Board of Management
Finance and General Purposes Committee

Date: 27 Sept 2016
Time: 2pm
Room: 1074b

	AGENDA		Presented by
1	Welcome and Apologies for Absence		JH
2	Declaration of Interest		JH
3	Minute of Meeting of 17 May 2016	(attached)	JH
4	Matters Arising		
	4.1 Sale of Catherinefield	(verbal)	HP
5	Draft Annual F&GP Committee Report	(report attached)	JH
6	Facilities Update	(report attached)	HP
7	Revised Health and Safety Policy	(verbal)	HP
8	Revised Budget 2016-17 (and verbal Financial Update)	(report attached)	KH
9	Draft Financial Statements 2015-16	(report attached)	JB/KH
10	Aged Debt Report	(report attached)	KH
11	2016-17 Fee Policy	(report attached)	JB
12	Update – Challenge to Lennartz Ruling	(report attached)	KH
13	Any Other Business		
13	Date and Time of Next Meeting - Tuesday 29 November 2016 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.

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 revisals 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.

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.

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.

Minute of the Meeting of the Finance and General Purposes Committee of the Board of Management of Dumfries and Galloway College, held on Tuesday 17 May 2016 at 2.00 pm in Room 1074b, Dumfries campus.

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

In attendance: Jannette Brown, Secretary to the Board and Vice Principal Corporate Services & Governance
Karen Hunter, Finance Manager
Helen Pedley, Director of Organisational Development and Facilities
Claire Gardiner, Grant & Thornton

Minute Taker: Heather Tinning, Executive Team Assistant

1 Welcome and Apologies for Absence

The Chair welcomed members to the meeting, including Claire Gardiner, Audit Manager from Grant Thornton Accountants. Apologies for absence were intimated on behalf of Carol Turnbull.

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 1 March 2016 was approved.

4 Matters Arising

None.

4.1 Sale of Catherinefield

The Director of Organisational Development and Facilities reported on recent correspondence with the SFC relating to the sale of the property and discussions with current tenant. The sale will now be progressed with the College solicitor.

5 Transition to FRS102

Claire Gardiner, Audit Manager at Grant Thornton spoke to the report which had been issued. The major impact for the College related to deferred capital grants. The Audit Manager also reported on the suggested transition timetable. She also highlighted the importance of engaging with external audit at an early stage. The narrative in the year end accounts is very similar to previous years although presented in a different way. The Vice Principal Corporate Services and Governance advised members that Audit Scotland was taking an interest in the sector accounts due to the number of colleges reporting deficits.

6 Capital Grants and Transition to FRS102

The Finance Manager spoke to the report which had been issued. Members discussed the best model to deal with deferred grants and agreed to the recommendation by the Executive Management Team to adopt the accruals model.

7 Scottish Funding Council Financial Memorandum

The Vice Principal Corporate Services and Governance spoke to the paper which had been issued. She confirmed that with the exception of moving over to Government banking the College was fully compliant with the SFC Financial Memorandum and SFC Guidance on seeking approval for severance schemes. The College is currently awaiting RBS to confirm the date to transition to new bank account.

8 Revised Operation of Severance Payments Policy

The Director of Organisational Development and Facilities spoke to the report which had been issued. Members disused the revised policy and agreed to set a £40,000 limit for severance payment of the Executive Management Team or where all elements of a proposed severance payment would amount to.

Action: Revised policy to be recommended to the board at its next meeting.

9 Estates Update

The Director of Organisational Development and Facilities spoke to the report which had been issued. The report provided members with an update on the recent break in, flood damage, safety of the construction of the building, health and safety inspection and fire risk assessment.

The chair thanked the Director for a very full report.

10 Pay Award Update

The Director of Organisational Development and Facilities updated members on the latest position on national bargaining. The Regional chair advised members that the Employer’s Association will be setting parameters of the NJNC for future negotiations.

11 Draft 2016-17 budget

The Finance Manager spoke to the report which had been issued, advising that the draft budget had been prepared following the recent funding announcement by the SFC. She highlighted the increase in staff costs from previous year. The College expects additional funding to be made available to colleges to support the national pay awards. The Finance Manager advised that the SFC capital grant was less than last year. She advised that a bid into ALF may need to be considered for capital projects.

Karen McGahan left the meeting at this point

Decision: Members agreed to recommend the budget to the board at its next meeting.

12 Financial Update March 2016

The Finance Manager spoke to the report which had been issued, advising that the figures had been prepared prior to the SFC funding announcement. In terms of cash, the amount held is relatively low, complying with Scottish Government requirements. A small surplus of student support funding is expected up to the end of July, which will be paid back to the SFC. The Income and Expenditure Summary shows changes proposed to the budget and highlights variances in the budget at this stage. S he reported that the college is forecasting a break even position. Members noted the report.

13 Aged Debt Report

The Finance Manager spoke to the report, which had been issued, providing an up-to-date summary on outstanding debt. Members noted the report.

14 Cash Flow Forecasts

The Finance Manager spoke to the report which had been issued showing cash flow projections 2015-16. Members noted the report.

15 Any other Business

The Vice Principal Corporate Services and Governance spoke to the report which had been tabled. The report provided members with an update on the current position on the Challenge to the Lennartz Ruling and to consider the recommendation by the Executive Management Team to not continue with the action at this time but should further developments occur this decision will be reviewed. Members requested further information in term and conditions of the Ernst & Young contract and to seek an expert VAT opinion on consequences before making a decision.
Action: Decision deferred until the next committee meeting.

16 Date and Time of Next Meeting

The next meeting of the Committee would take place on Tuesday 27th September 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

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:

- **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.

6.2 The accounting adjustments to reflect the pension valuation at 31 July 2016 has resulted in a net charge of £ (insert once accounts audited) 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 £,000 (insert once accounts audited).

7 OTHER MATTERS

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

7.2 The main focus and work of the Finance and General Purposes Committee for the forthcoming period will be to continue to continue to address the changes arising from the ONS Reclassification of Scottish Colleges as Public Sector bodies, 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.

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 financial viability is maintained; 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 Purpose Committee

Facilities Update

1 Purpose of the Report

The purpose of this report is to provide the Finance and General Purposes Committee with an update on Facilities developments following the previous meeting.

2 Flood Damage

All repair works have been completed following the flood damage and invoices received. The final claim was for £50,397 and the College await payment. In addition the insurance made payment to the commercial cleaning company for the sum of £45,311.

3 Potential Construction Issues

Following the incident in April 2016 involving several school buildings across the country the College received a report from McGowan Miller stating there were no issues with the construction of the building and that the building is safe. The report did highlight the requirement to review the cladding in terms of aesthetics and this work is ongoing.

4 Health and Safety

Following the annual fire risk assessment all recommendations have now been actioned. This includes an upgrade to the fire alarm system at Stranraer which was completed during the Summer break.

5 Hairdressing Salons

The review of the beauty salons in 2015 also included a review of the hairdressing salons at Dumfries but due to time constraints for completing the works the decision was taken to complete the hairdressing salons in the summer of 2016. The plans reflected an industry standard salon rather than a classroom environment which included a reception desk, wall mounted equipment to efficiently use the space, mobile stations and a retractable wall between the two salons. This will therefore create a larger space which can be utilised when teaching joint groups and when visits are made by industry to deliver presentations/training to learners. DG First from Dumfries and Galloway Council were the successful contractors with work commencing in June 2016 and completing on target in August 2016 at a total cost of £148,628. All snagging is complete and feedback from staff and learners has been extremely positive in relation to the new facilities. New equipment and fixtures are being ordered for the hairdressing salon at Stranraer with work due to be complete during the current academic session.

6 Summer Works

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

- Replacement of all the radiators at the Dumfries Campus.
- Upgrade of the fire alarm system at Stranraer Campus.
- Installing air conditioning to several staff areas at Dumfries.
- Creation of a computing science lab for the new HNC Computing Science course.
- Refurbishment of several classrooms to include additional computers.
- Additional cabelling at Stranraer to support additional computers.
- New telephone system across the College.
- Extension to the WiFi at Stranraer.
- Upgrade IT equipment and software in classrooms and staff workrooms.

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

- Purchase of energy efficient lighting for the library, to be installed during the academic session.
- Additional technology to the boilers at the Dumfries Campus to make them more energy efficient.

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

A summary of costs associated with estates and IT works for the period 1 August 2015 to 31 July 2016 is attached as appendix 1.

7 Recommendation

Members are asked to note the report.

Finance and General Purpose Committee

Appendix 1

Estates Developments - Period 01.08.15 to 31.07.16

	£
Car park extension	91,078
Beauty salon refurbishment/childcare room	213,571
Hair Salon refurbishment	148,628
Timber store	44,503
Remaining ZEST works	23,300
Air conditioning	31,199
Library lights	15,178
IT developments	35,949
Room refurbishments/upgrades	176,165
Additional technology for the boilers	85,745
Electrical works	18,160
Replacement radiators	13,576
Fire alarm upgrade	24,845
Total	921,879

Finance and General Purposes Committee

REVISED BUDGET FOR 2016-17

1 PURPOSE OF REPORT

The purpose of this report is to seek approval for revisions to the draft budget for the 2016/17 financial year.

2 REPORT

This budget relates to the 2016/17 financial year, and covers the 12 month period August 2016 to July 2017.

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

Scottish Funding Council Income
Strategic Funding – the previous budget report included an estimate of SFC Strategic grant of £30,000. SFC have confirmed that additional grant of £75,143 will be provided in order to meet additional cost pressures.

ESOL - The final grant allocation for ESOL (English for Speakers of Other Languages) has now been advised by SFC, which has decreased grant income by £2,147.

Arms Length Foundation
The revised budget now includes a portion of the grant received in April from the Scottish College Foundation which has been carried forward to August 2016 in order to meet the costs to complete the Hair Salon refurbishment. The costs to completion, to be incurred in August, were estimated as £24,436 and this is now also included in the revised budget.

Release of Capital Grants
The budget has been revised to remove the release of non-government capital grants of £57,480 in order to reflect the implementation of accounting standard FRS 102 and the revised Statement of Recommended Practice for 2016/17.

3 NET OPERATING RESULTS

The net effect of the above changes to the operating results is an increase in overall operating deficit by £14,000 to £191,000.

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

4 RECOMMENDATION

Members are requested to consider the revisions to the budget, as recommended by Executive Management Team.

Finance and General Purposes Committee

Appendix

INCOME AND EXPENDITURE

	ACADEMIC YEAR 2016/17		
	Original Budget - May 2016	***Changes for Approval - September 2016***	**Revised Budget - September 2016**
INCOME	**£000**	***£000***	**£000**
Grant Income	8,895	*22*	8,917
Release of deferred capital grant	816	*(57)*	759
Fee Income	1,868	*0*	1,868
Other Income	64	*0*	64
SFC Strategic Fund	30	*45*	75
Total Income	**11,673**	***10***	**11,683**
EXPENDITURE			
Total Pay Costs	**8,031**	***0***	**8,031**
Property Costs	739	*24*	763
Other overheads	1,706	*0*	1,706
Depreciation	1,197	*0*	1,197
Student Support Contingency			
Total Other Costs	**3,642**	***24***	**3,666**
Total Expenditure	**11,673**	***24***	**11,697**
UNDERLYING OPERATING SURPLUS/ (DEFICIT)	**0**	***(14)***	**(14)**
DEPRECIATION CASH EXPENDITURE	**177**	***0***	177
OVERALL OPERATING SURPLUS/ (DEFICIT)	**(177)**	***(14)***	**(191)**

Finance and General Purposes Committee

STUDENT SUPPORT

	ACADEMIC YEAR 2016/17				
	Original Budget - May 2016		***Changes for Approval - September 2016***		**Revised Budget - September 2016**
	£000		***£000***		**£000**
Income	2,442		*0*		2,442
Expenditure	2,442		*0*		2,442
Net costs to be met by College	**0**		***0***		**0**

DRAFT FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

1. Purpose of the Report

1.1 The purpose of this report is to provide a summary of the results and balances reported in the Financial Statements for the year ended 31 July 2016 and the changes to the format of the financial statements from previous years.

1.2 The financial statements will also include a Strategic Report, which comprises a Performance Report, replacing the Operating and Financial Review, and an Accountability Report covering Corporate Governance, Remuneration and Staffing. A first draft of the Strategic Report is currently being reviewed by the Executive Management Team, and will be presented for discussion and approval at the November meeting of this Committee.

2 Basis of Preparation of the accounts

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 40 to 44 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, and transition to the 2015 SORP.

3 Format of the accounts

3.1 The format of the financial statements under the 2015 SORP has replaced the Income and Expenditure Account with the Statement of Comprehensive Income, 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.

3.2 The balance sheet movement for the year is summarized on the Statement of Changes in Reserves, which includes the movement on the income and expenditure reserve and the revaluation reserve.

4 Comparative figures

4.1 The comparative figures relate to the 18 month period 1 April 2014 to 31 July 2015.

4.2 The results for the comparative period to July 2015 and balances at 1 April 2014 and 31 July 2015 have been updated to comply with the requirements of FRS 102 and the 2015 SORP.

4.3 Note 27 of the financial statements sets out how the transition to FRS 102 and the 2015 SORP have affected the Statement of Comprehensive Income for the year and Balance Sheet at 31 July 2016.

5 Statement of Comprehensive Income

5.1 The first part of the Statement of Comprehensive Income shows operating income and expenditure for the year, as well as the actuarial loss for the pension scheme to provide a total comprehensive income for the year.

5.2 The operating result for the year is a net operating deficit of £839,000. The deficit reflects the additional expenditure from depreciation cash funds of £380,000 and pension costs of £464,000 which relate to the pension valuation report.

5.3 Total depreciation cash funds of £380,000 were spent during the year. Of the total, £96,000 was used to offset the costs of the pay award for 2015-16, and £284,000 was used to fund developments including the Beauty Salon refurbishment and car park extension, in line with direction from the Scottish Funding Council.

5.4 The actuarial loss on the pension scheme to 31 July 2016 amounted to £1,825,000

5.5 Note 19 at page 55 sets out the impact of the pension scheme valuation at 31 July 2016 on the Statement of Comprehensive Income and the Balance Sheet.

5.6 Student Support income and expenditure are summarised at notes 21 and 22 of the financial statements. Total student support of £2,242,000 was received during the year, including Further Education Bursaries, EMA's, Further and Higher Education Discretionary and Childcare funding. Further Education Bursary and childcare funds of £246,000 unspent at 31 July 2016 will be repaid to Scottish Funding Council as part of the in-year redistribution process.

6 Balance Sheet

6.1 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.

6.2 Deferred government capital grant balances include current creditors of £758,000 and long term creditor balances of £23,377,000.

6.3 Lennartz liabilities reduced by £452,000 during the year. Payments of £282,000 were made, and the update to VAT partial exemption and annual calculations resulted in a decrease in liabilities of £170,000.

6.4 The liability for the Local Government Pension Scheme has increased by £2,289,000 as summarised at Note 19.

6.5 Total net assets and reserves in the new format exclude deferred capital grant balances. Net assets and reserves amounted to £4,223,000 at 31 July 2016, and the movement for the year has been summarised on the Statement of Changes in Reserves.

6.6 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.

7 Recommendation

Members are asked to note the narrative explanations and net out-turn for the period and balances at 31 July 2016 which are subject to audit.

Statement of Comprehensive Income

	Note	**Year ended 31 July**	Period ended 31 July (restated)
	Note	**2016**	2015
		£000	£000
INCOME			
SFC grants	2	**9,925**	12,906
Tuition fees and education contracts	3	**1,699**	2,271
Other grant income	4	**395**	1,760
Other operating income	5	**422**	569
Endowment and investment income	6	**10**	16
Total Income		**12,451**	17,522
EXPENDITURE			
Staff costs excluding exceptional costs	7	**7,969**	9,878
Fundamental restructuring costs		**0**	0
Other operating expenses	9	**3,931**	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		**13,290**	**17,714**
(Deficit)/ Surplus before tax		**(839)**	(192)
Taxation		**0**	0
(Deficit)/ Surplus for the year		**(839)**	(192)
Unrealised deficit on revaluation of land and buildings		**0**	(1,785)
Actuarial (loss) in respect of pension schemes		**(1,825)**	(691)
Total comprehensive income for the year		**(2,664)**	**(2,668)**
Represented by:			
Unrestricted comprehensive income for the year		**(2,664)**	**(2,668)**

All items of income and expenditure relate to continuing activities.

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**
	(619)	(2,049)	(2,668)
Balance at 1 August 2015	**2,322**	**4,565**	**6,887**
Surplus/ (Deficit) from the income and expenditure statement	(839)	0	**(839)**
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**
Total comprehensive income for the year	(2,520)	(144)	(2,664)
Balance at 31 July 2016	**(198)**	**4,421**	**4,223**

Balance Sheet as at 31 July 2016

	Note	Year ended 31 July 2016	Period ended 31 July (restated) 2015
		£000	£000
Non-current assets			
Fixed assets	12	**36,756**	37,953
Current Assets			
Trade and other receivables	13	**491**	297
Cash at cash equivalents	14	**1,946**	2,163
Total current assets		**2,437**	2,460
Less: Creditors - amounts falling due within one year	15	**(2,969)**	(2,631)
Net Current Assets/ (Liabilities)		**(532)**	(171)
Total Assets less Current Liabilities		**36,224**	37,782
Less: Creditors - amounts falling due after more than one year	16	**(23,710)**	(24,880)
Provisions			
Pension provisions		**(8,291)**	(6,006)
Other provisions		**0**	(9)
Total net assets		**4,223**	6,887
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		**(198)**	2,322
Revaluation reserve		**4,421**	4,565
Total reserves		**4,223**	6,887

The financial statements on pages 25 to 50 were approved by the Board of Management on XX 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

	Note	**Year ended 31 July 2016**	Period ended 31 July 2015
		£000	£000
Cash flow from operating activities			
(Deficit)/ Surplus for the period		**(839)**	(192)
Adjustment for non-cash items			
Depreciation		**1,197**	1,579
Decrease/ (increase) in debtors		**(194)**	704
(Decrease)/ increase in creditors		**(832)**	(1,904)
Increase/ (decrease) in pension provision		**460**	363
Increase/ (decrease) in other provisions		**(9)**	46
Adjustment for investing or financing activities			
Investment income		**0**	0
Interest payable		**0**	237
(Loss)/ Profit on sale of fixed assets		**0**	(16)
Net cash (Outflow)/ Inflow from operating activities		**(217)**	817
Cash flows from investing activities			
Proceeds from sales of fixed assets		**0**	18
Investment income		**0**	0
Payments to acquire fixed assets		**0**	(799)
		0	(781)
Cash flows from financing activities			
Interest paid		**0**	0
Repayments of amounts borrowed		**0**	0
		0	0
(Decrease)/ increase in cash and cash equivalents in the period		**(217)**	**36**
Cash and cash equivalents at beginning of the period		**2,163**	2,127
Cash and cash equivalents at end of the period		**1,946**	2,163

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. 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.

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.

Statement of Accounting Policies (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.

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.

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.

Statement of Accounting Policies (continued)

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.

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.

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.

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.

Statement of Accounting Policies (continued)

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.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

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.

Statement of Accounting Policies (continued)

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.

10. 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.

11. 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.

12. 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 consolidated results of the college is provided in note 27.

Notes to the Financial Statements

	Year ended 31 July	Period ended 31 July
	2016	2015
	£000	£000
1 SFC Grants		
FE recurrent grant (including fee waiver)	**8,343**	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	**9,925**	12,906
2 Tuition Fees and education contracts		
FE fees - UK	**411**	448
HE fees	**749**	919
SDS contracts	**333**	517
Education contracts	**0**	2
Other contracts	**206**	385
Total	**1,699**	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	Period ended 31 July
	2016	2015
	£000	£000
6 Endowment and investment income		
Bank interest	**10**	16
Net return on pension asset/ liability	**0**	0
Total	**10**	16
7 Staff costs		
Wages and salaries	**6,140**	7,711
Social security costs	**457**	527
Past service credit (note 19)	**0**	0
Other pension costs (including FRS 102 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

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

	2016 No.	2015 No.
The number of senior post-holders, including the Principal was:	**4**	4

	Year ended 31 July	Period ended 31 July
Senior post-holders' emoluments are made up as follows:	**2016**	2015
	£	£
Salaries	**278,845**	383,118
Benefits in kind	**0**	0
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
Benefits in kind	**0**	
	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)

9 Other operating expenses	**Year ended 31 July 2016**	Period ended 31 July 2015
	£000	£000
Teaching departments	**1,003**	1,155
Administration and central services	**1,086**	1,454
Premises costs (including additional Lennartz credit £170,000. 2015- charge - £90,000, note 16)	**574**	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
Other income generating activities	**0**	0
Residences and catering	**379**	516
Overspend on student support funds	**0**	5
	3,931	6,002
Transfer to Arms Length Foundation	**0**	18
Total	**3,931**	**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
Hire of other assets - operating leases		**0**	0

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

The College is participating in the Scottish Colleges Foundation, an independent trust which was established with the purposes of supporting further and higher education colleges in Scotland. 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 project 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 further consequence of reclassification of the College as a central government body is that, from 1 April 2014, while the College continues to prepare accounts under the FE/HE Statement of Recommended Practice, it is now also required to comply with Central Government budgeting rules. This affects, among other things, the way in which non-depreciation charges are treated. For the 2015/16 budget period this has meant that the College received cash of £390,000 which had been earmarked against depreciation (2014/15 - £387,000). Without approval to spend this cash, moving the College's Income and Expenditure account into a deficit position, it would have been effectively frozen. The Scottish Funding Council issued guidance to the College on this matter on 30 March 2015 which provided approval for that cash to be applied to student support, loan repayments and deliver improved services to learners.

The impact of the above has contributed £380,000 to the reported deficit for the 2015/16 financial period (2014/15 - £296,000). However, the Scottish Funding Council has confirmed (in its letter to the College on 30 March 2015) that a deficit resulting from the College following its 30 January 2015 guidance should be treated as a 'technical' deficit and should not be interpreted, on its own, as a challenge to the College's ongoing financial sustainability. This position has been agreed with Audit Scotland and the Scottish Government.

10 Interest payable

	Year ended 31 July 2016 £000	Period ended 31 July 2015 £000
Net interest cost on pension liability (note 19)	**193**	237

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
Transfers	0	0	0	0
Revaluation adjustment	0	0	0	0
At 31 July 2016	**38,209**	**337**	**253**	**38,799**
Depreciation				
At 1 August 2015	393	286	167	846
Provided during period	1,164	14	19	1,197
On disposals	0	0	0	0
Revaluation adjustment	0	0	0	0
At 31 July 2016	**1,557**	**300**	**186**	**2,043**
NBV at 1 August 2015	37,816	51	86	37,953
NBV at 31 July 2016	**36,652**	**37**	**67**	**36,756**
Inherited	32,832	0	0	32,832
Financed by capital grant	3,820	337	64	4,221
Other	0	0	3	3
At 31 July 2016	**36,652**	**337**	**67**	**37,056**

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
	0

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
European Funding	**0**	0
Prepayments and accrued income	**441**	241
	491	297

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

14 Cash and cash equivalents

	31 July 2016 £000	31 July 2015 £000
Cash and cash equivalents	**1,946**	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.

Notes to the Financial Statements (continued)

	Year ended 31 July 2016	Period ended 31 July 2015
15 Creditors: Amounts falling due within one year	**£000**	£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	**954**	759
Deferred capital grants	**758**	758
Bursaries and Access funds for future disbursement (note 14)	**363**	251
	2,969	2,631

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).

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**	0
Interest charged	8	193	0	**201**	943
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.

Notes to the Financial Statements (continued)

18 Lease obligations	**Year ended 31 July 2016 £000**	Period ended 31 July 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
- Later than 5 years	0	0
Total lease payments due	252	230

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%
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.

Notes to the Financial Statements (continued)

19 Pensions and similar obligations (continued)

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

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.

19 Pensions and similar obligations (continued)

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 Fair value £000	Period ended 31 July 2015 Fair value £000	Period ended 31 March 2014 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	**(25,314)**	(21,387)
	(7,484)	(5,196)
Present value of unfunded defined benefit obligations	**(24)**	(23)
Deficit in the scheme - net pension liability	**(7,508)**	(5,219)

Current service cost	**(853)**	(1,045)
Past service costs relating to retrospective changes to members' benefits	**0**	0
Past service (gains) in respect of future pension increases	**0**	0
Total operating charge	**(853)**	**(1,045)**

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	**(193)**	**(237)**
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)
Loss on liabilities	**0**	0
Past service credit arising on change of pension increase	**0**	0
Total other comprehensive income before deduction for tax	**(1,825)**	**(691)**

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)

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)
Past service cost	**0**	0
Other finance charge	**(193)**	(237)
(Loss) recognised in other comprehensive income	**(1,825)**	(691)
Deficit at the end of the period	**(7,508)**	(5,219)

	2016	2015
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	**809**	1,567
Present value of assets at the end of the period	**17,830**	16,191

	2016	2015
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)
Past service cost	**0**	0
Interest cost	**(780)**	(1,022)
Participants contributions	**(163)**	(211)
Benefits paid	**502**	420
Change in financial assumptions and other experience	**(2,634)**	(2,258)
Present value of obligations at the end of the period	**(25,338)**	(21,410)

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

Notes to the Financial Statements (continued)

20 Related Party Transactions (continued)

The Crichton Foundation has previously provided grant funding towards the Henry Duncan building, which forms part of the Crichton Campus. During the 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.

21 FE Bursaries and other Student Support Funds

	FE Bursary	EMA's	Other	Period ended 31 July 2016	Period ended 31 July 2015
	£000	£000	£000	**£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	1	**1**	13
Virements to FE and HE Childcare and FE Discretionary funds	(21)	0	21	**0**	(78)
Balance Carried forward	328	0	0	**328**	239
Represented by:					
Repayable to Funding Council as Clawback	222	0	0	**222**	239
Retained by College for Students	106	0	0	**106**	0
	328	0	0	**328**	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.

Notes to the Financial Statements (continued)

22 FE and HE Childcare Funds

	Period ended 31 July 2016 £000	Period ended 31 July 2015 £000
Balance brought forward	**0**	0
Allocation received in period	**303**	296
	303	296
Expenditure	**(279)**	(374)
Repayable to Funding Council as Clawback	**0**	0
Virements from FE Bursary	**0**	78
College contribution to funds	**0**	0
Balance Carried forward	**24**	0
Represented by:		
Repayable to Funding Council as Clawback	**24**	0
Retained by College for Students	**0**	0
	24	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 £000	Period ended 31 July 2015 £000
Commitments contracted for	**24**	0

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 18 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.

		1 April 2014			**31 July 2015**		
	Notes	**2007 SORP**	***Effect of transition to 2015 SORP***	**2015 SORP**	**2007 SORP**	***Effect of transition to 2015 SORP***	**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**

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 before tax	**(502)**	0	0	**(192)**
Taxation	0	0	0	0
(Deficit)/ Surplus for the period	**(502)**	**0**	**0**	**(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)**	**314**	**(2,668)**

Finance and General Purposes Committee

DEBTORS AND COLLEGE TOTAL INCOME

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.

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.

AGED BALANCES AS AT 31 July 2016

A breakdown of the aged debtor balances as at 31st July 2016 is as follows:

	March 2016 Total £	July 2016 Total £	Current £	> 1 mth £	> 2 mths £	> 3 mths £	3+ £	*No Debts 3+
Client	17,096	31,303	13,816	13,610	3,281	-	596	17
Student	2,750	293	-	-	-443	-	735	4
Bursary 2014/15	379	281	-	-	-	-	281	2
Bursary 2015/16	5,934	3,355	-	-	-	-	3,355	13
Grand Total	**26,159**	**35,232**	**13,816**	**13,610**	**2,839**	**-**	**4,968**	**36**

The total level of debt has increased by £9,073 or 34% since March 2016. This is mainly due to an increase in client debt in the quarter.

The College continues to ensure that debtor balances are current by following the procedures for reminder letters with difficult cases being referred to the debt collection agents, TNC, to pursue.

Finance and General Purposes Committee

CLIENT DEBTOR BALANCES

Client debt has increased by £14,207 or 83% since March 2016. The balance includes two larger invoices over £10,000 issued in July 16. The older of the two invoices has now been paid, and the remaining invoice relates to re-charges to a partner organisation. Reminder letters have been issued for the older commercial debt in line with the College procedures.

STUDENT DEBTOR BALANCES

The total level of student debt has decreased by £2,457 or 89% since March 2016 with only a small number of debts outstanding. Standard reminder letters have been issued to chase these debts, in line with College procedures.

BURSARY DEBTORS

Bursary debt has decreased by £2,677 or 42% since March 2016. The remaining 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 collection agency.

BAD DEBT PROVISION

At 31 July 2016 the provision in the accounts has been decreased to reflect the low level of debt, and amounts to £665. The provision will be reviewed on an ongoing basis.

DEBT COLLECTION AGENTS

The total balance currently at the final stage of debt collection amounts to £3,904 and is being handled by TNC. The balance relates mainly to invoices for bursary overpayments, with course fees making up the remainder of £704.

PROPOSED BALANCES TO WRITE-OFF

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

Reference	Amount £	Debt Type	Date
1401009	220.83	Bursary	01/12/2014

SUMMARY OF AMOUNTS PREVIOUSLY WRITTEN OFF

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

Summary of amounts previously written-off:

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**

RECOMMENDATION

Members are requested to note the debtor's balances at 31 July 2016.

Finance and General Purposes Committee

FEE POLICY 2016-17

1 Purpose of the Report

The purpose of this report is to set out the proposed College Fee Policy for 2016-17.

2 Proposed Fees for 2016-17

The proposed Fee policy for 2016-17 is attached.

The Student Awards Agency for Scotland (SAAS) have confirmed that the fees they will pay to the College for full-time higher education courses will remain at £1,285. Part-time fees will also remain at the same level as 2015-16.

The tuition fees to be charged by the College for 2016-17 are proposed to remain at the same level as 2015-16 on that basis.

The proposed fees for other costs including room hire and hire of the sports hall have been increased by the costs of inflation. Any other costs including staffing and other facilities will be costed on an individual basis in line with the template for Full-Cost Recovery courses.

3 Recommendation

Members are asked to review and approve the proposed fees for 2016-17.

DUMFRIES & GALLOWAY COLLEGE FEE POLICY 2016/17
Fee Rates (effective from 1 August 2016)

		2016/17	
		Fee	**Additional Registration Fee to be charged**
1	**UK (AND EU) RESIDENT STUDENTS**		
1.1	**Advanced Courses - Full Time**		
	HND	£1,285.00	£125.00
	HNC	£1,285.00	£103.75
1.2	**Advanced Courses - Part Time/ Day Release/Evening/ SVQ/ Infill**		
	1 HN credit (8 SCQF credits)	£86.00	£13.00
	2 HN credits (16 SCQF credits)	£171.00	£13.00
	3 HN credits (24 SCQF credits)	£257.00	£13.00
	4 HN credits (32 SCQF credits)	£342.00	£52.00
	5 HN credits (40 SCQF credits)	£428.00	£65.00
	6 HN credits (48 SCQF credits)	£514.00	£103.75
	7 HN credits (56 SCQF credits)	£599.00	£103.75
	8 HN credits (64 SCQF credits)	£685.00	£103.75
	9 HN credits (72 SCQF credits)	£771.00	
1.6	**Non Advanced - Full time**		
	Modular Course (eg SVQ, SGA, NC, NQ)	£1,008.00	N
1.7	**Non Advanced - Part Time**		
	DR Modular Course without twilight	£451.00	Y
	DR Modular Course with twilight	£528.00	Y
1.8	**Non Advanced - Infill**		
	Single, one & a half and half modules	£86.00	£7.50
	Double modules	£172.00	£7.50
1.9	**Highers**		
	based on 4 credits per higher	£392.50	N
1.10	**Assessment on Demand**		
	based upon one hour of lecturer time plus additional registration fee per unit	£100.00	£13.00
2	**OVERSEAS STUDENTS**		
	Full Time programme:		
	Overseas fee	£5,250.00	N

	Residents in UK but not eligible for Home Tuition fees Concession 5 or 6 month Visit programme	£4,950.00 £500.00 TBC	N
3	**REGISTRATION FEES**		
3.1	**SQA SVQ** SVQ individual Unit in Levels 1- 4, each SVQ individual Unit in Levels 5, each SVQ Group Award Level 1 SVQ Group Award Level 2 SVQ Group Award Level 3 SVQ Group Award Level 4 SVQ Group Award Level 5	£7.50 £14.50 £47.25 £50.00 £54.75 £64.50 £127.75	
	SQA HN HNC HND HN Individual Unit	£103.75 £125.00 £13.00	
	SQA National Qualifications (NQ) National Unit National Course (total for all units which make up course)	 £7.50 £44.50	
	Note: Registration fees are subject to change by the awarding body.		
4	**OTHER COSTS**		
	Other College facilities will be costed depending on requirements, but the following rates will be used as a guide: **College Facilities** Classroom (per half-day or evening) Sports Hall (per hour) Meeting Room up to 20 delegates (half day) Meeting Room up to 20 delegates (full day) Meeting Room 20 or more (half-day) Meeting Room 20 or more (full day)	 **Rate** £34.00 £30.00 £90.00 £160.00 £140.00 £220.00	

Finance and General Purposes Committee

Update – Challenge to the Lennartz Ruling

1. Introduction

The purpose of this report is to update members on recent discussions regarding the College's Lennartz agreement with HMRC.

2. Background

As reported previously, a test case in England has challenged the legality of HMRC's application of the technical rules and legality of output tax being accounted for on Lennartz arrangements. The Court Of Appeal has referred the case to the Court of Justice of the European Union for a preliminary ruling before a final decision is made, and it is likely to be a couple of years before the final decision is made.

Ernst & Young were appointed on a no-win-no fee basis to review the current position and ensure that the seven Scottish colleges which have Lennartz agreements are continuing to pay the correct amount of VAT.

Ernst & Young recommended that each college submits a voluntary disclosure in relation to overpaid tax and make a claim covering all Lennartz payments within the four year claim period. They have stated that HMRC is open to Lennartz claims due to changes in legislation, and have highlighted that any delay in submitting a claim will reduce any repayment due to the College.

Only two of the seven colleges have submitted a claim to date. HMRC are currently looking at the claims, and have requested further information. The other colleges are currently considering their options.
Ernst and Young have confirmed that no fees will be due if the College decides not to submit a claim.

3. Comments from Scott Moncrieff

Scott Moncrieff have acted as VAT advisers for the College throughout the period from initial discussion with HMRC on Lennartz in 2007, and advising on any changes to date. They have provided some comments on the options now available to the College.
Scott Moncrieff consider that there is no financial implication to making a claim under the test case- - the only potential issue is that it could have a reputational effect on the College. As Colleges are now public bodies, attempting to reclaim VAT under the test case could be described as making use of a 'tax loophole'.

Alternatively, they think it could be seen as poor management if the College doesn't make a claim. If the claim is made by a group of colleges, the claim would be seen as a prudent approach – if the use of Lennartz is unlawful, it can only be in the College interest to make a claim and use the VAT reclaimed to fund additional educational activities.

Scott Moncrieff have suggested that there might be a second option, which would be to unwind Lennartz. They looked at the possibility of the College unwinding its Lennartz position a number of years ago but at the time it was found to be too expensive as the interest the College would have to pay to HMRC was significant. Scott Moncrieff are currently in communications with HMRC on Lennartz for another client, as HMRC suggested previously that input tax due to be repaid to HMRC under Lennartz which was recovered more than 4 years ago would not attract an interest charge. They have asked HMRC for confirmation that interest will not be applied in this situation.

The principle behind unwinding Lennartz is that the College would be required to repay the input tax it has recovered on the asset while HMRC would be required to repay the output tax that the College has paid under Lennartz. These payments would be for the entire period that Lennartz has been in place, not just the last 4 years as noted in the test case. Pending confirmation from HMRC on the interest position, this may provide an attractive way of removing Lennartz payments by the College. The removal of interest payments could remove the significant interest costs previously associated with unwinding Lennartz.
Scott Moncrieff will advise further when they have received further information from HMRC.

4. Recommendation

It is recommended that the Committee note the contents of this report.