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

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

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

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

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

Performance Report (continued)

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

The College Board of Management and Committees regularly measure and monitor progress towards delivery of the targets set out in the outcome agreement through regular reporting of Key Performance Indicators. The College also produces an annual outcome agreement self evaluation report.

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

- Credit targets (previously measured as WSUMS)
- 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.

Development and performance during the year

The Scottish Funding Council changed the measurement of the volume of student activity funded by grants from Weighted SUMS (WSUMS) to credits during 2015-16. 1 credit is equivalent to 40 hours of learning under the new measurement criteria.

The key performance indicators for 2015-16 and 2014-15 are as follows:

| | 2015-16 | 2014-15 |
|--|-------------------|----------------|
| Credits achieved | 29,871 | N/A |
| WSUMS achieved | N/A | 42,407 |
| Credits per FTE | 140 | N/A |
| WSUMS per staff FTE | N/A | 203 |
| <i>Target Credits</i> | 30,371 | N/A |
| <i>Target WSUMS</i> | N/A | 42,529 |
| Operating deficit (inclusive of IAS 19 adjustments) | (£833,000) | (£192,000) |
| Operating deficit - excluding transfer to Foundation | (£833,000) | (£174,000) |
| Deficit excluding transfer to Foundation as a % of total income | 6.69% | 0.99% |
| Deficit excluding transfer to Foundation as a % of total expenditure | 6.27% | 0.98% |
| Staff costs as a % of total expenditure excluding transfer to Foundation | 60.0% | 55.8% |
| Ratio of current assets to current liabilities | 0.82 | 0.93 |
| Days cash to total expenditure excluding depreciation and transfer to Foundation | 59 | 49 |
| Non SFC income as a % of total expenditure excluding transfer to Foundation | 19.0% | 26.4% |

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.

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

Performance Report (continued)

Financial Out-turn for the period

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the college is provided in note 27.

The College operating results are for a twelve month accounting period, from 1 August 2015 to 31 July 2016. The results for the period show an operating deficit of £833,000, which includes the additional planned expenditure from depreciation cash budgets of £380,000 as well as a net charge of £464,000 included in the Statement of Comprehensive Income to reflect the pension valuation changes for the Local Government Pension Scheme at 31 July 2016, in accordance with the technical accounting requirements as detailed at Note 19.

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

The College Balance Sheet at 31 July 2016 shows a decrease in total reserves of £2,658,000 from balances at 31 July 2015, which includes an increase of £2,289,000 to £7,508,000 in the deficit for the Local Government Pension Scheme as detailed at Note 19. College bank balances shows a decrease during the period which reflects a reduction in funds which were retained to meet Lennartz liabilities as disclosed at Notes 15 and 16.

Deficit resulting from use of depreciation cash and pension revaluation under IAS 19

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

Following the Scottish College sector reclassification as central government bodies from 1 April 2014, while the College prepares accounts under the 2015 Statement of Recommended Practice and Financial Reporting Standards FRS 102, it is also required to comply with Central Government budgeting rules. This affects, among other things, the way in which non-cash depreciation charges are treated. For the 2015-16 budget period this has meant that the College received cash for budgeted depreciation costs, and without approval to spend this cash, it would have been effectively frozen. The underlying operating position would therefore have been a small surplus before accounting for this additional spend and the adjustments for the pension valuation for the Local Government Pension Scheme at 31 July 2016 in accordance with the technical accounting requirements of IAS 19, as detailed at Note 19.

The Scottish Funding Council issued guidance to the College on this matter on 30 March 2015 which provided approval for the depreciation cash budget to be used for specific other areas of expenditure. During 2015-16, £380,000 of depreciation cash budget was used to fund pay costs and curriculum developments. In addition, the accounting adjustments to update the LGPS valuation at 31 July 2016 have resulted in a net charge of £464,000 to expenditure. The impact of the above has contributed £844,000 to the reported deficit for the 2015-16 financial period (2014-15 - £896,000). However, the Scottish Funding Council has confirmed (in its letter to the College on 30 March 2015) that a deficit resulting from the College following its 30 January 2015 guidance should be treated as a 'technical' deficit and should not be interpreted, on its own, as a challenge to the College's ongoing financial sustainability. This position has been agreed with Audit Scotland and the Scottish Government.

The impact on operating position is detailed below:

| | 2015-16 £000 | 2014-15 £000 |
|--|-----------------|-----------------|
| Net depreciation spend | | |
| Pay award | 96 | 0 |
| Curriculum developments | 284 | 296 |
| Total net depreciation spend | 380 | 296 |
| Accounting adjustments for IAS 19 | 464 | 600 |
| Total additional costs relating to net depreciation spend and accounting adjustments for IAS 19 included within operating results | 844 | 896 |

Performance Report (continued)**Review of Resource outturn for the year ended 31 March 2016**

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 (ie 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 2015-16 budgeting period are outlined below:

| | RDEL | CDEL |
|--|-------------|-------------|
| | £000 | £000 |
| Resource budget for year ended 31 March 2016 | 13,343 | 0 |
| Expenditure against resource budget | 13,143 | 0 |
| Net underspend/ (overspend) against budget | 200 | 0 |

The outturn is better than forecast due to an underspend of student support funding for the period.

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 1.53% (2014/15 - 0.3%). 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.

Environmental Considerations and Sustainability Reporting

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

The College has developed a comprehensive 5 year Climate Change Action Plan to achieve reduced emissions. The Climate Change Action Plan 2015-2020 emphasises the College's commitment to reducing carbon dioxide emissions over the short to medium term, and illustrates how savings will be made through efficiencies and improved use of resources in addition to helping meet the wider objectives of the Climate Change (Scotland) Act 2009. The College has set a target to reduce carbon emissions by 20% by 31 December 2019 from the 2014 baseline data measurements. 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.

Performance Report (continued)**Going Concern**

The College is preparing its financial statements in accordance with Financial Reporting Standard (FRS) 102 for the first time and the key impact of the changes relate to capital grants. FRS 102 requires the balance of deferred capital government grants amounting to £24,891,000 at 31 July 2015 require to be accounted for as creditor balances rather than reserves. The balance has been split between current liabilities of £756,000 and long-term liabilities of £24,135,000. The College balance sheet at 31 July 2015 shows net current liabilities of £171,000 as a result of this change in disclosure and a reduction of £24,891,000 in total reserves.

Following the Scottish College sector reclassification as central government bodies from 1 April 2014, while the College prepares accounts under the 2015 Statement of Recommended Practice and Financial Reporting Standards FRS 102, it is also required to comply with Central Government budgeting rules. This affects, among other things, the way in which non-cash depreciation charges are treated. For the 2015-16 budget period this has meant that the College received cash for budgeted depreciation costs, and without approval to spend this cash, it would have been effectively frozen. The underlying operating position would therefore have been a small surplus before accounting for this additional spend and the adjustments for the pension valuation for the Local Government Pension Scheme at 31 July 2016 in accordance with the technical accounting requirements of IAS 19, as detailed at Note 19.

The Scottish Funding Council issued guidance to the College on this matter on 30 March 2015 which provided approval for the depreciation cash budget to be used for specific other areas of expenditure. During 2015-16, £380,000 of depreciation cash budget was used to fund pay costs and curriculum developments. In addition, the accounting adjustments to update the LGPS valuation at 31 July 2016 have resulted in a net charge of £464,000 to expenditure. The impact of the above has contributed £844,000 to the reported deficit for the 2015-16 financial period (2014-15 - £896,000). However, the Scottish Funding Council has confirmed (in its letter to the College on 30 March 2015) that a deficit resulting from the College following its 30 January 2015 guidance should be treated as a 'technical' deficit and should not be interpreted, on its own, as a challenge to the College's ongoing financial sustainability. This position has been agreed with Audit Scotland and the Scottish Government.

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 disclosure of deferred government capital grants as creditors has resulted in the Balance Sheet at 31 July 2016 showing net current liabilities due to the accounting treatment of deferred grants rather than a future cash outflow for the College. In addition, the deficit reported in the Statement of Comprehensive Income includes £380,000 of 'net depreciation cash' expenditure and accounting adjustments for the LGPS pension valuation of £464,000. These technical accounting adjustments are not considered to have an impact on the College's ongoing financial sustainability.

Carol Turnbull

6 December 2016

Principal

Accountability Report**Corporate Governance Report****Board of Management**

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

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

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

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

Dumfries and Galloway College Board of Management met five times during the 2015-16 financial period and conducts its business through a number of committees. All of these committees are formally constituted with terms of reference approved by the Board of Management. The committees comprise non-executive members of the Board of Management and are all chaired by a Member of the Board. These committees include a Human Resources Committee, a Finance and General Purposes Committee, a Board Development Committee (includes appointments), a Remuneration Committee, a Learning and Teaching Committee and Audit Committee. All committees are required to report back to the Board on their activities.

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

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

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

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

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

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

Janet Brennan
Hugh Carr
Emma Curtis (Student member)
Ros Francis
Barry Graham
Scott Hardie (Student member)
John Henderson
Kenny Henry (Support Staff Member)
Delia Holland (Vice Chair)
Brian Johnstone (Regional College Chair)
Pat Kirby
Stuart Martin
Karen McGahan
Carol Turnbull (Principal and Chief Executive)
Ian White (Lecturing Staff Member)

The following individuals were also Board members in the period from August 2015 up to 31 July 2016:

Janice Goldie (resigned December 2015)
Craig McGill (Student Member, term in office finished June 2016)
Julian Weir (Student Member, term in office finished June 2016)

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

Jannette Brown acted as Board Secretary throughout the period, with Kay Bird taking over from August 2016.

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)
Jannette Brown (Vice Principal Corporate Services and Governance)
Helen Pedley (Director of Organisational Development and Facilities)
Andy Wright (Vice Principal Learning and Skills)

Committees of the Board of Management

The Board of Management has formally constituted several committee with terms of reference. These committees act with delegated authority. Information on the Board's committees is given below, together with details of membership of key committees at 31 July 2016.

Key Committees:

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

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

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

Remuneration Committee

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

Audit Committee

Members - Hugh Carr (Chair), Delia Holland, Pat Kirby and Stuart Martin

Finance and General Purposes Committee

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

Learning and Teaching Committee

Members - Barry Graham, John Henderson, Kenny Henry, Delia Holland (Chair), Emma Curtis, Carol Turnbull, Scott Hardie and Ian White.

Appointments to the Board of Management

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

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

Human Resources Committee

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

Board Development Committee

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

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration, terms and conditions (and, where appropriate severance payments) of the Principal, members of the Executive Management Team and the Secretary to the Board. The Committee meets at least once per year. Details of the remuneration of senior post-holders for the period ended 31 July 2016 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.

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

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.

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 the year, and is now the Board Development Committee. The remit of the Committee now 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 2016 and up to the date of approval of the annual report and accounts.

Accountability Report (continued)**Corporate Governance Report (continued)*****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 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Management.

Risk and control framework

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

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

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

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

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

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

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

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.

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

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 2016 meeting, the Board of Management carried out the annual assessment for the period ended 31 July 2016 by considering documentation from the Executive Management Team and internal audit, and taking account of events since 31 July 2016.

Estates Strategy

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

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

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

Human Resources Strategy

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

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

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

Dumfries and Galloway College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles of the UK Corporate Governance Code issued by the Financial Reporting Council in September 2014. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

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

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

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

Statement of full UK Corporate Governance Code compliance

In the opinion of the Board of Management, the College complies with all the provisions of the Code, in so far as they apply to the further education sector, and it complied throughout the period ended 31 July 2016.

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

In the opinion of the Board of Management, the College complies with all the provisions of the Code of Good Governance for Scotland's Colleges, and it complied throughout the period ended 31 July 2016.

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

- To keep strategy under review as events change
- To keep stakeholders under review
- To ensure to make use of student members
- To build on local area committee engagement (Dumfries and Galloway Council)
- To harness skills of Board members and own contacts more
- To make staff more aware of Board e.g. presentation to staff
- To Communication would help re clarity of roles such as e.g. student association
- To recruit members from vocational backgrounds
- Board members to undertake Equalities training

Going Concern

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

Conclusion

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

Approved by order of the members of the Board on 6 December 2016 and signed on its behalf by:

Brian Johnstone
Chairman

Carol Turnbull
Principal

Statement of the Board of Management's Responsibilities

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

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

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

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

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

The Board of Management has taken reasonable steps to:

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

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

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

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

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

Approved by order of the members of the Board on 6 December 2016 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 2014/15 Government Financial Reporting Manual (FReM) issued by the Scottish Government, which is relevant for the financial period ending 31 July 2016.

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

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

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

Remuneration Policy

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

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration, terms and conditions (and, where appropriate severance payments) of the Principal, members of the Executive Management Team and the Secretary to the Board. The Committee meets at least once per year. Details of the remuneration of senior post-holders for the period ended 31 July 2016 are set out in note 8 to the financial statements.

Remuneration including salary entitlements

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

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

| | 12 Month period ended 31 July 2016 | | 16 Month period ended 31 July 2015 | |
|----------------------|---------------------------------------|-----------------------|---------------------------------------|-----------------------|
| | Number senior post- holders | Number other staff | Number senior post-holders | Number other staff |
| £60,001 to £65,000 | 3 | 0 | 0 | 3 |
| £65,001 to £70,000 | 0 | 0 | 0 | 0 |
| £70,001 to £75,000 | 0 | 0 | 1 | 0 |
| £75,001 to £80,000 | 0 | 0 | 0 | 0 |
| £80,001 to £85,000 | 0 | 0 | 2 | 0 |
| £85,001 to £90,000 | 0 | 0 | 0 | 0 |
| £90,001 to £95,000 | 1 | 0 | 0 | 0 |
| £95,001 to £100,000 | 0 | 0 | 0 | 0 |
| £100,001 to £105,000 | 0 | 0 | 0 | 0 |
| £105,001 to £110,000 | 0 | 0 | 0 | 0 |
| £110,001 to £115,000 | 0 | 0 | 0 | 0 |
| £115,001 to £120,000 | 0 | 0 | 0 | 0 |
| £120,001 to £125,000 | 0 | 0 | 1 | 0 |
| | <u>4</u> | <u>0</u> | <u>4</u> | <u>3</u> |

During the period, the College made no payments for compensation on early retirement or loss of office (2014-15 - £nil).

Remuneration and Staff Report (continued)

During the period, the College made no non-cash benefits available to staff (2014-15 - 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 2015-16 was £95,000. (2014-15 - £95,000 on a pro-rata 12 month basis). This was 4 times (2014-15 4 times) the median remuneration of the workforce which was £24,000 (2014-15 £24,000).

Salary entitlements

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

| Name | 12 months ended 31 July 2016 | | | 16 months ended 31 July 2015 | | |
|-----------------------|------------------------------|-----------------------------|----------------|------------------------------|--------------------------|----------------|
| | Actual | | | Actual | | |
| | Salary £'000 | Pension benefit £'000 | Total £'000 | Salary £'000 | Pension benefit £'000 | Total £'000 |
| B. Johnstone - Actual | 20 | 0 | 20 | 30 | 0 | 30 |
| C. Turnbull - Actual | 95 | 50 | 145 | 125 | 35 | 160 |
| J. Brown - Actual | 65 | 25 | 90 | 80 | 35 | 115 |
| H. Pedley - Actual | 65 | 25 | 90 | 75 | 30 | 105 |
| S.A. Wright - Actual | 65 | 50 | 115 | 85 | 20 | 105 |

| Name | Annual Equivalent | | | Annual Equivalent | | |
|----------------------------------|-------------------|-----------------------------|----------------|-------------------|--------------------------|----------------|
| | Annual Equivalent | | | Annual Equivalent | | |
| | Salary £'000 | Pension benefit £'000 | Total £'000 | Salary £'000 | Pension benefit £'000 | Total £'000 |
| B. Johnstone - Annual Equivalent | 20 | 0 | 20 | 20 | 0 | 20 |
| C. Turnbull - Annual Equivalent | 95 | 50 | 145 | 95 | 25 | 120 |
| J. Brown - Annual Equivalent | 65 | 25 | 90 | 65 | 25 | 90 |
| H. Pedley - Annual Equivalent | 65 | 25 | 90 | 55 | 25 | 80 |
| S.A. Wright - Annual equivalent | 65 | 50 | 115 | 65 | 15 | 80 |

The salary and pension benefits above are shown in bands of £5,000 in accordance with the 2014/15 Government Financial Reporting Manual. 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.

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 19.

Remuneration and Staff Report (continued)**Changes to the Local Government Pension Scheme**

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

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

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

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

Senior Executives Pension

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

| | Accrued pension at pension age at 31 July 2016 | Accrued lump sum at pension age at 31 July 2016 | Real increase in pension 1 August 2015 to 31 July 2016 | Real increase in lump sum 1 August 2015 to 31 July 2016 | CETV at 31 July 2016 | CETV at 31 July 2015 | Real increase in CETV |
|--------------|--|---|--|---|----------------------|----------------------|-----------------------|
| Name | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| B. Johnstone | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| C. Turnbull | 35 | 70 | 2.5 | 2.5 | 742 | 674 | 68 |
| J. Brown | 30 | 60 | 2.5 | 2.5 | 570 | 517 | 53 |
| H. Pedley | 25 | 50 | 2.5 | 2.5 | 390 | 365 | 25 |
| S.A. Wright | 25 | 70 | 2.5 | 7.5 | 449 | 391 | 58 |

Cash Equivalent Transfer Value

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

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

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

1. The figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement:
2. The accrued benefits figures are reflective of the pension contributions that both the employer and scheme member have made over a period of time.

Real increase in CETV

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

Remuneration and Staff Report (continued)**Compensation for loss of office**

No employees left under voluntary exit terms during the year.

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 | 2015-16 Total £'000 | Directly employed staff £'000 | Seconded and agency staff £'000 | 2014-15 Total £'000 |
|-----------------------|---|--|---------------------------|--|---------------------------------------|---------------------------|
| Wages and salaries | 6,140 | 46 | 6,186 | 7,711 | 61 | 7,772 |
| Social security costs | 457 | 0 | 457 | 527 | 0 | 527 |
| Other pension costs | 1,372 | 0 | 1,372 | 1,640 | 0 | 1,640 |
| Total | 7,969 | 46 | 8,015 | 9,878 | 61 | 9,939 |
| Average number of FTE | 213 | 1.5 | 214.5 | 209 | 2 | 211 |

The College employed 195 females and 120 males as at 31 July 2016. Of the four College Senior Executives, one is male and three are female.

Sickness Absence

The total number of days lost per full-time equivalent (FTE) to sickness absence during 2015-16 was 6.4 days, which has decreased from 2014-15 which was 7.5 days.

Policies in relation to disabled persons

The College is committed to a policy of equal opportunities for all staff and students, irrespective of their sex, marital status, age, race, ethnic origin, sexual orientation, disability, religion or belief, working pattern, employment status, gender identity, caring responsibility or trade union membership. We aim to create an environment which enables everyone to participate fully in their chosen studies and college life. The College supports inclusiveness and widening access in all forms. We aim to design our curriculum to be as accessible as possible for all students and provide extra support where this is reasonable. This includes the provision of alternative formats for curriculum material, physical access and financial assistance where students are eligible for third party support such as scribes and signers. The College undertakes to develop all staff and positively values the different perspectives and skills each bring to work.

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

Expenditure on consultancy and payroll arrangements

Consultancy expenditure of £40,000 was incurred in respect of architectural and other specialist services relating to property and IT developments during the year to July 2016.

Exit packages

No Board member or senior manager left under voluntary or compulsory exit schemes in 2015-16 (2014-15 - none)

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

We have audited the financial statements of Dumfries and Galloway College for the year ended 31 July 2016 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, Statement of Cash Flows, Statement of Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Financial Reporting Standard (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board of Management and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2016 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).

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.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration and Staffing Report to be audited has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Ministers; and
- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept; or
- the financial statements and the part of the Remuneration and Staffing Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Corporate Governance Report does not comply with Scottish Funding Council requirements.

We have nothing to report in respect of these matters.

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

XX December 2016

Statement of Comprehensive Income

| | | Year ended 31 July | Period ended 31 July (restated) |
|---|------|-----------------------|--|
| | Note | 2016 | 2015 |
| | | £000 | £000 |
| INCOME | | | |
| SFC grants | 2 | 9,909 | 12,906 |
| Tuition fees and education contracts | 3 | 1,719 | 2,271 |
| Other grant income | 4 | 395 | 1,760 |
| Other operating income | 5 | 422 | 569 |
| Endowment and investment income | 6 | 11 | 16 |
| Total Income | | 12,456 | 17,522 |
| EXPENDITURE | | | |
| Staff costs excluding exceptional costs | 7 | 7,969 | 9,878 |
| Fundamental restructuring costs | | 0 | 0 |
| Other operating expenses | 9 | 3,930 | 6,002 |
| Transfer to Arms Length Foundation | 9 | 0 | 18 |
| Depreciation | 12 | 1,197 | 1,579 |
| Interest and other finance costs | 10 | 193 | 237 |
| Total Expenditure | | 13,289 | 17,714 |
| (Deficit)/ Surplus before tax | | (833) | (192) |
| Taxation | | 0 | 0 |
| (Deficit)/ Surplus for the year | | (833) | (192) |
| Unrealised deficit on revaluation of land and buildings | | 0 | (1,785) |
| Actuarial (loss) in respect of pension schemes | 19 | (1,825) | (691) |
| Total comprehensive income for the year | | (2,658) | (2,668) |
| Represented by: | | | |
| Unrestricted comprehensive income for the year | | (2,658) | (2,668) |

All items of income and expenditure relate to continuing activities.

A significant consequence of reclassification as central government bodies, from 1 April 2014, while the College prepares accounts under the 2015 Statement of Recommended Practice and Financial Reporting Standards FRS 102, it is also required to comply with Central Government budgeting rules. This affects, among other things, the way in which non-cash depreciation charges are treated. For the 2015-16 budget period the College received cash for budgeted depreciation costs, and without approval to spend this cash, moving the College's Statement of Comprehensive Income into a deficit position, it would have been effectively frozen. The underlying operating position would therefore have been a small surplus before accounting for this additional expenditure and the adjustments for the pension valuation for the Local Government Pension Scheme at 31 July 2016 in accordance with the technical accounting requirements of IAS 19, as detailed at Note 19.

The Scottish Funding Council issued guidance to the College on this matter on 30 March 2015 which provided approval for the depreciation cash budget to be used for specific other areas of expenditure. During 2015-16, £380,000 of depreciation cash budget was used to fund pay costs and curriculum developments. In addition, the accounting adjustments to update the LGPS valuation at 31 July 2016 have resulted in a net charge of £464,000 to expenditure. The impact of the above has contributed £844,000 to the reported deficit for the 2015-16 financial period (2014-15 - £896,000). However, the Scottish Funding Council has confirmed (in its letter to the College on 30 March 2015) that a deficit resulting from the College following its 30 January 2015 guidance should be treated as a 'technical' deficit and should not be interpreted, on its own, as a challenge to the College's ongoing financial sustainability. This position has been agreed with Audit Scotland and the Scottish Government.

Statement of Changes in Reserves for the year ended 31 July 2016

| | Income and expenditure reserve | Revaluation reserve | Total |
|--|--------------------------------------|------------------------|---------------------|
| | £000 | £000 | £000 |
| Balance at 1 April 2014 | 2,941 | 6,614 | 9,555 |
| Surplus/ (Deficit) from the income and expenditure statement | (192) | 0 | (192) |
| Other comprehensive income | (691) | (1,785) | (2,476) |
| Transfers between revaluation and income and expenditure reserve | 264 | (264) | 0 |
| Release of restricted capital funds spent in period | 0 | 0 | 0 |
| | <u>(619)</u> | <u>(2,049)</u> | <u>(2,668)</u> |
| Balance at 1 August 2015 | 2,322 | 4,565 | 6,887 |
| Surplus/ (Deficit) from the income and expenditure statement | (833) | 0 | (833) |
| Other comprehensive income | (1,825) | 0 | (1,825) |
| Transfers between revaluation and income and expenditure reserve | 144 | (144) | 0 |
| Release of restricted capital funds spent in year | 0 | 0 | 0 |
| | <u>(2,514)</u> | <u>(144)</u> | <u>(2,658)</u> |
| Total comprehensive income for the year | (2,514) | (144) | (2,658) |
| Balance at 31 July 2016 | <u>(192)</u> | <u>4,421</u> | <u>4,229</u> |

Balance Sheet as at 31 July 2016

| | | Year ended 31 July 2016 | Period ended 31 July (restated) 2015 |
|--|------|-------------------------------|--|
| | Note | £000 | £000 |
| Non-current assets | | | |
| Fixed assets | 12 | <u>36,756</u> | <u>37,953</u> |
| Current Assets | | | |
| Trade and other receivables | 13 | 511 | 297 |
| Cash at cash equivalents | 14 | <u>1,947</u> | <u>2,163</u> |
| Total current assets | | 2,458 | 2,460 |
| Less: Creditors - amounts falling due within one year | 15 | <u>(2,984)</u> | <u>(2,631)</u> |
| Net Current Assets/ (Liabilities) | | <u>(526)</u> | <u>(171)</u> |
| Total Assets less Current Liabilities | | 36,230 | 37,782 |
| Less: Creditors - amounts falling due after more than one year | 16 | (23,710) | (24,880) |
| Provisions | | | |
| Pension provisions | 17 | (8,291) | (6,006) |
| Other provisions | | <u>0</u> | <u>(9)</u> |
| Total net assets | | <u><u>4,229</u></u> | <u><u>6,887</u></u> |
| Unrestricted Reserves | | | |
| Income and expenditure reserve - unrestricted | | (192) | 2,322 |
| Revaluation reserve | | 4,421 | 4,565 |
| Total reserves | | <u><u>4,229</u></u> | <u><u>6,887</u></u> |

The financial statements on pages 27 to 51 were approved by the Board of Management on 6 December 2016 and were signed on its behalf by:

Brian Johnstone
Chairman

Carol Turnbull
Principal

Statement of Cash Flows for the year ended 31 July 2016

| | Year ended 31 July | ended 31 July (restated) |
|--|-----------------------|--------------------------------|
| Note | 2016 | 2015 |
| | £000 | £000 |
| Cash flow from operating activities | | |
| (Deficit)/ Surplus for the period | (833) | (192) |
| Adjustment for non-cash items | | |
| Depreciation | 1,197 | 1,579 |
| Decrease/ (increase) in debtors | (214) | 704 |
| (Decrease)/ increase in creditors | (817) | (1,904) |
| Increase/ (decrease) in pension provision | 460 | 646 |
| Increase/ (decrease) in other provisions | (9) | 0 |
| Adjustment for investing or financing activities | | |
| Investment income | 0 | 0 |
| Interest payable | 0 | 0 |
| (Loss)/ Profit on sale of fixed assets | 0 | (16) |
| Net cash (Outflow)/ Inflow from operating activities | <u>(216)</u> | <u>817</u> |
| Cash flows from investing activities | | |
| Proceeds from sales of fixed assets | 0 | 18 |
| Investment income | 0 | 0 |
| Payments to acquire fixed assets | 0 | (799) |
| | <u>0</u> | <u>(781)</u> |
| Cash flows from financing activities | | |
| Interest paid | 0 | 0 |
| Repayments of amounts borrowed | 0 | 0 |
| | <u>0</u> | <u>0</u> |
| (Decrease)/ increase in cash and cash equivalents in the period | <u>(216)</u> | <u>36</u> |
| Cash and cash equivalents at beginning of the period | 2,163 | 2,127 |
| Cash and cash equivalents at end of the period | 1,947 | 2,163 |

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 2015-16 Government Financial Reporting Model (FReM) issued by the Scottish Government and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

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

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

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

1.2 Recognition of income

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

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

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

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

Where the College has more discretion in the manner in which specific funds are disbursed, and those funds do not meet the definition of agency funds, those funds are shown as College income and expenditure.

Grant funding

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

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

Notes to the Financial Statements (continued)**1. Statement of Accounting Policies (continued)****1.2 Recognition of income (continued)*****Donations and endowments***

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

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

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

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

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

Capital grants

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

1.3 Fixed assets

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

Land and buildings

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

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

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

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

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

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

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2016. They are not depreciated until they are brought into use.

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

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

Equipment

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

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

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

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

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

Borrowing costs

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

1.4 Finance leases

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

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

1.5 Operating leases

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

1.6 Cash and cash equivalents

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

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

Notes to the Financial Statements (continued)**1. Statement of Accounting Policies (continued)****1.7 Taxation**

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

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

1.8 Accounting for retirement benefits

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

Scottish Teachers' Superannuation Scheme

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

Dumfries and Galloway Council Pension Fund

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

Defined Contribution Plan

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

Defined Benefit Plan

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

Notes to the Financial Statements (continued)**1. Statement of Accounting Policies (continued)****1.9 Employment benefits**

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

1.10 Financial Instruments

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

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

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

1.11 Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) the College has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

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

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

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

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

1.12 Reserves

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

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

1.13 Transition to 2015 SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 SORP has affected the reported financial position, financial performance and cash flows of the College is provided in note 27.

Notes to the Financial Statements (continued)

| | Year ended 31 July 2016 £000 | Period ended 31 July 2015 £000 |
|---|---------------------------------------|--|
| 2 SFC Grants | | |
| FE recurrent grant (including fee waiver) | 8,327 | 11,082 |
| FE and HE childcare funds | 279 | 374 |
| Release of deferred capital grants | 672 | 888 |
| Infrastructure grant | 379 | 379 |
| Other SFC grants | 252 | 183 |
| Total | 9,909 | 12,906 |
| 3 Tuition Fees and education contracts | | |
| FE fees - UK | 411 | 448 |
| HE fees | 749 | 919 |
| SDS contracts | 333 | 517 |
| Education contracts | 0 | 2 |
| Other contracts | 226 | 385 |
| Total | 1,719 | 2,271 |
| 4 Other grant income | | |
| European funds | 0 | 84 |
| Release of deferred capital grants | 87 | 116 |
| Scottish Colleges Foundation grant (Note 9) | 286 | 1,492 |
| Other grants | 22 | 68 |
| Total | 395 | 1,760 |
| 5 Other operating income | | |
| Residences and catering | 375 | 486 |
| Other income-generating activities | 19 | 34 |
| Other income | 28 | 49 |
| Total | 422 | 569 |

Notes to the Financial Statements (continued)

| | Year ended 31 July 2016 £000 | Period ended 31 July 2015 £000 |
|--|---------------------------------------|--|
| 6 Endowment and investment income | | |
| Bank interest | 11 | 16 |
| 7 Staff costs | | |
| Wages and salaries | 6,140 | 7,711 |
| Social security costs | 457 | 527 |
| Other pension costs (including IAS 19 adjustments of £271k (2015 - £363k) note 19) | 1,372 | 1,640 |
| Staff costs excluding exceptional costs | 7,969 | 9,878 |
| Exceptional costs - severance costs | 0 | 0 |
| Staff costs including exceptional costs | 7,969 | 9,878 |
| Academic/ Teaching departments | 4,055 | 4,988 |
| Academic/ Teaching services | 929 | 1,096 |
| Administration and central services | 2,510 | 3,109 |
| Premises | 363 | 531 |
| Other expenditure | 112 | 154 |
| Catering and residences | 0 | 0 |
| Total | 7,969 | 9,878 |

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

| | No. | No. |
|-------------------------------------|------------|------------|
| Academic/ Teaching departments | 86 | 82 |
| Academic/ Teaching services | 21 | 19 |
| Administration and central services | 89 | 92 |
| Premises | 14 | 13 |
| Other expenditure | 3 | 3 |
| Catering and residences | 0 | 0 |
| Total | 213 | 209 |

Notes to the Financial Statements (continued)

7 Staff costs (continued)

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

| | Year ended 31 July 2016 | | Period ended 31 July 2015 | |
|-------------------------------|----------------------------|--------------------|----------------------------|--------------------|
| | Number senior post-holders | Number other staff | Number senior post-holders | Number other staff |
| £60,001 to £70,000 per annum | 3 | 0 | 2 | 0 |
| £70,001 to £80,000 per annum | 0 | 0 | 0 | 0 |
| £80,001 to £90,000 per annum | 0 | 0 | 0 | 0 |
| £90,001 to £100,000 per annum | 1 | 0 | 1 | 0 |
| | 4 | 0 | 3 | 0 |

8 Senior post-holders' emoluments

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

| 2016 No. | 2015 No. |
|-------------|-------------|
| 4 | 4 |

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

| | Year ended 31 July 2016 | Period ended 31 July 2015 |
|-----------------------|----------------------------|------------------------------|
| | £ | £ |
| Salaries | 278,845 | 383,118 |
| Pension contributions | 54,622 | 69,749 |
| Total emoluments | 333,467 | 452,867 |

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

| | £ | £ |
|--------------------------------|---------------|---------|
| Salary (including holiday pay) | 93,785 | 122,100 |
| Pension contributions | 19,038 | 23,975 |

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

The members of the Board of Management, other than the Principal, Regional Chairman, and staff members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. Travel expenses reimbursed to three members of the Board of Management during the year amounted to £614.

Notes to the Financial Statements (continued)

| | Year ended 31 July 2016 | Period ended 31 July 2015 |
|---|-------------------------------|------------------------------------|
| 9 Other operating expenses | £000 | £000 |
| Teaching departments | 1,003 | 1,155 |
| Administration and central services | 1,087 | 1,454 |
| Premises costs (including additional Lennartz credit £170,000. 2015- charge - £90,000, note 16) | 572 | 1,277 |
| Planned maintenance | 713 | 1,335 |
| Other employee related costs | 130 | 215 |
| (Gain)/ Loss on disposal of fixed assets | 0 | (16) |
| Agency Staff Costs | 46 | 61 |
| Residences and catering | 379 | 516 |
| Overspend on student support funds | 0 | 5 |
| | 3,930 | 6,002 |
| Transfer to Arms Length Foundation | 0 | 18 |
| Total | 3,930 | 6,020 |
| Other operating costs include: | | |
| Auditors' remuneration | | |
| - external audit of these financial statements | 15 | 15 |
| -internal audit services * | 14 | 24 |
| - other services | 5 | 0 |
| Hire of plant and machinery - operating leases | 84 | 106 |

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

The College is participating in the Scottish Colleges Foundation, an independent trust which was established with the purposes of supporting further and higher education colleges in Scotland. No donations from the College to the Foundation were made in the period to 31 July 2016 (2015 - £17,500). The Foundation has continued to provide financial support for developments during the current financial period, as detailed at Note 4, and the College will be able to apply for funding for future projects which will not be able to be met from reserves after 1 April 2014 due to re-classification of the College sector.

A significant consequence of reclassification of the College as a central government body is that, from 1 April 2014, while the College continues to prepare accounts under the 2015 Statement of Recommended Practice and FRS 102, it is now also required to comply with Central Government budgeting rules. This affects, among other things, the way in which non-cash depreciation charges are treated as well as accounting for the annual valuation of the Local Government Pension Scheme (LGPS). During the 2015-16 budget period the College received cash for budgeted depreciation costs, and without approval to spend this cash, it would have been effectively frozen. The underlying operating position would therefore have been a small surplus before accounting for this additional expenditure and the adjustments for the pension valuation.

The Scottish Funding Council issued guidance to the College on this matter on 30 March 2015 which provided approval for the depreciation cash budget to be used for specific other areas of expenditure. During 2015-16, £380,000 of depreciation cash budget was used to fund pay costs and curriculum developments. In addition, the accounting adjustments to update the LGPS valuation at 31 July 2016 have resulted in a net charge of £464,000 to expenditure.

The impact of the above has contributed £844,000 to the reported deficit for the 2015-16 financial period (2014-15 - £896,000). However, the Scottish Funding Council has confirmed (in its letter to the College on 30 March 2015) that a deficit resulting from the College following its 30 January 2015 guidance should be treated as a 'technical' deficit and should not be interpreted, on its own, as a challenge to the College's ongoing financial sustainability. This position has been agreed with Audit Scotland and the Scottish Government.

Notes to the Financial Statements (continued)

| | Year ended 31 July 2016 £000 | Period ended 31 July 2015 £000 |
|--|---------------------------------------|--|
| 10 Interest payable | | |
| Net interest cost on pension liability (note 19) | <u>193</u> | <u>237</u> |

11 Taxation

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

12 Tangible Fixed Assets

| | Land and Buildings £000 | Fixtures, Fittings and Equipment £000 | Motor Vehicles £000 | Total £000 |
|----------------------------|-------------------------------|--|---------------------------|----------------------|
| Cost or valuation | | | | |
| At 1 August 2015 | 38,209 | 337 | 253 | 38,799 |
| Additions | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 |
| At 31 July 2016 | <u>38,209</u> | <u>337</u> | <u>253</u> | <u>38,799</u> |
| Depreciation | | | | |
| At 1 August 2015 | 393 | 286 | 167 | 846 |
| Provided during period | 1,164 | 14 | 19 | 1,197 |
| On disposals | 0 | 0 | 0 | 0 |
| At 31 July 2016 | <u>1,557</u> | <u>300</u> | <u>186</u> | <u>2,043</u> |
| NBV at 1 August 2015 | <u>37,816</u> | <u>51</u> | <u>86</u> | <u>37,953</u> |
| NBV at 31 July 2016 | <u>36,652</u> | <u>37</u> | <u>67</u> | <u>36,756</u> |
| Inherited | 3,820 | 0 | 0 | 3,820 |
| Financed by capital grant | 32,832 | 37 | 64 | 32,933 |
| Other | 0 | 0 | 3 | 3 |
| At 31 July 2016 | <u>36,652</u> | <u>37</u> | <u>67</u> | <u>36,756</u> |

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

Inherited Land and Buildings with a net book value of £36,652,000 have been partially financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Council, to surrender the proceeds.

Notes to the Financial Statements (continued)

12 Tangible Fixed Assets (continued)

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

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

13 Debtors: Amounts falling due within one year

| | Year ended 31 July 2016 £000 | Period ended 31 July 2015 £000 |
|---|---------------------------------------|--|
| Trade debtors - net of provision for doubtful debts | 50 | 56 |
| Prepayments and accrued income | 461 | 241 |
| | <u>511</u> | <u>297</u> |

14 Cash and cash equivalents

| | 31 July 2016 £000 | 31 July 2015 £000 |
|---------------------------|-------------------------|-------------------------|
| Cash and cash equivalents | 1,947 | 2,163 |

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

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

15 Creditors: Amounts falling due within one year

| | Year ended 31 July 2016 £000 | Period ended 31 July 2015 £000 |
|--|---------------------------------------|--|
| Trade creditors | 73 | 19 |
| VAT | 86 | 96 |
| HMRC Lennartz Scheme | 333 | 373 |
| Other taxation and social security | 141 | 118 |
| Pension | 130 | 115 |
| Contract retentions | 131 | 142 |
| Accruals and deferred income | 969 | 761 |
| Deferred capital grants | 758 | 756 |
| Bursaries and Access funds for future disbursement (note 14) | 363 | 251 |
| | <u>2,984</u> | <u>2,631</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 16 in accordance with the requirements of FRS 102 and the 2015 SORP. The impact of the transition to FRS 102 and the 2015 SORP on the 31 July 2015 Balance Sheet and Statement of Comprehensive Income is detailed in note 27, and has increased current creditors at 31 July 2015 by £756,000 and long-term creditors at 31 July 2015 by

Notes to the Financial Statements (continued)

16 Creditors: Amounts falling due after more than one year

| | Year ended 31 July 2016 | Period ended 31 March 2015 |
|-------------------------|-------------------------------|-------------------------------------|
| | £000 | £000 |
| HMRC Lennartz Scheme | 333 | 745 |
| Deferred capital grants | 23,377 | 24,135 |
| | 23,710 | 24,880 |

The estimated future liability under the Lennartz agreement was recalculated during the period, and showed a net decrease of £170,000 which has been credited to premises costs (note 9).

Deferred capital grants to be released within one year are included within current creditors, and the balance of deferred capital grants within long term creditors at note 16 in accordance with the requirements of FRS 102 and the 2015 SORP. The impact of the transition to FRS 102 and the 2015 SORP on the 31 July 2015 Balance Sheet and Statement of Comprehensive Income is detailed in note 27, and has increased current creditors at 31 July 2015 by £756,000 and long-term creditors at 31 July 2015 by £24,135,000.

17 Provisions for liabilities and charges

| | Early Retirement pension costs | Defined Pension obligations (Note 19) | Other | 2015-16 Total | 2014-15 Total |
|---|--------------------------------------|--|----------|------------------|------------------|
| At 1 August 2015 | 787 | 5,219 | 9 | 6,015 | 4,678 |
| Expenditure in the period | (48) | (582) | (9) | (639) | 299 |
| Additional provision required in period | 36 | 853 | 0 | 889 | 95 |
| Revaluation adjustment | 0 | 1,825 | 0 | 1,825 | 691 |
| Interest charged | 8 | 193 | 0 | 201 | 252 |
| At 31 July 2016 | 783 | 7,508 | 0 | 8,291 | 6,015 |

The Early Retirement pension costs provision has been revalued using actuarial tables supplied by the Scottish Funding Council. The net interest rate applied was 0.5%.

Other provisions relate to redundancy costs.

18 Lease obligations

| | Year ended 31 July 2016 £000 | 2015 £000 |
|--|---------------------------------------|--------------|
| Total rentals under operating leases for equipment are as follows: | | |
| Payable during the period | 53 | 48 |
| Future minimum lease payments due: | | |
| - Not later than 1 year | 4 | 48 |
| - Later than 1 year and not later than 5 years | 248 | 182 |
| Total lease payments due | 252 | 230 |

Notes to the Financial Statements (continued)

19 Pensions and similar obligations

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

The total pension costs for the institution was :

| | 12 months to July 2016 £000 | 16 months to July 2015 £000 |
|---|--|--|
| Contribution to STSS | 513 | 580 |
| Contribution to LGPS | 557 | 682 |
| Pension costs as a result of implementing FRS 102 | 464 | 600 |
| Total pension cost | 1,534 | 1,862 |

Employer contribution rates during the period were:

STSS - 14.9% to August 2015

- 17.2% from September 2015

LGPS - 20.3% plus a monetary payment as noted below

The Scottish Teachers Superannuation Scheme

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

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

| | |
|---|----------|
| Rate of return on investments in excess of rate of increase in salaries | 2.0% |
| Rate of return on investments in excess of rate of increase in pensions | 3.5% |
| Market value of the assets as at 31 March 2005 | £18,474m |

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

The College is unable to identify its share of the underlying assets and liabilities in the STSS scheme on a consistent and reasonable basis and therefore, as required by FRS 102 (28), the College accounts for contributions to this scheme as if it were a defined contribution scheme.

The Local Government Pension Scheme (LGPS)

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

The triennial valuation of the Dumfries and Galloway Council Pension Fund was carried out as at 31 March 2014 by Hymans Robertson LLP. The valuation for Dumfries and Galloway College's participation in the Dumfries and Galloway Council Pension Fund was updated by Hymans Robertson as at 31 July 2016.

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

2015/16 - 20.3% of pensionable pay plus £23,000

2016/17 - 20.3% of pensionable pay plus £24,000

2017/18 - 20.3% of pensionable pay plus £25,000

Notes to the Financial Statements (continued)

19 Pensions and similar obligations (continued)

Assumptions

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

| | As at 31/07/16 | As at 31/07/15 |
|--|----------------|----------------|
| | % | % |
| Discount rate | 2.40% | 3.60% |
| Expected rate of return on plan assets | 2.40% | 3.60% |
| Future salary increases | 3.90% | 4.50% |
| Inflation/ pension rate increase | 1.90% | 2.60% |

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

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

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

Scheme assets and expected rate of return for LGPS

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

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

| | Year ended 31 July 2016 | Period ended 31 July 2015 | Period ended 31 March 2014 |
|------------------------------|-------------------------------|---------------------------------|-------------------------------------|
| | Fair value £000 | Fair value £000 | Fair value £000 |
| Equities | 13,016 | 12,143 | 10,025 |
| Corporate bonds | 3,031 | 2,429 | 2,005 |
| Property | 1,783 | 1,619 | 1,069 |
| Other | 0 | 0 | 267 |
| | 17,830 | 16,191 | 13,366 |
| Actual return on plan assets | 809 | 1,524 | 498 |

Notes to the Financial Statements (continued)

19 Pensions and similar obligations (continued)

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

| | Year ended 31 July 2016 | Period ended 31 July 2015 |
|---|-------------------------------|------------------------------------|
| | £000 | £000 |
| Scheme assets | 17,830 | 16,191 |
| Scheme liabilities | <u>(25,314)</u> | <u>(21,387)</u> |
| | (7,484) | (5,196) |
| Present value of unfunded defined benefit obligations | <u>(24)</u> | <u>(23)</u> |
| Deficit in the scheme - net pension liability | <u>(7,508)</u> | <u>(5,219)</u> |
| | | |
| Current service cost | <u>(853)</u> | <u>(1,045)</u> |
| Total operating charge | <u>(853)</u> | <u>(1,045)</u> |

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

| | | |
|---|---------------------|---------------------|
| Interest cost | (780) | (1,022) |
| Expected return on assets | 587 | 785 |
| Interest on net deficit | | 0 |
| Net charge to other finance income | <u>(193)</u> | <u>(237)</u> |
| | | |
| Total income and expenditure charge before deduction for tax | (1,046) | (1,282) |

Analysis of other comprehensive income for LGPS pensions:

| | | |
|--|-----------------------|---------------------|
| Gain on assets | 809 | 1,567 |
| Experience loss on liabilities | (2,634) | (2,258) |
| Total other comprehensive income before deduction for tax | <u>(1,825)</u> | <u>(691)</u> |

Notes to the Financial Statements (continued)

19 Pensions and similar obligations (continued)

| | Period ended 31 July 2016 | Period ended 31 July 2015 |
|---|---------------------------------|------------------------------------|
| Analysis of movement in surplus/ (deficit) for LGPS pensions | | |
| Deficit at the beginning of the period | (5,219) | (3,928) |
| Contributions paid by the College | 582 | 682 |
| Current service cost | (853) | (1,045) |
| Other finance charge | (193) | (237) |
| (Loss) recognised in other comprehensive income | <u>(1,825)</u> | <u>(691)</u> |
| Deficit at the end of the period | <u>(7,508)</u> | <u>(5,219)</u> |
| Movement in the present value of the fair value of pension plan assets | | |
| Present value of assets at the start of the period | 16,191 | 13,366 |
| Interest income | 587 | 785 |
| Participants contributions | 163 | 211 |
| College contributions | 582 | 682 |
| Benefits paid | (502) | (420) |
| Return on assets | <u>809</u> | <u>1,567</u> |
| Present value of assets at the end of the period | <u>17,830</u> | <u>16,191</u> |
| Movement in the present value of pension liabilities | | |
| Present value of obligations at the start of the period | (21,410) | (17,294) |
| Current service costs (net of member contributions) | (853) | (1,045) |
| Interest cost | (780) | (1,022) |
| Participants contributions | (163) | (211) |
| Benefits paid | 502 | 420 |
| Change in financial assumptions and other experience | <u>(2,634)</u> | <u>(2,258)</u> |
| Present value of obligations at the end of the period | <u>(25,338)</u> | <u>(21,410)</u> |

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

Notes to the Financial Statements (continued)

20 Related Party Transactions

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

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

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

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

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

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

The Crichton Foundation has previously provided grant funding towards the Henry Duncan building, which forms part of the Crichton Campus. During the year ended 31 July 2016 the Crichton Foundation provided grant funding of £10,000 for student support in 2015-16 which was fully disbursed to students by the College during the period, and £10,000 was received in July 2016 which will be disbursed to students during 2016-17. In addition, £1,500 was invoiced to Crichton Foundation in respect of prizes for the annual College Award Ceremony. No balances were outstanding at 31 July 2016.

The College provided training courses to Dumfries and Galloway Housing Partnership during the year ended 31 July 2016. Invoices to Dumfries and Galloway Housing Partnership amounted to £9,073. No balances were due to the College from Dumfries and Galloway Housing Partnership at 31 July 2016.

The College has engaged William Waugh & Sons (Builders) Ltd for various maintenance works during the period, following tender exercises in line with standard College procurement procedures. Invoices from William Waugh & Sons during the period amounted to £21,229. No balances were due to William Waugh by the College at 31 July 2016.

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 three members of the Board of Management during the year amounted to £614.

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

Notes to the Financial Statements (continued)

21 FE Bursaries and other Student Support Funds

| | FE | | | Period ended 31 July 2016 | Period ended 31 July 2015 |
|---|---------|-------|-------|---------------------------------|------------------------------------|
| | Bursary | EMA's | Other | £000 | £000 |
| Balance brought forward | 239 | 0 | 0 | 239 | 0 |
| Allocation received in period (including interest) | 1,800 | 279 | 139 | 2,218 | 3,175 |
| | 2,039 | 279 | 139 | 2,457 | 3,175 |
| Expenditure | (1,557) | (279) | (161) | (1,997) | (2,871) |
| Repayable to Funding Council as Clawback | (133) | 0 | 0 | (133) | 0 |
| College Contribution to funds | 0 | 0 | 1 | 1 | 13 |
| Virements between FE and HE Childcare and FE Discretionary funds | 0 | 0 | 21 | 21 | (78) |
| Balance Carried forward | 349 | 0 | 0 | 349 | 239 |
| Represented by: | | | | | |
| Repayable to Funding Council as Clawback | 243 | 0 | 0 | 243 | 239 |
| Retained by College for Students | 106 | 0 | 0 | 106 | 0 |
| | 349 | 0 | 0 | 349 | 239 |

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

22 FE and HE Childcare Funds

| | Period ended 31 July 2016 | Period ended 31 July 2015 |
|--|---------------------------------|------------------------------------|
| | £000 | £000 |
| Balance brought forward | 0 | 0 |
| Allocation received in period | 303 | 296 |
| | 303 | 296 |
| Expenditure | (279) | (374) |
| Virements to FE Discretionary funds | (21) | 78 |
| Balance Carried forward | 3 | 0 |
| Represented by: | | |
| Repayable to Funding Council as Clawback | 3 | 0 |
| Retained by College for Students | 0 | 0 |
| | 3 | 0 |

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

23 Capital Commitments

Provision has not been made for the following capital commitments at 31 July 2016:

| | Period ended 31 July 2016 | Period ended 31 July 2015 |
|----------------------------|---------------------------------|------------------------------------|
| | £000 | £000 |
| Commitments contracted for | 24 | 0 |

Notes to the Financial Statements (continued)

24 Post Balance Sheet Events

There are no post balance sheet events.

25 Contingent Liabilities

The College had no contingent liabilities at 31 July 2016 and 31 July 2015.

26 Comparatives

The comparative figures relate to the 16 month period 1 April 2014 to 31 July 2015.

27 Transition to FRS 102 and the 2015 SORP

As explained in the accounting policies, these are the College's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out on pages 40 to 44 have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for the period ended 31 July 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 April 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the College has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 SORP has affected the College's financial position, financial performance and cash flows is set out in the following tables.

| Notes | 1 April 2014 | | | 31 July 2015 | | |
|---|---------------|-------------------------|--------------|---------------|-------------------------|--------------|
| | 2007 SORP | Effect of transition to | 2015 SORP | 2007 SORP | Effect of transition to | 2015 SORP |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Non-current assets | | | | | | |
| Fixed Assets | 40,521 | 0 | 40,521 | 37,953 | 0 | 37,953 |
| Current assets | | | | | | |
| Trade and other receivables | 1,001 | 0 | 1,001 | 297 | 0 | 297 |
| Cash and cash equivalents | 2,127 | 0 | 2,127 | 2,163 | 0 | 2,163 |
| | 3,128 | 0 | 3,128 | 2,460 | 0 | 2,460 |
| Less: Creditors: amounts falling due within one year | (2,464) | (745) | (3,209) | (1,875) | (756) | (2,631) |
| Net current (liabilities)/assets | 664 | (745) | (81) | 585 | (756) | (171) |
| Total assets less current liabilities | 41,185 | (745) | 40,440 | 38,538 | (756) | 37,782 |
| Creditors: amounts falling due after more than one year | (1,184) | (25,023) | (26,207) | (745) | (24,135) | (24,880) |
| Provisions | | | | | | |
| Provisions for liabilities | (750) | 0 | (750) | (796) | 0 | (796) |
| Other pension liability | (3,928) | 0 | (3,928) | (5,219) | 0 | (5,219) |
| Total net assets | 35,323 | (25,768) | 9,555 | 31,778 | (24,891) | 6,887 |
| Deferred capital grants | 26,980 | (26,980) | 0 | 26,727 | (26,727) | 0 |
| Unrestricted Reserves | | | | | | |
| Income and expenditure reserve - unrestricted | 1,729 | 1,212 | 2,941 | 486 | 1,836 | 2,322 |
| Revaluation reserve | 6,614 | 0 | 6,614 | 4,565 | | 4,565 |
| | 8,343 | 1,212 | 9,555 | 5,051 | 1,836 | 6,887 |
| Total Reserves | 35,323 | (25,768) | 9,555 | 31,778 | (24,891) | 6,887 |

Notes to the Financial Statements (continued)

27 Transition to FRS 102 and the 2015 SORP (continued)

| | 2007 SORP £'000 | STRGL £'000 | Effect of transition to 2015 SORP £000 | 2015 SORP £000 |
|---|--------------------|----------------|---|-------------------|
| Income | | | | |
| SFC grants | 12,906 | 0 | 0 | 12,906 |
| Tuition fees and education contracts | 2,271 | 0 | 0 | 2,271 |
| Other grant income | 1,136 | 0 | 624 | 1,760 |
| Other income | 569 | 0 | 0 | 569 |
| Endowment and investment income | 93 | 0 | (77) | 16 |
| Total income before donations and endowments | 16,975 | 0 | 547 | 17,522 |
| Donations and endowments | 0 | 0 | 0 | 0 |
| Total income | 16,975 | 0 | 547 | 17,522 |
| Expenditure | | | | |
| Staff costs | 9,878 | 0 | 0 | 9,878 |
| Fundamental restructuring costs | 0 | 0 | 0 | 0 |
| Other operating expenses | 6,002 | 0 | 0 | 6,002 |
| Transfer to Arms Length Foundation | 18 | 0 | 0 | 18 |
| Depreciation | 1,579 | 0 | 0 | 1,579 |
| Interest and other finance costs | 0 | 0 | 237 | 237 |
| Total expenditure | 17,477 | 0 | 237 | 17,714 |
| (Deficit)/ Surplus for the period | (502) | 0 | 310 | (192) |
| Unrealised (deficit) on revaluation of land and buildings | 0 | (1,785) | 0 | (1,785) |
| Actuarial (loss)/gain in respect of pension schemes | 0 | (1,005) | 314 | (691) |
| Total comprehensive income for the period | (502) | (2,790) | 624 | (2,668) |

The key impact for Dumfries and Galloway College on transition to FRS 102 relates to capital grants. The value of deferred capital grants is a significant item in the College balance sheet, and reflects the large proportion of grants which were received from Scottish Funding Council and European Regional Development Funds for the College's Dumfries campus building. In addition, the Scottish Colleges Foundation provided a grant of £1,492,000 to fund development of a training kitchen and restaurant in the year ended 31 July 2015, of which £672,000 related to fixed assets.

The grants relating to fixed assets in the College balance sheet were accounted for as a deferred reserve under UK GAAP with a release of grant to income in the College Income and Expenditure Account over the expected useful life of the asset. Total deferred grants amounted to £26,727,000 at 31 July 2015.

The transition to FRS 102 has resulted in grants of £672,000 being treated as revenue income for the year ended 31 July 2015, and a reduction in the release of non-government grants during the year of £48,000.

FRS 102 requires the balance of deferred capital government grants amounting to £24,891,000 at 31 July 2015 require to be accounted for as creditor balances rather than reserves. The balance has been split between current liabilities of £756,000 and long-term liabilities of £24,135,000. The College balance sheet at 31 July 2015 shows net current liabilities of £171,000 as a result of this change in disclosure and a reduction of £24,891,000 in total reserves.

In addition, the annual valuation of the Local Government Pension Scheme is accounted for under IAS 19, which has changed the interest charge for the year ended 31 July 2015 and the Actuarial adjustment.

2015-16 Accounts direction for Scotland's colleges and universities

- 1 It is the Scottish Funding Council's direction that colleges and universities comply with the 2015 *Statement of Recommended Practice: Accounting for Further and Higher Education* (SORP) in preparing their annual report and accounts.
- 2 Colleges and universities 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 2015-16 (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 2016.
- 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
24 August 2016

Finance and General Purposes Committee

Health and Safety Policy

1. PURPOSE

The purpose of this report is to provide the Committee with a revised Fire Policy Statement (pages 2-20) and Health and Safety Policy (pages 21-28) and for discussion and approval.

2. REPORT

The Health and Safety Policy has recently undergone a review in light of recommendations from the recent Health and Safety Audits and recommendations from the Health and Safety Committee. The main change was to separate the Fire Policy Statement as a separate document from the Health and Safety Policy.

3. RECOMMENDATION

The Executive Management Team to ask the Committee to review the two policies and recommend approval to the Board of Management.

Finance and General Purposes Committee

FIRE POLICY STATEMENT

The College is committed to ensuring, as far as is reasonably practicable, the health, safety and welfare of all College employees, students and any other persons who may work on, visit or use these premises, or who may be affected by its activities or services. The College will therefore ensure that fire safety is a priority in all areas under its control. The risk of fire will be managed in compliance with the Fire (Scotland) Safety Act 2005, the Fire Safety (Scotland) Regulations 2006, the Management of Health and Safety at Work Regulations 1999, and other relevant legislation.

The policy is relevant to all staff, students and any other persons who may work on, visit, or use its premises, or who may be affected by its activities or services.

Policy Aim

The aim of this policy and relevant guidance is therefore to provide a fire safety framework which will be implemented to protect lives and College assets. To achieve this the College hereby makes the following commitments:

- To undertake regular Fire Risk Assessments which will be monitored, maintained and reviewed annually or more frequently if required.
- To identify, prioritise and implement reasonably practicable control measures to control the risk from fire.
- To provide suitable and sufficient information, instruction and training in fire safety to all staff.
- To specify from which of its buildings emergency evacuation must be managed/supervised, and to provide a mechanism for developing, implementing and maintaining managed evacuation procedures.
- To regularly test evacuation and other emergency procedures and to maintain all emergency and precautionary equipment.
- To conduct regular fire safety inspections.
- To ensure effective liaison with the local fire authority where appropriate.

Responsible Manager

Mrs Carol Turnbull (Principal) will have overall management responsibility for the Fire Safety within the premises.

Mrs Helen Pedley (Director of Organisational Development and Facilities) will deputise in the above role.

Finance and General Purposes Committee

Fire Safety Guidance

1. Fire Prevention

Fire kills and therefore it is vital that people are aware of the serious consequences of fires. Fire requires an ignition source, a fuel and oxygen – removal of any of these will stop a fire. The fire safety precautions are all based on removal of some part of these requirements for a fire.

It is vital that all staff, students and visitors, where it is reasonably practicable, actively try to remove either ignition sources or fuel for fires by good housekeeping procedures and also report any concerns they may have to the Fire, Health and Safety Officer.

All people, whilst on College premises:

- Must not, so far as is reasonably practicable, put themselves or others at risk of fire by their actions or omissions.
- Should know what actions to take in the event of discovering a fire.
- Must, on hearing the fire alarm, evacuate the building by the nearest emergency exit in accordance with the Fire Evacuation Procedure for the relevant campus.
- Must comply with all fire safety instructions provided by the College or by an Evacuation Marshal.
- Must not tamper with any fire safety equipment provided any the College.

2. Associated Procedures

The following procedures have been developed to support the Fire Policy:

- Evacuation Procedure Dumfries Campus (appendix 1)
- Evacuation Procedure Evening Dumfries Campus (appendix 2)
- Evacuation Procedure Stranraer Campus (appendix 3)
- Evacuation Procedure Evening Stranraer Campus (appendix 4)
- Health and Safety including effective inspection and maintenance regimes.
- Risk Assessment
- Testing Portable Appliances
- Contractors Safe System of Work provided at any Campus.
- Isolated working.
- Personal Emergency Evacuation Plan

3. Fire detection and raising the alarm

Actions to be taken in the event of a fire are detailed in the Fire Action Notice posted at every break glass fire alarm call point. On discovering a fire you should follow the instructions given on the notice.

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On hearing the fire alarm you should leave the building by the nearest available fire exit, following the evacuation procedure.

4. Electrical equipment in Offices

All appropriate electrical portable equipment that are powered by mains electrical supplies must have been PAT tested as per the College Testing Portable Appliances Procedure and a certificate for this testing will be available for inspection by the Fire Authority as required.

5. Fire Safety Inspections

Fire safety inspections will be conducted on a regular basis across the College, at least every quarter, or more frequently for designated areas. These fire inspections will use the attached checklist (appendix 5) to ensure:

- There is good housekeeping.
- Fire escapes including corridors/stairways (inside and out) are not blocked and are clear and hazard free.
- There is no excessive amount of highly flammable materials being stored in work areas.
- All significant ignition sources are properly managed.
- All fire doors are in good condition.
- All compartments are not breached and clear and hazard free.
- All general fire provisions are checked and inspected.
- Emergency lighting system is checked monthly.
- Fire alarm tests will take place every Friday at 3pm at both Campuses.

6. Emergency Evacuation for People with Impairments

The College must put in place appropriate management plans to effectively evacuate all staff, students and visitors including those with impairments from the building in the event of a fire alarm being detected.

A Personal Emergency Evacuation Plan (PEEP) will be produced for those who declare they have an impairment which may affect their ability to exit the building and all relevant personnel informed of the plan. A copy will be retained at reception on both Campus in the Evacuation Folder for reference.

Where an individual has identified that they are hard of hearing and may have difficulty hearing the fire alarm they should be provided with an alerter which is available at reception. This should be collected at the start of the day and returned when finished for the day.

Special evacuation chairs (Evac Chairs) which can be used to transport persons requiring assistance down a stair are available at refuge points throughout the College. Only persons trained in the use of the Evac Chairs will transport individuals.

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Throughout the College there are designated refuge points where an individual who has mobility impairment may use in the event of a fire alarm. Within each refuge point there is a communication point to enable the person to contact reception. The refuge point will only be used as a temporary haven while waiting on evacuation. Use of the refuge point will be explained during the PEEP.

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Appendix 1

Fire Evacuation Procedure – Dumfries Campus Daytime

1 Purpose

This procedure gives guidance to employees of Dumfries and Galloway College in the event of the Dumfries campus building being evacuated during daytime working in the event of a suspected fire. It should be read in conjunction with guidelines for Evacuation Marshals (appendix 1).

2 Scope

The procedure applies to evacuating the Dumfries campus during the daytime only.

3 References

Fire (Scotland) Act 2005 as amended, guide to Educational Premises.

4 Definitions

None

5 Procedure

5.1 Upon Discovering a Fire you should:

- 5.1.1 Raise the alarm using the nearest fire alarm call point.
- 5.1.2 Evacuate the building using the nearest fire exit.
- 5.1.3 Go to the designated assembly point, provide the Evacuation Marshal with information regarding the fire situation and await instructions.

5.2 Upon Hearing the Fire Alarm you should:

- 5.2.1 Evacuate the building by the nearest available exit.
- 5.2.2 Go to the designated assembly point and await instructions.
- 5.2.3 Do not take risks.
- 5.2.4 Do not stop to collect personal belongings.
- 5.2.5 Do not use the lift.
- 5.2.6 Do not re-enter the building until told it is safe to do so.
- 5.2.7 Evacuation Marshals to carry out designated duties.

5.3 Fire Alarm

In the event of a suspected fire the alarm will sound continuously, College staff, students, contractors and visitors should leave the building by the nearest exit and assemble at relevant assembly points and await instructions/briefing.

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5.4 Senior Manager in Charge (SMC)

The senior staff member will establish a Control Point nominally at Reception depending on location of fire. The senior staff member will:

- 5.4.1 Establish, using the fire alarm panel with assistance of the estates team, the location of the fire.
- 5.4.2 Prevent any interference with the panel until instructed to by the Fire and Rescue Service.
- 5.4.3 Stand by to receive reports from Evacuation Marshals or staff, especially relating to disabled persons or visitors, completing the Evacuation Marshal checklist.
- 5.4.4 Account, where practicable, for visitors to the College
- 5.4.5 Make brief notes of any incidents as they occur including time for future reference.
- 5.4.6 Liaise and provide information/assistance to the Fire and Rescue Service as necessary.
- 5.4.7 Oversee re-entry procedure to building, informing staff to re-enter the building first via entry points controlled by Evacuation Marshals, followed by students by the sound of a Klaxxon. One sound for staff to re-enter and two for students/visitors to re-enter.
- 5.4.8 Provide a report of the incident to the Fire, Health and Safety Officer.

5.5 Receptionist

The receptionist will:

- 5.5.1 Telephone the Fire and Rescue Service by dialling 999 informing them that the fire alarm has been triggered providing clear information regarding the name and full address of the College premises including the postcode and location of the entry point for the tender. In addition provide any details available with regard to the type and nature of the fire.
- 5.5.2 Report to the senior member of staff with the visitor's booking in sheet.
- 5.5.3 Monitor the refuge point control panel responding to contact from individuals at the Point (s) via the panel at the reception desk.

5.6 Staff will:

- 5.6.1 Direct students from the building via the nearest Fire Exit route

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- 5.6.2 Report to a senior member of staff where students/staff are unaccounted for if known
- 5.6.3 Return to work area on instruction prior to students re-entering the building
- 5.6.4 Designated Evacuation Marshals/Evac Chair trained staff will check nominated areas.

6 Investigation

Following the activation of the fire alarm, and when safe to do so, a full investigation will be carried out by the Fire, Health & Safety Officer and Maintenance Foreman. The investigation will be carried out in order to ascertain the nature and location of the fire or if an unwanted action/call. This information should then be passed to the Fire and Rescue Service upon arrival or by telephone if deemed to be urgent.

Evacuation Marshall Guidelines

1. Introduction

These are guidelines for staff who have been trained to perform an evacuation sweep of the Campus (Evacuation Marshals). Evacuation Marshals will be fully trained and provided with update training at least every 3 years or more frequently if required. Upon completion of the training the Evacuation Marshal will be added to the list of approved Marshals and given a designated area to check in the event of a fire. A list of all Evacuation Marshals and designated areas is provided to each Marshall and retained at the main reception.

2. Responsibilities

It is the responsibility of the Evacuation Marshall to:

- 2.1 Wear a high visibility vest at all times during the evacuation process.
- 2.2 Go to your designated checking area as specified on the checklist but only if safe to do so.
- 2.3 Ensure that staff, students and visitors have evacuated your designated area.
- 2.4 Complete a physical check of designated area as instructed. This includes dispersing/redirecting of people bunching at approaches to exit points.
- 2.5 Reinforce to all individuals that the alarm has sounded and that they are required to evacuate the building using the nearest emergency exit. If there is reluctance or refusal by others to evacuate this should be reported to the senior member of staff.
- 2.6 Report to the senior member of staff at the control centre that your designated area is evacuated, normally reception unless otherwise designated, by either:
 - Going there in person if safe to do so, by external route if necessary.
 - Radio link carried by estates team or designate Evacuation Marshal.
 - Internal or mobile phone to reception.

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- 2.7 If you are unable to check your designated area please report to the senior member of staff that the area is unchecked.
- 2.8 Having reported to the senior member of staff proceed immediately to your designated building exit/re-entry control point as indicated on the Evacuation Marshall Checklist.
- 2.9 Await building re-entry instructions conveyed to the designated assembly points by the form of a klaxon. One sound for staff to re-enter. Two sounds for all other students and visitors to enter.
- 2.10 Ensure that all enter the building safely.

3. Debrief

A debriefing will be held after the building has been reoccupied where any concerns are to be raised with the senior member of staff.

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Appendix 2

Fire Evacuation Procedure – Dumfries Campus Evening

1 Purpose

This procedure gives guidance to employees of Dumfries and Galloway College in the event of the Dumfries campus building being evacuated during evening working in the event of a suspected fire.

2 Scope

The procedure applies to evacuating the Dumfries campus during the evening only.

3 References

Fire (Scotland) Act 2005 as amended, guide to Educational Premises.

4 Definitions

None

5 Procedure

5.1 Upon Discovering a Fire you should:

- 5.1.1 Raise the alarm using the nearest fire alarm call point.
- 5.1.2 Evacuate the building using the nearest fire exit.
- 5.1.3 Go to the designated assembly point, provide the responsible person with information regarding the fire situation and await instructions.

5.2 Upon Hearing the Fire Alarm you should:

- 5.2.1 Evacuate the building by the nearest available exit.
- 5.2.2 Go to the designated assembly point and await instructions.
- 5.2.3 Do not take risks.
- 5.2.4 Do not stop to collect personal belongings.
- 5.2.5 Do not use the lift.
- 5.2.6 Do not re-enter the building until told it is safe to do so.

5.7 Fire Alarm

In the event of a suspected fire the alarm will sound continuously, College staff, students, contractors and visitors should leave the building by the nearest exit and assemble at relevant assembly points and await instructions/briefing.

5.8 Senior Member of Staff Present

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The senior staff member will establish a Control Point nominally at Reception depending on location of fire. The senior staff member will:

- 5.8.1 Telephone the Fire and Rescue Service by dialling 999 providing clear information regarding the name and full address of the College premises including the postcode and location of the entry point for the tender.
- 5.8.2 Establish, using the fire alarm panel with assistance of the Duty Janitor the location of the fire.
- 5.8.3 Prevent any interference with the panel until instructed to by the Fire and Rescue Service.
- 5.8.4 Stand by to receive reports from staff, especially relating to disabled persons or visitors, following evacuation of the building.
- 5.8.5 Account, where practicable, for visitors to the College.
- 5.8.6 Make brief notes of incidents as they occur including the time for future reference.
- 5.8.7 Liaise and provide information/assistance to the Fire and Rescue Service as necessary
- 5.8.8 Oversee re-entry procedure to building, informing staff to re-enter the building concurrently with their students and visitors by the sound of a klaxon.
- 5.8.9 Provide a report of the incident to the Fire, Health and Safety Officer.

5.9 Duty Janitor

The Duty Janitor will:

- 5.9.1 Report to the senior member of staff present.
- 5.9.2 Operate the Fire Alarm Panel.
- 5.9.3 Check the refuge point.
- 5.9.4 Check the area where the fire is suspected and ensure that all personnel have evacuated – **provided it is safe to do so.**
- 5.9.5 Advise the senior member of staff on practical matters.

5.10 Staff will:

- 5.10.1 Where practicable, escort students from the building and remain with students in the designated assembly areas.
- 5.10.2 Report to senior member of staff where students/staff are unaccounted for if known
- 5.10.3 Report any unusual incidents which may require further action by the Fire and Rescue Service or College staff.

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5.10.4 If a decision is made to re-enter return to work area on instruction with students and visitors.

6 Investigation

Following the activation of the fire alarm, and when safe to do so, a full investigation will be carried out by the janitor. The investigation will be carried out in order to ascertain the nature and location of the fire or if an unwanted action/call. This information should then be passed to the Fire and Rescue Service upon arrival or by telephone if deemed to be urgent.

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Appendix 3

Fire Evacuation Procedure – Stranraer Campus Daytime

1 Purpose

This procedure gives guidance to employees of Dumfries and Galloway College in the event of the Stranraer campus building being evacuated during daytime working in the event of a suspected fire. It should be read in conjunction with guidelines for Evacuations Marshals (appendix 1).

2 Scope

The procedure applies to evacuating the Stranraer campus during the daytime only.

3 References

Fire (Scotland) Act 2005 as amended, guide to Educational Premises.

4 Definitions

None

5 Procedure

5.1 Upon Discovering a Fire you should:

- 5.1.1 Raise the alarm using the nearest fire alarm call point.
- 5.1.2 Evacuate the building using the nearest fire exit.
- 5.1.3 Go to the designated assembly point, provide the Evacuation Marshall with information reading the fire and await instructions.

5.2 Upon Hearing the Fire Alarm you should:

- 5.2.1 Evacuate the building by the nearest available exit.
- 5.2.2 Go to the designated assembly point and await instructions.
- 5.2.3 Do not take risks.
- 5.2.4 Do not stop to collect personal belongings.
- 5.2.5 Do not use the lift.
- 5.2.6 Do not re-enter the building until told it is safe to do so.
- 5.2.7 Evacuation Marshalls to carry out designated duties as per appendix 1.

5.11 Fire Alarm

In the event of a suspected fire the alarm will sound continuously, College staff, students, contractors and visitors should leave the building by the nearest exit and assemble at relevant assembly points and await instructions/briefing.

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5.12 Senior Manager in Charge (SMC)

The senior staff member will establish a Control Point nominally at Reception depending on location of fire. The senior staff member will:

- 5.12.1 Establish, using the fire alarm panel with assistance of the estates team, the location of the fire
- 5.12.2 Prevent any interference with the panel until instructed to by the Fire and Rescue Service.
- 5.12.3 Account, where practicable, for visitors to the College.
- 5.12.4 Stand by to receive reports from Evacuation Marshals or staff, especially relating to disabled persons or visitors, completing the Evacuation Marshall checklist.
- 5.12.5 Make brief notes of incidents as they occur including the time for future reference.
- 5.12.6 Liaise and provide information/assistance to the Fire and Rescue Service as necessary
- 5.12.7 Oversee re-entry procedure to building, informing staff to re-enter the building first via entry points controlled by Evacuation Marshals, followed by students by the sound of a Klaxxon. One sound for staff to re-enter and two for students/visitors to re-enter.
- 5.12.8 Provide a report of the incident to the Fire, Health and Safety Officer.

5.13 Receptionist

- 5.13.1 Telephone the Fire and Rescue Service by dialling 999 informing them that the fire alarm has been triggered providing clear information regarding the name and full address of the College premises including the postcode and location of the entry point for the tender. In addition provide any details available with regard to the type and nature of the fire.
- 5.13.2 Report to the senior member of staff with the visitor's booking in sheet.

5.14 Staff will:

- 5.14.1 Where practicable, escort students from the building and remain with students in the designated assembly areas
- 5.14.2 Report to senior member of staff where students/staff are unaccounted for if known
- 5.14.3 Return to work area on instruction prior to students re-entering the building

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5.14.4 Designated Evacuation Marshalls/Evac Chair trained staff will check nominated areas.

6 Investigation

Following the activation of the fire alarm, and when safe to do so, a full investigation will be carried out by the janitor. The investigation will be carried out in order to ascertain the nature and location of the fire or if an unwanted action/call. This information should then be passed to the Fire and Rescue Service upon arrival or by telephone if deemed to be urgent.

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Appendix 4

Fire Evacuation Procedure – Stranraer Campus Evening

1 Purpose

This procedure gives guidance to employees of Dumfries and Galloway College in the event of the Stranraer campus building being evacuated during evening working in the event of a suspected fire.

2 Scope

The procedure applies to evacuating the Stranraer campus during the evening only.

3 References

Fire (Scotland) Act 2005 as amended, guide to Educational Premises.

4 Definitions

None

5 Procedure

5.1 Upon Discovering a Fire you should:

- 5.1.1 Raise the alarm using the nearest fire alarm call point.
- 5.1.2 Evacuate the building using the nearest fire exit.
- 5.1.3 Go to the designated assembly point, provide the senior person in charge with information regarding the fire situation and await instructions.

5.2 Upon Hearing the Fire Alarm you should:

- 5.2.1 Evacuate the building by the nearest available exit.
- 5.2.2 Go to the designated assembly point and await instructions.
- 5.2.3 Do not take risks.
- 5.2.4 Do not stop to collect personal belongings.
- 5.2.5 Do not use the lift.
- 5.2.6 Do not re-enter the building until told it is safe to do so.

5.15 Fire Alarm

In the event of a suspected fire the alarm will sound continuously, College staff, students, contractors and visitors should leave the building by the nearest exit and assemble at relevant assembly points and await instructions/briefing.

5.16 Senior Member of Staff Present

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The senior staff member will establish a Control Point nominally at Reception depending on location of fire. The senior staff member will:

- 5.16.1 Telephone the Fire and Rescue Service by dialling 999 providing clear information regarding the name and full address of the College premises including the postcode and location of the entry point for the tender.
- 5.16.2 Establish, using the fire alarm panel with assistance of the Duty Janitor the location of the fire.
- 5.16.3 Prevent any interference with the panel until instructed to by the Fire and Rescue Service.
- 5.16.4 Stand by to receive reports from staff, especially relating to disabled persons or visitors, following evacuation of the building.
- 5.16.5 Make brief notes of incidents as they occur including the time for future reference.
- 5.16.6 Liaise and provide information/assistance to the Fire and Rescue Service as necessary
- 5.16.7 Oversee re-entry procedure to building, informing staff to re-enter the building concurrently with their students and visitors by the sound of a klaxon.
- 5.16.8 Account, where practicable, for visitors to the College.
- 5.16.9 Provide a report of the incident to the Fire, Health and Safety Officer.

5.17 Duty Janitor

The Duty Janitor will:

- 5.17.1 Report to the senior member of staff present.
- 5.17.2 Operate the Fire Alarm Panel.
- 5.17.3 Check the refuge point.
- 5.17.4 Check the area where the fire is suspected and ensure that all personnel have evacuated – **provided it is safe to do so.**
- 5.17.5 Advise the senior member of staff on practical matters.

5.18 Staff will:

- 5.18.1 Where practicable, escort students from the building and remain with students in the designated assembly areas.
- 5.18.2 Report to senior member of staff where students/staff are unaccounted for if known
- 5.18.3 Report any unusual incidents which may require further action by the Fire and Rescue Service or College staff.

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5.18.4 If a decision is made to re-enter Return to work area on instruction with students and visitors.

6 Investigation

Following the activation of the fire alarm, and when safe to do so, a full investigation will be carried out by the Janitor. The investigation will be carried out in order to ascertain the nature and location of the fire or if an unwanted action/call. This information should then be passed to the Fire and Rescue Service upon arrival or by telephone if deemed to be urgent.

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Appendix 5

Fire Safety Inspection Form

| | |
|-----------------|--|
| Area Inspected: | |
|-----------------|--|

| | | |
|-------------------------|-----------|-------|
| Inspection Carried Out: | | |
| Name: | Position: | Date: |

| 1. ALARM | | | |
|---|-----|----|------------------------|
| | Yes | No | Comments/Actions taken |
| Are all call points clearly visible and suitably signed? | | | |
| Is the alarm tested weekly, using a rotating schedule of call points? | | | |
| Is the control panel screen clearly visible and showing any faults? | | | |
| Is there a zone plan displayed adjacent to the alarm panel? | | | |
| Have there been any problems with false alarm activations since the last inspection? | | | |
| Have all fire alarm activations been reported to Estates? | | | |
| 2. ESCAPE ROUTES AND FIRE DOORS | | | |
| Are all corridors and stairwells kept clear and free from obstruction? | | | |
| Are all fire exit routes signs in place and clearly visible? | | | |
| Are all stairwell doors and corridor doors, excluding automatic fire doors, marked Fire Door keep Shut? Are all automatic fire doors marked automatic fire door, keep clear? | | | |
| Are all final exit doors in good working order, have easy to open locking systems? | | | |
| Do fire doors form a tight fit and do they have intumescent strips and smoke seals? | | | |
| Is the assembly area identified on fire action notices? | | | |
| 3. FIRE FIGHTING APPLIANCES | | | |
| Are there any fire extinguishers missing? | | | |
| Are the locations and types of fire extinguishers suitable indicated? | | | |
| Are pins in place within all fire extinguishers? | | | |
| 4. FIRE PREVENTION | | | |

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| | | | |
|---|--|--|--|
| Are Fire Action Notices posted on each level of the building at escape routes and adjacent to all manual call points | | | |
| Are fire doors being wedged open | | | |
| Is general housekeeping satisfactory and refuse areas kept tidy | | | |
| Are exit stairs free of obstructions, refuse and in a safe condition | | | |
| Are flammable stores kept tidy and secure | | | |
| Are unattended experiment notices in place | | | |
| Are any unauthorised electric bar heaters or space heaters or cube adapters used | | | |
| Are notice boards, walls and foyer area excessively covered with posters | | | |
| Is all maintenance or contracting 'Hot Work' controlled by 'Hot Work Permits' | | | |
| 5. CLOSING DOWN PROCEDURES | | | |
| Are all non-essential electrical appliances switched off | | | |
| Are all flammable substances stored in the appropriate containers | | | |
| Is all naked flame equipment switched off at the end of the day | | | |
| Are departments securely locked to prevent unauthorised entry | | | |
| 6. EMERGENCY LIGHTING | | | |
| Are all permanently maintained emergency lights operating satisfactorily | | | |
| Are any light fittings obscured by equipment | | | |
| 7. FIRE SAFETY LOG BOOK | | | |
| Are records of the most recent fire risk assessment, weekly fire alarm testing, fire drills, emergency light testing, emergency lighting servicing, fire alarm maintenance, fire extinguisher maintenance, fire suppression systems maintenance, fire evacuation chair maintenance/checks and fire safety training are up to date and being kept in a Fire Safety log book. | | | |

Finance and General Purposes Committee

**HEALTH AND SAFETY POLICY**

| | | |
|-----------------------|--|---------------------|
| Strategic Aim | To continue to develop and ensure effective leadership, governance and management throughout the organisation | |
| Responsibility | Director of Organisational Development and Facilities | Helen Pedley |
| Revision Date | 22/07/2013 | |

Finance and General Purposes Committee

HEALTH AND SAFETY POLICY

STATEMENT OF INTENT

Dumfries and Galloway College is committed to continual 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.

The College will aim to comply with its legal responsibilities as required by the Health and Safety at Work etc Act 1974, and all other health and safety legislation. In so doing the College will:

- provide adequate control of the health and safety risks arising from our work activities;
- provide a safe and healthy working environment;
- provide and maintain safe plant and equipment;
- ensure safe handling and use of substances;
- provide suitable and sufficient health and safety training
- prevent work-related accidents/incidents and cases of work-related ill health;
- maintain safe and healthy working conditions;
- make all employees aware of their legal responsibilities for ensuring their own health and safety and that of others;
- involve trade union representatives in the consultation process;
- monitor the effectiveness of any measures taken to reduce risk; and
- review and revise this policy as necessary at regular intervals to take into account changes in circumstances or in legal requirements.
- promote the importance of health and safety environment and working practices
- Implement emergency procedures – evacuation in case of fire or other significant incident.

Signed:

Date:

C A Turnbull
Principal

Finance and General Purposes Committee

1 ORGANISATION

1.1 Board of Management

As the employer, overall responsibility for health and safety lies with the Board of Management. The Board of Management places particular importance on the promotion of Health, Safety and Welfare of all those employed in the College, or who use the College facilities. It attempts to do this by:

- 1.1.1 Providing and maintaining plant, systems and working environments that are safe and without risk to health and adequate welfare facilities for all.
- 1.1.2 Making arrangements to comply with existing legislation, ensuring safety and absence of risk to health in connection with the use, handling, storage and transport of equipment, materials and personnel.
- 1.1.3 Providing necessary information, instruction, training and supervision.
- 1.1.4 Ensuring that operations within the environs of the College undertaken by College employees are carried out in such a way that the adjacent population and non-employees are not exposed to unacceptable risks to their health and safety.
- 1.1.5 Ensuring continuing joint consultation with employees to fulfil the aims and objectives of the College's Health and Safety Policy.
- 1.1.6 Monitoring the effectiveness of the overall Procedures throughout the College via Safety Consultants and the College Health and Safety Committee.
- 1.1.7 Co-operating with local industry, industrial occupational safety groups and the general public in promoting training courses or similar events in the interest of health and safety.
- 1.1.8 The Board of Management expects employees to co-operate and to ensure that a healthy and safe place of work is maintained at all times. Any system of work must be such that persons do not endanger themselves or others and bring to the attention of the College management any health or safety problem which they are not able to put right.

1.2 Principal

- 1.2.1 The Principal of the College as Chief Executive Officer is responsible for ensuring that the aims of the Health and Safety Policy are carried out and that the policy is revised at appropriate intervals and for reporting to the Board on all matters relating to Health, Safety and Welfare.

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1.3 Director of Organisational Development and Facilities

- 1.3.1 The Director of Organisational Development and Facilities has day-to-day responsibility for ensuring this policy is put into practice. He/she will chair the College Health and Safety Committee.

1.4 Executive Management Team

- 1.4.1 EMT Members are responsible and accountable to the Principal for all matters relating to health, safety and welfare within their areas of responsibility. They must ensure that:
- a) All staff under their control receive information, instruction and training to enable them to carry out their work in a safe and efficient manner.
 - b) They keep up to date with all health and safety matters within their area of responsibility.
 - c) Regularly review health and safety matters as an Executive Team.

1.5 Responsibilities of Line Managers (member of staff who manages or assists in the management of staff)

All line managers have a general duty for ensuring, so far as is reasonably practicable, the health, safety and welfare of employees and learners under their direction at work and are responsible for ensuring that the safety policy is implemented within their own departments. Staff must monitor the workplace to ensure that safe conditions are maintained. Where risks are identified, that member of staff must ensure that these are rectified, so far as is reasonably practicable.

1.5.1 All managers shall:

- ensure that employees, contractors, learners and visitors are aware of the safety procedures within their area particularly to deal with imminent danger;
- ensure that all equipment, plant and substances used within their area are suitable for the task and are kept in good working order, including regular maintenance and servicing of equipment;
- ensure risk assessments are carried out for tasks, workplaces and equipment associated with staff and learners under their supervision;
- take immediate and appropriate steps to investigate and rectify any risks to health and safety arising from work activity;
- bring to the attention of the Executive Management Team any health and safety issues that require their attention;

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- ensure all near misses and accidents within their area are recorded and reported appropriately investigating where required;
- maintaining safe access and egress to the workplace at all times;
- ensure that each new employee under their line management receives health and safety induction training including precautions and procedures appropriate to their jobs (refer to induction procedure);
- ensure the provision of adequate training, information, instruction and supervision to ensure the work is conducted safely;
- Monitor the effectiveness of any control measures in place to minimise risk. Keep records of instruction and training delivered to staff which relates to health and safety;
- Liaise with the Health and Safety Officer as appropriate participating in health and safety audits as required;
- Co-operate with Union Safety Representatives and members of the Health and Safety Committee.
- Ensure that health and safety procedures and activities are inclusive and do not represent barriers to learning.

1.6 Employee Responsibility

All employees must:

- Take reasonable care for their own health and safety;
- Consider the safety of other persons who may be affected by their acts or omissions;
- Work in accordance with information and training provided;
- Refrain from intentionally misusing or recklessly interfering with anything that has been provided for health and safety reasons;
- Report any hazardous defects in plant and equipment, or shortcomings in the existing safety arrangements, to a responsible person without delay;
- Report any accidents or incidents in accordance with college procedures.
- Ensure all learners are inducted in matters relating to Health and Safety.
- Ensure that protective clothing, (eye, face, hand, foot, head and ear equipment protection to EU Standard only) are available for safe working procedures and is used when and where necessary.
- Co-operate with the College under the Health and Safety at Work Act 1974, This involves attendance as requested in training programmes, participation in audits, the provision and use of equipment and complying with College safety signs, rules and regulations.

1.7 Visitors, Contractors and Learners

Finance and General Purposes Committee

The College will ensure, as far as is reasonably practicable, that premises, plant and systems of work provided, are safe and without risk to health. Visitors, contractors and learners obligations are:

- To take reasonable care of themselves and others who may be affected by their acts or omissions;
- To co-operate with college employees;
- To comply with safety policies and rules and associated good practice of the College, and their own organisations, as appropriate.

1.7 Health and Safety Officer

The Health and Safety officer is responsible for:

- the maintenance of safety records;
- investigation of accidents;
- providing accident statistics;
- monitoring changing legislation and advising College Management as appropriate;
- assisting in the development and monitoring of the College's Health and Safety policies and procedures.
- Advise the college on its obligations in respect of assessment, control and monitoring of hazardous substances, the workplace, work equipment, welfare facilities and for the use, handling, storing and transport of articles and substances.
- Liaison with outside agencies with an interest in safety matters.
- Developing appropriate safe systems of work to meet the requirements of legislation.
- Organising and promoting various methods of promoting safety and accident prevention to raise the profile and stimulate safety awareness.
- Provide Health and Safety training where appropriate.
- Provide staff with specialist advice and information in order to assist them in meeting their health and safety responsibilities.
- Complete and review Fire Risk Assessments in accordance with the Fire Safety Act (Scotland) 2005 for approval by the Fire Authority.

1.8 Refectory Manager

Special responsibility is vested in the Catering Contractor in that their appointed Refectory Manager must ensure that all catering staff and facilities, with the exception of teaching kitchens, work and are kept in accordance with up-to-date practices in health, safety, fire safety and hygiene.

Finance and General Purposes Committee

1.9 Responsibility of all Employees

Apart from any specific responsibility which may be delegated to them, all employees must:-

- Be aware of their legal duties under Section 7 and 8 of the Health and Safety at Work etc. Act 1974 to take care of their own safety and that of other employees and persons who may be affected by their work, to co-operate with their employer so far as is necessary to enable them to carry out their own responsibilities successfully and not to misuse safety equipment or procedures provided.
- On discovering a potential hazard, take temporary action wherever possible to make the hazard safe, warn others as necessary and report the hazard and any action taken to their HSO and manager/supervisor. Make any suggestions that they feel may improve health and safety within their working environment.
- All staff must make themselves familiar with the emergency evacuation procedure, location of exits and the alternative safe routes to assembly points.

1.10 Health and Safety Committee

The College Health and Safety Committee reviews safety performance within the college and consists of employer and employee representatives. The Committee is chaired by a member of management who has the power to act upon decisions reached by the Committee.

Dumfries and Galloway College encourages consultation with Trade Union Safety Representatives. Consultation will take place regarding:

- a) New or Revised (draft) health, safety and welfare policies
- b) The objectives set in Health and Safety Committee
- c) Health and safety audits

Forums for consultation include Course Committee meetings where health and safety is a standing item on the agenda and the College Health and Safety Committee which meets regularly as the forum for College health and safety issues.

2 ARRANGEMENTS FOR SAFE WORKING PROCEDURES

2.1 The following arrangements for health and safety are detailed in the individual procedure document available on AdminNet/LearnNet.

- Accident Reporting
- Adverse Weather

Finance and General Purposes Committee

- Contractors Guidance on Health and safety
- Contractors Safe System of Work
- Emergency Evacuation
- Management of Infectious Diseases
- Personal Protective equipment
- Personal safety Spectacles
- Risk Assessment
- Safety on Study trips
- Stress Management
- Student Work Experience Placement
- Testing Portable Appliances
- Use of College Vehicles

2.2 Accident Reporting

All accidents must be reported using the on-line form on AdminNet or in person to the Health and Safety Officer.

Where an accident occurs ensure the injured person receives the appropriate First Aid treatment by a Qualified First Aider via the Main reception Desk(s).

Where the injured person requires conveying to hospital or home then any of the following methods should be used depending on the type and severity of the accident or incident:

- a) by calling an ambulance
- b) by calling a taxi

The Health and Safety Officer will investigate reported accidents/incidents as appropriate with a view to prevention of recurrence and resulting recommendations will be actioned, so far as reasonably practicable.

Accident statistics will be monitored by the Health and Safety Officer to establish trends. Corrective measures will then be devised, implemented and results monitored.

2.3 Communication

Where a member of staff has a concern regarding health and safety they should advise their line manager, if not available, directly with the Health and Safety Officer who will also inform the member of staffs line manager.

3 DISTRIBUTION

All Staff
All Students
Quality Manual

Finance and General Purposes Committee

Financial Update at October 2016

1. Net out-turn for Academic year 2016/17

The budget and forecasts for the academic year August 2016 to July 2017 are based on achieving an underlying operating break-even operating position. The overall forecast deficit includes the 'depreciation cash' expenditure of £177,000.

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

The forecasts will be reviewed when more information is available.

2. Format of Management Accounts and Reports

The format of the management accounts and reports will be reviewed to ensure that the reports provide the correct information at the right level for Executive Management Team and Board purposes.

CIPFA provided some guidance on the characteristics of management accounts at a recent College Finance network event. They advised that the format of the reports should be easy to understand, and meaningful. The reports should highlight material aspects for review, and provide insight into performance and emerging issues.

3. Budget Changes

The budget has been revised to reflect the additional SFC capital maintenance grant of £178,000.

Earlier forecast salary costs were based on vacancies and potential additional posts being filled at the highest scale point. Forecasts have now been reviewed based on actual salary costs, and the budget and forecasts have decreased by £72,000. The budget balance has been allocated to property costs.

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Forecast salary costs will be reviewed again to include any additional costs in order to cover the latest pay offer to support staff.

The profile of expenditure for property costs and teaching materials was revised in October, with no overall change in the forecast net out-turn for the year to July 2017.

4. Results to 31st October 2016

2.1 Key Performance Indicators

The Key Performance Indicators monitoring the forecast out-turn for the year, and working capital position at 31st October 2016 are summarised as follows:

Income and Expenditure:

| | |
|---|-------|
| Operating Surplus/ deficit as % of income | 0.00% |
|---|-------|

| | |
|---|--------|
| Non-SFC income as % of total income (including ALF grant income) | 18.31% |
|---|--------|

Balance Sheet:

| | | |
|-------------------------------------|------|-------------------|
| Current Assets: Current liabilities | 0.86 | (31.03.16 – 1.39) |
|-------------------------------------|------|-------------------|

| | | |
|---|---------|----------------------|
| Days cash to annual expenditure (excluding depreciation) | 49 days | (31.03.16 – 56 days) |
|---|---------|----------------------|

The KPI's indicate that the College is operating with low net assets, in line with the requirements of Central Government budgeting and reporting. The change in financial reporting requirements to include deferred capital grants within creditors has reduced the current ratio to less than 1 but the College has sufficient cash balances to pay creditors as they fall due.

Bank balances remain higher than expected, but the balance is not unreasonable given the level of creditors and accrued costs. Sufficient funds were held to meet supplier payments and other costs within the month as they fall due.

2.2 Income and Expenditure

Income and expenditure for the three month period August to October 2016 and forecasts to July 2017 are summarised in paragraph 7.

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SFC core grant of £2,050,000 has been drawn for the period, which represents 24% of the total available for the year.

Some budget lines for income and expenditure have been re-profiled as they are likely to relate to timing differences. Actual expenditure against budget is regularly reviewed across all budget departments to ensure that any potential problems are flagged up as early as possible. No issues have been identified to date, and any changes arising will be reported for Executive Management Team review and action.

The period to October 2016 shows SFC grants and fee income lower than the budget for the period to date, and property costs higher than budget due to completion of the summer estate works. The forecasts to July 2017 are still expected to show a net out-turn in line with the budget.

2.3 Balance Sheet

The balance sheet movement for the period between July and October is as follows:

| | October '16 | July '16 | Movement |
|----------------------------------|----------------|----------------|--------------|
| | £000 | £000 | £000 |
| Fixed Assets | 36,457 | 36,756 | - 299 |
| Current Assets | 2,330 | 2,458 | - 128 |
| Current Liabilities | (2,707) | (2,984) | 277 |
| Long Term Liabilities | (23,520) | (23,710) | 190 |
| Pension Liability | (8,291) | (8,291) | - |
| Net Assets | 4,269 | 4,229 | 40 |
| Revaluation Reserve | (4,385) | (4,421) | 36 |
| I&E Account | 116 | 192 | - 76 |
| | (4,269) | (4,229) | - 40 |
| Cash at Bank | 1,422 | 1,947 | - 525 |
| Net current assets/(liabilities) | (377) | (526) | 149 |

Fixed Assets – total fixed assets have reduced due to depreciation charges for the period.

The proposed disposal of the Catherinefield building during 2016/17 is expected to have a minimal impact on the accounts.

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Current Assets and Liabilities – bank balances have decreased from the year-end balances. The cash flow has been prepared on the basis that the minimum bank balance available at the end of each month should be approximately £1m, and the higher balance at October represents costs which were committed at July and other summer works which weren't invoiced until October.

The decrease in current liabilities includes payment of the Lennartz instalment at July 2016, and a reduction in creditors and accrued costs from the July balances.

Deferred capital grants of £190,000 were released in the period to October 2016.

5. Student Support

The initial projections for student support are currently being calculated, and some applications are still being received from students, but initial figures show a decrease in FE funding applications, and increased demand for HE discretionary and childcare support.

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

| | PERIODS 1 TO 3 | | FORECAST - 12 MONTHS TO JULY 2017 | | | | | | |
|--------------------------------|------------------------|----------------|-----------------------------------|--|--------------------------------|----------------------|--------------------------|--|------------------------------|
| | August to October 2016 | | August 2016 to July 2017 | | | | | | |
| | | | | | Revised Budget - September '16 | Changes for approval | Revised Budget - May '16 | | Variance from revised budget |
| | Actual | Revised Budget | Forecast | | | | | | |
| | £000 | £000 | £000 | | | | £000 | | £000 |
| | | | | | | | | | |
| Income | 395 | 395 | 2,442 | | 2,442 | 0 | 2,442 | | 0 |
| Expenditure | 395 | 395 | 2,442 | | 2,442 | 0 | 2,442 | | 0 |
| Net costs to be met by College | 0 | 0 | 0 | | 0 | 0 | 0 | | 0 |

6. Scottish Colleges Foundation/ Arms Length Foundation

The balance retained by the Scottish Colleges Foundation for Dumfries and Galloway College amounts to approximately £335,000.

Finance and General Purposes Committee

7. Income and Expenditure Summary

| | PERIODS 1 TO 3 | | 12 MONTHS TO JULY 2017 | | | | |
|--|------------------------|--------------|--------------------------|----------------------------|----------------------|----------------|-----------|
| | August to October 2016 | | August 2016 to July 2017 | | | | |
| | Actual | Budget | Forecast * | Budget approved - 27.09.16 | Changes for approval | Revised Budget | Variance |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| INCOME | | | | | | | |
| Grant Income (including SFC Strategic Fund) | 2,168 | 2,186 | 9,151 | 8,992 | 178 | 9,170 | 19 |
| Release of deferred capital grant | 190 | 190 | 759 | 759 | 0 | 759 | 0 |
| Fee Income | 414 | 436 | 1,846 | 1,868 | 0 | 1,868 | 22 |
| Other Income | 17 | 17 | 65 | 64 | 0 | 64 | (1) |
| Total Income | 2,789 | 2,829 | 11,821 | 11,683 | 178 | 11,861 | 40 |
| EXPENDITURE | | | | | | | |
| Gross pay costs | 1,532 | 1,542 | 6,319 | 6,401 | (72) | 6,329 | 10 |
| Pensions | 270 | 278 | 1,111 | 1,125 | 0 | 1,125 | 14 |
| National Insurance | 136 | 126 | 515 | 505 | 0 | 505 | (10) |
| Total Pay Costs | 1,938 | 1,946 | 7,945 | 8,031 | (72) | 7,959 | 14 |
| Property Costs | 158 | 151 | 970 | 763 | 178 | 941 | (29) |
| Other overheads | 367 | 366 | 1,741 | 1,706 | 57 | 1,763 | 22 |
| Depreciation | 299 | 299 | 1,197 | 1,197 | 0 | 1,197 | 0 |
| Adjustment for timing differences * | 0 | 0 | (32) | 0 | 0 | 0 | 32 |
| Student Support Contingency | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Costs | 824 | 816 | 3,876 | 3,666 | 235 | 3,901 | 25 |
| Total Expenditure | 2,762 | 2,762 | 11,821 | 11,697 | 163 | 11,860 | 39 |
| UNDERLYING OPERATING SURPLUS/ (DEFICIT) | 27 | 67 | 0 | (14) | 15 | 1 | 1 |

Finance and General Purposes Committee

| | | | | | | | |
|--|----|----|-------|-------|---|-------|---|
| DEPRECIATION CASH EXPENDITURE | 0 | 0 | 177 | 177 | 0 | 177 | 0 |
| OVERALL OPERATING SURPLUS/ (DEFICIT) | 27 | 67 | (177) | (191) | 0 | (176) | 1 |

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

Finance and General Purposes Committee

Aged Debt Report as at October 2016

1. Introduction

- 1.1 The purpose of this report is to provide an update to members on the College debtor balances and any bad debts arising since 31 July 2016.
- 1.2 The value of sales invoices issued by the College on an annual basis is relatively small in comparison to total income. The majority of College income relates to grant funding from the Scottish Funding Council, and other grants which are received at agreed stages during the year. Approximately 1,000 invoices are issued each year, which represents less than 10% of college income.
- 1.3 The number of reminder letters issued for late payments each year is relatively low in comparison to total College income. In addition, the debts which are eventually forwarded to debt collection agents to pursue is very small in comparison to the total invoices raised each year

2. Summary of Aged Balances at October 2016

| | <u>July 2016 Total</u> | <u>October 2016 Total</u> | <u>Current</u> | <u>1 Month</u> | <u>2 Months</u> | <u>3 Months</u> | <u>3 Plus</u> | <u>No of Debts</u> |
|----------------|--------------------------------|-----------------------------------|----------------|--------------------|---------------------|---------------------|---------------|------------------------|
| Client | 31,303 | 61,900 | 61,416 | 362 | (1,141) | 992 | 270 | 29 |
| Student | 293 | 21,630 | 2,290 | 16,594 | 1,907 | 200 | 639 | 51 |
| Bursary | 3,355 | 3,285 | - | - | - | - | 3,285 | 13 |
| Total | 34,951 | 86,815 | 63,706 | 16,956 | 766 | 1,192 | 4,195 | 93 |

- 2.1. The total level of debt has increased by £51,864 or 148% since July 2016. This is due to increases in both client and student debt in the quarter, but with a decrease in Bursary debt.
- 2.2 The College continues to ensure that debtor balances are current and recoverable by following the agreed procedure for reminder letters, with difficult cases being referred to the debt collection agents to pursue.

Finance and General Purposes Committee

3. Breakdown of debtor balances

- 3.1 Client debt has increased by £30,597, which is almost double the previous quarter's amount. However, this total includes one large invoice with a value of £44,222 which was issued in late October. The remaining balance includes a number of invoices to clients which were issued during October and some earlier ones which have been chased in line with College procedures.
- 3.2 The total level of student debt has increased by £21,337 from £293 since July 2016. This large increase is due to a high volume of invoices being issued for tuition fees at the start of the 2016-17 academic year for students whose fees have not yet been authorised for payment by the Student Awards Agency for Scotland (SAAS). Reminder letters have been issued in accordance with College procedures, and if SAAS agree to pay the fees the invoices will be cancelled.
- 3.3 Bursary debt has decreased by £70 since July 2016. The balance is made up of older debts, which have been followed up in accordance with College procedures. The majority of these have been forwarded to the debt collection agency.

4. Bad debt provision

- 4.1 At 31 October 2016 the provision in the accounts remains at £665 and reflects the low level of debt. The provision will be reviewed on an ongoing basis.

5. Debt collection agents

- 5.1 The total balance currently at the final stage of debt collection amounts to £3,534 and is being handled by TNC. The balance relates mainly to invoices for bursary overpayments, with course fees making up the remainder of £618.

6. Balances to write-off

- 6.1 One balance which has been pursued through the debt collection agents and has now been classed as irrecoverable by them is noted below. The committee is asked to approve this balance for write-off:

| <u>Reference</u> | <u>Amount £</u> | <u>Debt Type</u> | <u>Date</u> |
|------------------|-----------------|------------------|-------------|
| 0901933 | 283.56 | Bursary | 12/11/2015 |

Finance and General Purposes Committee

6.2 The table below shows the debts written-off in each of the previous six years.

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

7. Recommendation

- 7.1 Members are requested to approve the proposed write-off of bad debt balances above, and to note the aged debt balances at October 2016.

Board of Management

Cash Flow Forecasts for November 2016

1. Purpose of the Report

The purpose of this report is to present the updated 2016-17 Cash Flow forecasts to the Committee and highlight the key aspects for review.

2. Report

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

The format of the College's cash flow projections was updated in order to predict cash movements as accurately as possible and forecast cash requirements each month. The projections cover the period from April to July which is required for SFC returns.

The current format includes a section for core College cash movements, Lennartz balances and Hospitality developments. The Hospitality developments section will be completed when the final retentions have been paid, and Lennartz balances will reduce over the remainder of the agreement which is due to be completed in July 2018.

The main areas for the Committee to review are the 'Total closing bank balances' each month, and the movement at the SFC budget cut-off periods March and July. The monthly grant claim is calculated in order to provide total forecast bank balances of £1m each month to meet operating expenditure.

The forecast reduction in the overall bank balances November 16 to March 17 reflects the repayment of the Lennartz.

3. Recommendation

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

Dumfries and Galloway College
Cash Flow Projections for 2016-17

| | <u>Forecast</u> Nov-16 | <u>Forecast</u> Dec-16 | <u>Forecast</u> Jan-17 | <u>Forecast</u> Feb-17 | <u>Forecast</u> Mar-17 | <u>Forecast FY</u> £000 | <u>Forecast</u> Apr-17 | <u>Forecast</u> May-17 | <u>Forecast</u> Jun-17 | <u>Forecast</u> Jul-17 | <u>Forecast AY 2016-17</u> £000 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|------------------------------------|
| Forecast 16-17 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| <u>Income</u> | | | | | | | | | | | |
| <u>SFC Grants</u> | | | | | | | | | | | |
| SFC Core Grant | 725,000 | 900,000 | 635,000 | 0 | 796,590 | 8,430,051 | 1,200,000 | 750,000 | 800,000 | 659,584 | 8,516,174 |
| SFC Strategic Fund | 0 | 47,490 | 0 | 0 | 0 | 47,490 | 0 | 27,653 | 0 | 0 | 75,143 |
| Developing Young Workforce | 0 | 0 | 0 | 0 | 0 | 44,735 | 0 | 0 | 0 | 0 | 0 |
| <u>Student Support</u> | | | | | | | | | | | |
| Bursary | 100,000 | 220,000 | 180,000 | 180,000 | 238,801 | 1,729,801 | 150,000 | 145,000 | 100,310 | 0 | 1,639,111 |
| FE Childcare | 30,000 | 30,000 | 30,000 | 30,000 | 25,000 | 275,141 | 25,000 | 20,000 | 15,000 | 0 | 266,000 |
| HE Childcare | 15,000 | 15,000 | 15,000 | 15,000 | 10,000 | 93,109 | 8,000 | 7,500 | 5,000 | 0 | 107,000 |
| FE Hardship | 10,000 | 10,000 | 10,000 | 10,000 | 7,500 | 85,600 | 7,500 | 7,500 | 5,000 | 0 | 84,199 |
| Capital Maintenance | 0 | 0 | 280,538 | 178,030 | 0 | 458,568 | 0 | 0 | 0 | 0 | 458,568 |
| EMA Admin | 8,000 | 3,000 | | | | 11,000 | 0 | 0 | 0 | 0 | 11,000 |
| EMA Student Maintenance | 32,604 | 32,604 | 32,604 | 32,604 | 32,604 | 283,500 | 30,000 | 30,000 | 30,000 | 0 | 300,000 |
| ESOL (16-17) | 2,974 | 2,974 | 2,974 | 2,974 | 2,975 | 20,819 | 3,312 | 3,312 | 3,312 | 3,313 | 34,068 |
| ESOL (2015-16) | 0 | 0 | 0 | 0 | (1,620) | 13,352 | 0 | 0 | 0 | 0 | (1,620) |
| <u>Other Income</u> | | | | | | | | | | | |
| Other grant income | 6,733 | 6,733 | 6,733 | 6,733 | 6,732 | 44,885 | 4,208 | 4,208 | 4,208 | 4,212 | 50,500 |
| Scottish Colleges Foundation | 0 | 0 | 0 | 0 | 0 | 170,000 | 0 | 0 | 0 | 0 | 0 |
| HE Hardship | 0 | 0 | 0 | 0 | 23,487 | 78,289 | 0 | 0 | 0 | 0 | 78,289 |
| SAAS Fees | 0 | 0 | 0 | 732,450 | 0 | 788,538 | 0 | 0 | 0 | 0 | 743,551 |
| Re-charges - UWS/ GI. Uni/ DGC | 0 | 0 | 96,000 | 0 | 0 | 253,566 | 16,000 | 16,000 | 16,000 | 16,000 | 226,270 |
| SDS fees | 26,000 | 26,942 | 26,942 | 26,942 | 26,942 | 322,150 | 24,045 | 24,045 | 24,045 | 24,043 | 288,538 |
| Other cash received | 46,193 | 45,995 | 45,995 | 45,995 | 45,997 | 604,162 | 53,275 | 53,275 | 53,275 | 48,321 | 634,346 |
| Total cash in | 1,002,504 | 1,340,738 | 1,361,786 | 1,260,728 | 1,215,008 | 13,754,756 | 1,521,340 | 1,088,493 | 1,056,150 | 755,473 | 13,511,137 |
| <u>Expenditure</u> | | | | | | | | | | | |
| Payroll | 696,965 | 757,747 | 680,000 | 670,000 | 700,000 | 8,131,114 | 680,000 | 690,000 | 690,000 | 698,288 | 8,207,288 |
| ESOL Salaries | 724 | 805 | 805 | 805 | 802 | 12,384 | 0 | 0 | 0 | 0 | 6,455 |
| ESOL (2015-16) | 7,927 | 7,927 | 7,927 | 7,927 | 7,928 | 39,636 | 3,083 | 3,083 | 3,083 | 3,087 | 51,972 |
| SPARQS Salaries | 0 | 0 | 0 | 0 | 0 | 14,538 | 0 | 0 | 0 | 0 | 7,506 |
| SFC - SPARQS - Single College Student Association | 0 | 0 | 0 | 0 | 0 | 228 | 0 | 0 | 0 | 0 | 0 |
| EMA payments | 38,790 | 30,000 | 30,000 | 30,000 | 30,000 | 280,920 | 30,000 | 30,000 | 30,000 | 0 | 300,000 |
| Bursary payments (inc. student transport) | 326,812 | 350,225 | 180,000 | 180,000 | 163,801 | 1,822,097 | 150,000 | 145,000 | 100,310 | 0 | 1,869,336 |
| FE Childcare | 30,000 | 85,122 | 30,000 | 30,000 | 54,929 | 309,453 | 25,000 | 20,000 | 15,000 | 0 | 321,122 |
| HE Childcare | 15,595 | 15,000 | 15,000 | 15,000 | 10,000 | 109,186 | 8,000 | 7,500 | 5,000 | 0 | 107,000 |

Dumfries and Galloway College

Cash Flow Projections for 2016-17

| | <u>Forecast</u> | <u>Forecast</u> | <u>Forecast</u> | <u>Forecast</u> | <u>Forecast</u> | <u>Forecast FY</u> | <u>Forecast</u> | <u>Forecast</u> | <u>Forecast</u> | <u>Forecast</u> | <u>Forecast AY 2016-</u> |
|--|------------------|------------------|------------------|------------------|------------------|--------------------|------------------|------------------|------------------|-----------------|--------------------------|
| | <u>Nov-16</u> | <u>Dec-16</u> | <u>Jan-17</u> | <u>Feb-17</u> | <u>Mar-17</u> | | <u>Apr-17</u> | <u>May-17</u> | <u>Jun-17</u> | <u>Jul-17</u> | <u>17</u> |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Forecast 16-17 | | | | | | | | | | | |
| FE Hardship | 15,894 | 15,118 | 10,000 | 10,000 | 7,500 | 92,683 | 7,500 | 7,500 | 5,000 | 0 | 89,317 |
| HE Hardship | 13,414 | 8,000 | 8,000 | 8,000 | 8,000 | 69,655 | 8,000 | 8,000 | 7,789 | 0 | 78,289 |
| Depreciation spend - estates development | 0 | 0 | 53,000 | 0 | 150,000 | 203,000 | 0 | 0 | 0 | 0 | 203,000 |
| Supplier payments | 244,115 | 145,500 | 145,250 | 160,000 | 187,000 | 2,598,700 | 160,000 | 160,000 | 135,000 | 140,000 | 2,233,771 |
| Maintenance - SFC Capital Maintenance g | 20,885 | 20,000 | 54,306 | 178,030 | 0 | 458,568 | 0 | 0 | 0 | 0 | 458,568 |
| Other payments | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 193,353 | 10,000 | 10,000 | 10,000 | 10,000 | 148,514 |
| Total cash out | 1,421,121 | 1,445,444 | 1,224,288 | 1,299,762 | 1,329,960 | 14,335,515 | 1,081,583 | 1,081,083 | 1,001,182 | 851,375 | 14,082,138 |
| Net cash inflow/(outflow) | (418,617) | (104,706) | 137,498 | (39,034) | (114,952) | (580,759) | 439,757 | 7,410 | 54,968 | (95,902) | (571,001) |
| Balance b/f | 708,188 | 289,571 | 184,865 | 322,363 | 283,329 | 749,136 | 168,377 | 608,134 | 615,544 | 670,512 | 1,145,611 |
| Balance c/f | 289,571 | 184,865 | 322,363 | 283,329 | 168,377 | 168,377 | 608,134 | 615,544 | 670,512 | 574,610 | 574,610 |

| | | | | | | | | | | | |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Lennartz: | | | | | | | | | | | |
| Quarterly payments | 0 | 83,155 | 0 | 0 | 83,155 | 339,053 | 0 | 0 | 83,155 | 0 | 334,919 |
| Cash outflow | 0 | 83,155 | 0 | 0 | 83,155 | 339,053 | 0 | 0 | 83,155 | 0 | 334,919 |
| Balance b/f | 714,055 | 714,055 | 630,900 | 630,900 | 630,900 | 886,798 | 547,745 | 547,745 | 547,745 | 464,590 | 799,509 |
| Balance c/f | 714,055 | 630,900 | 630,900 | 630,900 | 547,745 | 547,745 | 547,745 | 547,745 | 464,590 | 464,590 | 464,590 |

| | | | | | | | | | | | |
|------------------------------------|------------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|
| Total closing bank balances | 1,003,626 | 815,765 | 953,263 | 914,229 | 716,122 | 716,122 | 1,155,879 | 1,163,289 | 1,135,102 | 1,039,200 | 1,039,200 |
|------------------------------------|------------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|