Scottish Charity No. SC021189

DUMFRIES AND GALLOWAY COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD

1 AUGUST 2018 TO 31 JULY 2019

Dumfries and Galloway College

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The financial statements were approved and authorised for issue on 10 December 2019.

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Performance Report

Performance Overview

The purpose of this Overview is to give a short summary, with sufficient information to provide an understanding of Dumfries and Galloway College, its purpose, key risks facing the College in achieving its objectives, and how the College has performed over the period to July 2019.

Principal's Statement on Performance

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

As the College nears the end of the current five-year strategic plan, Vision 2020, work is now taking place to develop a new strategy which will cover the period 2020-2025. Ambition 2025 will be very ambitious, and will aim to ensure that we provide an inspirational student experience, and equip individuals, businesses and communities with the 21st Century skills to flourish.

The College exceeded its target for student numbers during 2018-19. The actual credits delivered was 30,816 against a target, including credits from an in-year transfer of activity, of 30,526 - an over-delivery of 1%. Overall retention figures for 2018-19 remain low despite initiatives during the year to improve this, which included improved information sessions and advise sessions, changes in teaching blocks, the introduction of Guidance Coaches, and improved absence and engagement reporting. A College Academic Council has been established during the current year which aims to greater rigour on academic provision, performance and quality enhancement.

The financial out-turn for 2018-19 shows an underlying small surplus of £54,000. This reflects the difficulty in maintaining a break-even position each year within the budget constraints for the Scottish College Sector. The overall operating deficit shown in the Statement of Comprehensive Income includes non-cash adjustments for pension valuation and expenditure from the allocation of 'Fixed Cash Budget for Priorities' as explained in the Performance Analysis pages. A Transformation Plan is currently being drafted which will address the increasing staffing costs and ensure funds are available to support developments which will be required going forward, and work will focus on ensuring an excellent standard of quality of curriculum delivery, and long-term financial sustainability for the College.

The College has updated its annual Self Evaluation and Enhancement Plan 'How Good is Our College'. The evaluation process involved the whole College, including the Student Association, to ensure that the overall report was fully inclusive of all internal stakeholders - including workshops with learners, lecturers, first line managers, support service staff, Heads of Curriculum, Executive Managers and Board Members. The evaluation work carried out has been assessed, together with the Quality Performance Indicators, in order to highlight common themes, and identify college-wide improvements. An Action Plan has been prepared which will be monitored throughout 2019-20 to inform developments and priorities. The College Board of Management has oversight of the actions being taken, and an Education Scotland Progress Visit is scheduled to take place in March 2020.

Developments have been undertaken during 2018-19 as part of the South of Scotland Economic Partnership (SoSEP) joint project with Borders College, which is developing a South of Scotland Learning and Skills Network. The project represents a fundamental shift in how we will utilise technology to teach and to provide other services. We have developed a Digital Skills Strategy which highlights our key aims and ambitions, and a staff development programme has been introduced to support all staff in developing their skills.

Performance Report (continued)

Purpose and Activities of Dumfries and Galloway College

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

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

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

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

The College's approach to learning is a reflection of the rural locality, the local economy and the changing patterns of lifestyles. As a major employer and a dynamic rural learning institution, the 'digital' revolution has been strongly embraced by us and its many forms are fast becoming the basis for the College's operations and delivery. The College is currently establishing a digital learning network in a joint project with Borders College, which has been funded through the South of Scotland Economic Partnership (SoSEP). Developments are aimed at creating a digital and physical hub and spoke system to address the immediate skills gaps identified in the region in key sectors - Energy, Engineering, Construction and Care. A STEM Care Hub and a STEM Renewable Energy/ Engineering Hub in Dumfries, and a mini-STEM Hub for Engineering in Stranraer are almost completed, and the learning centres will be digitally connected with each other, and also with the Hubs being developed by Borders College. Pilot spokes have also been developed in schools.

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

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

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

Strategic Outcomes

The College Strategic Outcomes are:

We will provide opportunities to access and progress through education and training at all levels;

We will deliver education and training that is a route to employment and career development and is aligned to local and national economic need;

We will be the first choice for recruitment, training and development of the workforce;

We will enable communities to grow and develop through local education and training;

We will support more businesses to start-up, grow and diversify;

We will enable people to build their independence and confidence in a supported environment.

Performance Report (continued)

Strategic Outcomes (continued)

We are progressing towards our vision, but it is also essential that we are able to demonstrate its relevance and contribution to the achievement of both Scottish Government and Scottish Funding Council priorities. We are committed to regularly monitor progress towards delivery of the strategic outcomes. The College implemented the new SFC and Education Scotland quality arrangements during 2018-19, which integrates quality arrangements evaluation with outcome agreement evaluation and reporting. The self-evaluative report 'How Good is Our College?' has now been updated and an Enhancement Plan has been implemented to further address the necessary improvements in retention and attainment for students.

Key issues and risks affecting Dumfries and Galloway College

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

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

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

The following risks from the College Risk Register have been identified as key risks, which have been scored as a Significant or Major Risk:

- Failure to achieve institutional sustainability - The changes in funding methodology, 'flat cash' settlements for core grant funding, and increasing costs have all impacted on the College's ability to maintain a balanced budget out-turn. Actions are currently being taken to implement savings against initial budget requests, and a clear programme of transformation will be implemented to achieve ongoing financial sustainability.

- Reputational risk - potential loss of reputation with key stakeholders, with actions being taken to strengthen stakeholder engagement and monitoring of Social Media.

- Salary and conditions of service pressures - there is a risk that salary and cost implications of changes to conditions of service will outstrip the College's ability to fund those costs. The College will continue to work with the Employers' Association to influence negotiations, and model pay costs going forward. In addition, measures are being introduced to ensure robust workforce planning together with modelling for future costs and demands.

- Failure to reach aspirational standards in learning, teaching and service delivery - despite measures being implemented over the previous two years to increase student retention and attainment, overall levels remain low. Mitigating actions include ensuring clear quality arrangements, continuous self evaluation and action monitoring, and rigorous CPD arrangements are in place. A College Academic Committee has also been introduced and is monitoring Performance Indicators with further actions aims planned to improve the performance in 2019-20.

- Failure to meet the deadlines for the SoSEP project - the project aim of establishing a Hub and Spoke project for Engineering, Construction and Care requires robust governance, project planning and close working with Borders College.

Performance Report (continued)

Performance Summary

The reported Key Performance Indicators show a reduction in overall student achievement for 2018-19. Attainment for full-time FE students was 60%, which was lower than the target of 69%. Part-time FE was 70% against a target of 80%. The increased popularity of part-time study has increased recruitment numbers, with attainment for part-time FE students 1% lower than 2017-18 levels. For HE students, part-time success showed an improvement from the previous year but full-time attainment was 69% against a target of 72%, which was disappointing given the measures which were taken during the year to improve performance.

However, overall activity targets were exceeded, with 30,816 credits delivered against a target of 30,526. The College was successful in receiving an additional 350 credits from an in-year transfer of activity, and the additional credits are included in the revised target of 30,526.

Whilst the Key Performance Indicators for 2018-19 are lower than the targets, we are confident that given the developments and changes which were implemented during the year, these will have a more positive outturn in future years.

Student Numbers

During academic year 2018-19 the College delivered 30,805 credits against a target of 30,526 (2017-18 30,696 delivered against the target of 30,335). Retention rates for full-time Further Education (FE) students improved by 2% from the previous year, and for full-time Higher Education (HE) students retention rates have remained at 94%.

Student Achievements

Attainment for full-time FE students has decreased by 0.87% from the previous year, and full-time HE attainment increased by 1.18% from 2017-18 levels.

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

Retention and attainment rates are a priority area for the College in 2019-20. A number of key actions have been implemented, to build on developments made during 2018-19, with the aim of improving learner retention and achievement during 2019-20:

- we will develop a College Academic Council, which will provide a holistic overview of academic provision, and approve and monitor policies and procedures to drive Quality Assurance and Enhancement. The College Academic Council will review curriculum are reports, performance enhancement measures and provide an update on the Evaluative Report and Enhancement Plan for Education Scotland.

- we will continue to utilise tools developed in-house to support staff in analysing data and allow targeted support for students at risk of leaving early;

- we will balance the challenges of increasing access to FE and HE with the support required for students who have barriers to learning - including transport within the region and financial problems;

- we will look at innovative ways to support students who are in financial difficulties, including offering a 'breakfast club' as well as a review of learner support policies and procedures to provide information and support to students on accessing funding;

- appointment of Guidance Coaches to provide help to learners with anything that may impact attendance and ability to stay on their course, including financial, personal issues, travel, or health and wellbeing;

- we will continue to develop the format for the pre-enrolment Information and Advice sessions following self-evaluation processes, and gain feedback from learners.

Performance Report (continued)

Quality Assurance and Enhancement

The College has evaluated what is working well and what needs to improve, through the use of Education Scotland's 'How Good is Our College?' framework. The evaluative report and enhancement plan was endorsed by Education Scotland and SFC in February 2019, identifies clearly what is working well, and what needs to improve. A number of actions have been set out in the Enhancement Plan, which will be monitored throughout 2019-20.

Curriculum Developments

A key priority for 2019-20 for Dumfries and Galloway College will be realising the South of Scotland Digital Skills and Learning Network project, working collaboratively with Borders College. The project is creating a technology enabled network which connects schools and colleges across the region. The key capital developments are creating three STEM hubs - Digital Healthcare and a Green Energy Centre in Dumfries, and a STEM Hub in Stranraer . A series of Digital Spokes will enhance the network, and provide alternative delivery options across the region. This element of the project will benefit schools and the local authority in the initial stages, but future developments will benefit other partners and businesses in the region, which will cover Stranraer to Eyemouth.

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

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

Dumfries and Galloway College has a good record of widening access, with a high percentage of credits achieved by learners who had declared a disability. However, we face a number of challenges which impede our ability to realise our full potential. During 2019-20 we will aim to utilise technology as an enabler - allowing remote access from home, school, partner learner centres and work. The dedicated Head of Curriculum will work to improve School-College transitions and Senior Pathways, with the re-branding as 'College Academy' an initial stage of those developments.

We will continue to work collaboratively with community partners to reduce barriers to Care Experienced learners, to ensure we get the relevant information to support them to a high standard. Guidance Coaches have been established, and they will help to identify those students at risk from withdrawing from their course, make timely interventions and signpost students to other support which can be provided. A Needs Assessment is also carried out where appropriate.

An increase in retention and attainment of students remains a core aim for the College. A number of factors, including the rural nature of the region, and the complex needs of some of the students, has led to a number of measures being implemented. For 2019-20, ongoing monitoring of the Evaluation and Enhancement plan will drive improvements, which will complement the development of analytical tools highlighting students most at risk of leaving early, as well as detailed analysis of leavers' data, and ongoing work with the Student Association and Curriculum Council to identify potential issues early and address them.

The College has now developed a Work Experience/Placement Action Plan. It is the College aim that all provision comprises of significant, relevant work related learning, work placement and work experience. There has been a significant increase in the numbers of students having work placement or work experience as part of their course. The College is also in discussion with the region's Employability and Skills Team to develop a programme for 'hard to engage' learners furthest from the job market.

STEM qualifications at all levels are needed in businesses in Dumfries and Galloway, and this is a developing area. The College is in active in working partnership with industry to deliver the qualifications they require eg in renewable industries. However, many of the businesses are not fully utilising or exploiting digital technologies because of a lack of awareness or basic digital skills. It is important to recognise the relative importance of this in considering the contribution of the College. We will continue to work with key partners including Scottish Power Energy Network and their contractors to delver Overhead Linesman Technician training, in addition to Wind Turbine Technician programmes, and through the Energy Centre, advice and training to small businesses in the Micro-Renewable sector.

Dumfries and Galloway College is a key partner in delivering Modern Apprenticeships in the South of Scotland as the major providers of off the job training as well as contracting in their own right. Delivering Foundation Apprenticeships programme is difficult with insufficient funding to run programmes with small cohort, but the College continues to increase the number of Foundation Apprenticeship pathways. The College will increase the number of foundation apprenticeship pathways to include Engineering, Child Care and Social Care in 2019-20. The development and delivery of Modern Apprenticeships is essential for effective workforce development, and the College is working with industry-bodies including SECTT, CITB, SNIPEF and SDS to achieve an increase in this activity.

Performance Report (continued)

Future Developments

The College appointed a new Principal who took up post in June 2019. She has taken time to analyse the position of the College and will be developing her ambitions for the College through a new Strategic Vision. This is currently in the early stages of development, but will be supported by updated operation plans to achieve that vision.

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

The development of a South of Scotland Learning and Skills Network represents a fundamental shift in how we will utilise technology to teach and to provide other services. We have developed a Digital Skills Strategy which highlights our key aims and ambitions, and a staff development programme has been introduced to support all staff in developing their skills. The curriculum will continue to be developed during 2019-20 and new technologies are being embedded into teaching and learning materials to drive changes in curriculum delivery. Further developments during 2019-20 will include utilising the technology in the Phase I school spokes, planning for Phase II of the spokes, as well as developments to standardise timetables for remote delivery and maximise use of the technology.

A common platform has been set up, Digiskillsscotland. The platform will be used by both Dumfries and Galloway and Borders Colleges to collaborate. Developments in Care curriculum areas is well advanced, and a number of courses will be rolled out during 2019-20.

The joint Articulation Project with Borders College will continue to be developed during 2019-20. A progression manager was appointed in September 2019, with an immediate focus to build on relationships with potential partners that have been identified, and consolidating possible routes for degree delivery aligned with the curriculum offered by both colleges. Agreement has been reached with Glasgow School of Art to develop the curriculum for Creative Arts. Work is also taking place with the Open University, which is providing insight regarding the development of unique programmes within the South of Scotland, as well as a number of other HE institutions regarding progression routes for Engineering, Sports Therapy, Textiles and Fashion. A range of new, unique areas for curriculum development will be explored which builds on regional developments, emerging technologies, growth and regional priorities. Potential initiatives include Tourism, Travel and Business.

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

Priority outputs to be delivered in 2019-20 are:

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

We are progressing towards achieving our vision, but it is also essential that we are able to demonstrate its relevance and contribution to the achievement of both Scottish Government and the Scottish Funding Council priorities. We are committed to regularly monitoring progress towards the delivery of the outcomes set out in this agreement.

Performance Analysis

Financial Objectives

The College's financial objectives following reclassification are:

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

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

Performance Report (continued)

How we measure performance

The College Outcome Agreement with the Scottish Funding Council (SFC) sets out what the College plans to deliver in return for funding. The Outcome Agreement reflects the College's commitment to responding to the educational and skills needs within the Dumfries and Galloway Region. The College Strategic Outcomes set out in the 2018-19 SFC Outcome Agreement supports the Scottish Funding Council's four priority outcomes:

1. Higher rates of access for people from widest range of backgrounds - to improve access to further and higher education for people from the widest possible range of backgrounds, this includes ensuring gender balance and Developing our Young Workforce (DYW).

2. High quality & efficient learning, including improved rates of articulation – to ensure that learner journeys are as short, efficient and effective as possible and that learners experience the highest quality of learning and teaching and achieve successful outcomes. We aim to stretch ourselves with the targets listed in the measures table around increase attainments levels and articulation rates.

3. Improved rates of retention and achievements – ensuring that all students have the necessary support and guidance to enable them to attend college and to achieve their qualifications. The college is aware that students have various barriers to successful study and students with combinations of barriers (where the effect is greater than the sum of the individual parts) is something we recognise and our targets listed in our key measures table will be stretch for the College to achieve.

4. Innovation in Partnership with Industry – We will work closely with industry to develop innovation and other core skills to maximize the impact of the College Innovation Fund (CIF). This will result in custom designed courses for local industries thereby ensuring those companies have well trained staff enabled to provide creative and pragmatic solutions to local problems. We have made a bid to the newly formed South of Scotland Economic Partnership, if successful with this bid we hope to have the facilities to support industry more and upskill employees of local firms.

The College's Priority Outcomes for 2018-19, which are aligned to the support SFC's outcomes above, were:

- Scope content and delivery of enhanced HNC's in partnership with University of Glasgow to enable advanced standing progression to the University as per project brief, funded through SFC Strategic Funds, by June 2019:

- Identify and scope a suite of marine-related programmes for the South of Scotland Region, in partnership with SRUC, by March 2019;

- Finalise proposal for SoSEP for a technology-enabled network connecting schools and colleges across the South of Scotland by June 2018; scope capacity for Crichton and South of Scotland Higher-Education Institutions to use the network to widen Higher Education Provision across the region by January 2019; If successful with SoSEP application, to deliver the project by December 2019;

- To work in partnership with local industry and to contribute to a reduction in youth unemployment and improving life chances;

- to ensure provision is efficiently delivered, accessible, and meets national, regional and local employer needs;

- to support learners to complete their study and achieve successful outcomes.

Priority Outputs to be delivered in 2018-19 were:

- Achievement of Activity target;
- Improvement in student retention and attainment;
- An increase in the number of students entering positive destinations;
- A curriculum which reflects the skills requirements and meets the needs of the region.

The College Board of Management and Committees regularly measure and monitor progress towards delivery of the targets set out in the outcome agreement through regular reporting of Key Performance Indicators. Target and actual performance is measured throughout the year, and actions agreed, with the objective of achieving targets by the end of the academic year.

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

Performance Report (continued)

How we measure performance (continued)

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

Activity/ Credits

Enrolments

Retention (both early and further)

Student Outcomes

Income and expenditure

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

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

The College is committed to implementing the new SFC and Education Scotland quality arrangements 'How good is your College?'. This new approach integrates quality arrangements with outcome agreement evaluation and reporting. The College produced an evaluation report and enhancement plan in October 2018.

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

Development and performance during the year

The Key Performance Indicators highlight that, although the College has exceeded overall credits target, the figures for student retention and outcomes have decreased from 2017-18 levels. Analysis of the overall figures provides further insight into reasons why some learners have left their course of study early - including the numbers of early leavers due to obtaining a job, progressing to a programme at another educational establishment, or progressing onto another college programme. Under current reporting arrangements, these are considered to be a failure of the College.

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

Education Scotland carried out an independent review of the quality of provision in Dumfries and Galloway College in February 2019, and reported their findings in April 2019. The report issued by HM Inspectors concludes that 'Dumfries and Galloway College has in place effective arrangements to maintain and enhance the quality of its provision and outcomes for learners and other stakeholders. This judgement means that, in relation to quality assurance and enhancement, the college is led well, has sufficiently robust arrangements to address any identified minor weaknesses, and is likely to continue to improve the quality of its services for learners and other stakeholders'.

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

Performance Report (continued)

Development and performance during the year (continued)

	2018-19	2017-18
Student performance:		
Credits achieved	**30,805**	30,696
Credits per FTE staff	**130**	141
Target Credits (including in-year reallocation)	**30,526**	30,335
Full-time equivalent funded places	**2,054**	2,046
Enrolments	**3,981**	6,951
Student Retention		
- Full Time Further Education	**94%**	92%
- Full Time Higher Education	**94%**	94%
Student Outcomes:		
- Full Time Further Education	**59%**	60%
- Full Time Higher Education	**70%**	69%
Financial Performance:		
Operating deficit (inclusive of IAS 19 adjustments)	**(£1,513,000)**	(£1,086,000)
Deficit as a % of total income	**10.72%**	8.66%
Deficit as a % of total expenditure	**9.68%**	7.96%
Staff costs (excluding fundamental restructuring costs) as a % of total expenditure	**68.67%**	67.6%
Ratio of current assets to current liabilities	**1.63**	0.54
Days cash to total expenditure excluding depreciation	**94**	22
Non SFC income as a % of total expenditure	**16.9%**	16.3%

Financial Out-turn for the period

The College operating results are for a twelve month accounting period, from 1 August 2018 to 31 July 2019. The underlying results for the year, which exclude the net depreciation costs and pension valuation changes, show a net surplus of £54,000 as noted below.

The overall results for the period show an operating deficit of £1,513,000, which includes non-cash depreciation costs, net of deferred grant release, of £687,000 as well as a net charge of £808,000 included in the Statement of Comprehensive Income to reflect the pension valuation changes for the Local Government Pension Scheme and unfunded pension provisions at 31 July 2019, in accordance with the technical accounting requirements as detailed at Note 10.

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

The College Balance Sheet at 31 July 2019 shows net current assets of £1,690,000. Included in creditors are deferred capital grants of £751,000 and unspent student support funds of £164,000.

Performance Report (continued)

Spend of Cash Budget for Priorities

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

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

Table of cash budget for priorities spend:

	2018-19	2017-18
Revenue Priorities	**£000**	£000
2015-16 Pay award	80	80
Curriculum developments	310	310
Total cash budget for priorities spend	**390**	390

Adjusted operating position

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

	2018-19	2017-18 *
	£000	£000
(Deficit) before other gains and losses (FE/ HE SORP	(1,513)	(1,086)
Add back:		
- Depreciation (net of deferred grant release) on both government funded and privately funded assets	687	443
- Non-cash pension adjustments - Net service cost	808	532
- Non-cash pension adjustments - Net interest cost	70	230
- Non-cash pension adjustments - early retirement provision	63	23
Deduct:		
- Non-government capital grants (Scottish Colleges Foundation capital grant)	(61)	(211)
Underlying operating surplus/ (deficit)	54	(69)

** 2018 figures have been restated in agreement with SFC*

Payment Practice Code

The College has implemented the 'Better Payment Practice Code'. As such, we aim to pay suppliers within the agreed credit terms and deal with all disputes and complaints as quickly as possible. The proportion of year-end creditors to the aggregate invoiced amounts during the academic year was 1.72% (2017-18 - 1.44%). The College did not pay any interest on late payments as defined under the Late Payment of Commercial Debts (Interest) Act 1998.

Performance Report (continued)

Taxation Status

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

Environmental Considerations and Sustainability Reporting

Dumfries and Galloway has taken its climate change commitments seriously - staff, students, campus partners and the wider community have the right to expect that the College as a responsible institution, acts positively to promote behaviour change and reduce the impact upon the environment. Since 2015 we have reduced our emissions by 28% against a target of 20%. The College appreciates that we need to continue our efforts on this in light of the recently declared Climate Change Emergency and as such has identified this as a key priority going forward.

A number of excellent initiatives have contributed to this reduction, such as continued lighting upgrades to LED, and boiler upgrades at the Dumfries campus. The College will continue to take steps to reduce carbon emissions despite having already met its target. A new action plan will be looked at from 2020 with a new revised target which should prove challenging but shows the Colleges' commitment to its climate change responsibilities.

All areas of the college have been asked and challenged to identify areas for improvements for reductions of carbon footprint. A Cross-College Climate Emergency working group has been formed from all areas of academic and support staff as well as student representatives. This group will champion and progress ideas to lead and influence the wider college population to participate in as many carbon footprint saving projects as possible. In addition to this the college will:

- Create a new Climate Change Action Plan with set targets to meet in terms of carbon reductions. The aim will be for a minimum of 5% reductions year on year:
- Increase sustainability within the educational delivery; and
- Continue to look an new and innovative ways of delivering education and increasing our reach without increasing our carbon footprint.

A copy of our Carbon Management Plan 2015-20 which provides detailed information in respect of our works towards facilitating greater sustainability can be accessed using the following web link:
https://www.dumgal.ac.uk/dumgalcontent/uploads/2016/03/Climate_Change_Action_Plan_Dec2015.pdf

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

Performance Report (continued)

Social Matters

Respect for Human Rights

The College's Equality Impact Assessment template requires consideration of Human Rights as a mandatory step in the policy approval process. Assessments are completed for all new or reviewed policies, procedures, strategies or plans. This ensures that all our activities support the human rights of our staff, students and stakeholders. Copies of the assessments can be requested by members of the public through our Equality and Diversity Officer, and are available to our staff through our intranet website. Assessments completed this year have found no detriment to Human Rights through College activity and considerable positive impact in terms of strengthening rights to education, employment, privacy and family life.

Anti-corruption and anti-bribery

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

- Policies and procedures - to reduce as far as possible the risks from fraud or corruption, these measures include risk management processes, procurement, and the scheme of delegation;

- Systems - incorporating internal controls, and segregation of duties;

- Internal audit - the internal audit programme supports the systems and procedures in place;

- Culture - the College aims to maintain a culture of openness, honesty and accountability, which is also supported by a Whistleblowing Policy;

- Staff Recruitment, Induction and Training - references are taken up for all permanent and temporary staff, and part of the induction includes raising awareness of all policies and procedures pertinent to the post, including governance processes.

Going Concern

The financial statements have been prepared on the going concern basis, which provides that the organisation will continue in operational existence for the foreseeable future. The deficit reported in the Statement of Comprehensive Income includes non-cash depreciation costs, net of deferred grant release, of £687,000 as well as a net charge of £878,000 included in the Statement of Comprehensive Income to reflect the pension valuation changes for the Local Government Pension Scheme. In addition, deferred government capital grants of £25,828,000 have been disclosed as creditors in the financial statements in accordance with FRS 102. The creditors relating to deferred capital grants do not represent future cash outflows for the College. These technical accounting adjustments are not considered to have an impact on the College's ongoing financial sustainability.

The College continues to have ongoing planning discussions with SFC. The budget for 2019-20 has indicated that the current staffing costs are not sustainable, and a Transformation Plan is currently being prepared to address the increasing costs and to ensure the College is financially sustainable going forward. In order to reduce any potential overspend, a number of measures have been introduced which include robust workforce planning, and a full review of budgets to establish targets for savings.

A Transformation Plan is being drafted, which will include a full review of Curriculum Delivery, Support Services and growth opportunities. The plan is likely to include a management re-structure to ensure that support is in place to develop some areas and maximise opportunities for growth, increase non-SFC income, and achieve a reduction in the proportion of staff against non-staff costs, in line with sector averages.

Joanna Campbell 10 December 2019

Principal

Accountability Report

The Accountability Report comprises the Corporate Governance Report and the Remuneration and Staff Report, and is signed by the Chair and the Principal.

Corporate Governance Report

The Corporate Governance Report comprises the following sections:

- Directors' Report
- Statement of the Board of Management's Responsibilities
- Governance Statement
    - Statement of Compliance
    - Governance Structure
    - Self Evaluation
    - Corporate Strategy
    - Risk Management and Internal Control
    - Going Concern

Directors' Report

Composition of the Board of Management

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

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

The following individuals were also Board members in the period from August 2018 up to 31 July 2019:

Stuart Martin (retired 02.03.19)
Carol Turnbull (resigned 28.02.19)

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

The Board Secretary maintains a register of financial and personal interests of the members of the Board of Management. Registers of Interest are available for inspection on the College website: www.dumgal.ac.uk

Ann Walsh acted as Board Secretary throughout the period August 2018 to July 2019.

Composition of Senior Management and Committees

Executive Management Team

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

Accountability Report

Corporate Governance Report

Directors' Report (continued)

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

Joanna Campbell (Principal)

Andrew Glen (Vice Principal Business Development and Corporate Services)

Hannah Ritchie (Acting Vice Principal, Learning, Teaching and Student Experience) from September to November 2019

Carol Turnbull was Principal until February 2019 and Andy Wright was Vice Principal Learning and Skills until August 2019.

Committee Members

The Board of Management has formally constituted several committees with terms of reference. These committees act with delegated authority. Information on the Board's committees and Committee Structure is set out in the Governance Statement on page 21.

Current Committee Members are as follows:

Human Resources Committee
Janet Brennan (Chair), Joanna Campbell, Ros Francis, Stuart Martin (Chair), Rob Orr and Ian White

Board Development Committee
Janet Brennan, Hugh Carr, Delia Holland, Brian Johnstone (Chair), Pat Kirby and Karen McGahan

Remuneration Committee
Janet Brennan, Delia Holland (Chair), Brian Johnstone, Karen McGahan and Ian White

Audit Committee
Hugh Carr (Chair), Ros Francis, Naomi Johnson, Pat Kirby and Robbie Thomas

Finance and General Purposes Committee
Joanna Campbell, John Henderson, Delia Holland, Sue Livermore, Karen McGahan (Chair).

Learning and Teaching Committee
Joanna Campbell, Barry Graham, John Henderson, Delia Holland, Naomi Johnson, Pat Kirby (Chair), Sue Livermore, Caitlin McCutcheon, Rob Orr, Nikki Vjatschslav, and Ian White.

Grievance/ Appeals Committee
Janet Brennan, Ros Francis, Brian Johnstone (Chair) and Karen McGahan

Data Security

There were no personal data-related incidents reported to the Information Commissioners Office during the 2018-19 financial period.

Accountability Report

Corporate Governance Report

Statement of the Board of Management's Responsibilities

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

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

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

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

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

The Board of Management has taken reasonable steps to:

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

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

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

Accountability Report

Corporate Governance Report

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

- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management;

- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Finance and General Purposes Committee;
- Professional internal audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Management and whose head provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

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

Approved by order of the members of the Board on 10 December 2019 and signed on its behalf by:

Brian Johnstone
Chairman

Accountability Report

Corporate Governance Report

Governance Statement

Dumfries and Galloway College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes how the College has applied the Principles of the Code of Good Conduct for Members of the Board of Management and the 2016 Code of Good Governance for Scotland's Colleges. The Board also complies with the sector Board Development and Evaluation Framework.

This governance statement is designed to supplement the information provided in the financial statements by providing an overview of the College's governance structure, risk management and internal control processes for the year to 31 July 2019 and the Board's assessment of the effectiveness of those arrangements.

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

In the opinion of the Board of Management, the College complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, and it complied throughout the year ended 31 July 2019.

Governance Structure

Board of Management

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

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

The Board's key duties are to:

- Set the strategic direction and priorities of the College;

- Promote commitment to the values and ethos of the organisation, including equality and diversity;

- Ensure satisfactory delivery of the organisation's performance and financial objectives, high quality learning and outcomes, and a good learning experience;

- Be accountable to and maintain the trust of key stakeholders;

- Comply with relevant legal and financial requirements, including the Scottish Public Finance Manual;

- Ensure identification and control of the main risks to the organisation's responsibilities and business objectives;

- Adhere to the sector's Code of Good Governance and the organisation's Financial Memorandum.

The Regional Board for Dumfries and Galloway College comprises of the Chair, the Principal, two student members, two staff members and twelve non-executive members, one of which is the Vice Chair and Senior Independent Member. The College recognises the important role Board members have in acting as ambassadors for the College as well as providing a governance role.

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

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

Accountability Report

Corporate Governance Report

Governance Statement

Governance Structure (continued)

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

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

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

Dumfries and Galloway College Board of Management met six times during the 2018-19 financial period and conducts its business through a number of committees. All of these committees are formally constituted with terms of reference approved by the Board of Management. The committees comprise non-executive members of the Board of Management and are all chaired by a Member of the Board. These committees include a Human Resources Committee, a Finance and General Purposes Committee, a Board Development Committee (includes appointments), a Remuneration Committee, a Learning and Teaching Committee, Audit Committee and a Grievance/ Appeals Committee. All committees are required to report back to the Board on their activities.

The Board considered the Risk Management Process during 2018-19. The Risk Register is now considered by all Committees to ensure that their collective expertise is focused on specific risks. The format of their Risk Register was updated during the year to highlight appropriateness of risks, risk measurement and controls. A summary of the current risks is set out on page 5 of the Performance Report.

The Board of Management recognise that the most significant risk to the College relates to financial sustainability. Whilst the risk has been present on the risk register previously, a number of challenges have arisen which have had a significant impact on the budget and cash flow for future years. Long term projections are currently being developed together with a Transformation Plan which will aim to address the challenges and achieve financial sustainability in future years.

The following key decisions and actions were made by the Board during 2018-19, following due consideration of reports presented:

- a working group from the Board were delegated to oversee recruitment of new Principal. The recruitment process involved key stakeholders including student and staff members;

- The Board reviewed and approved the draft Digital Skills Strategy, which supports the ambitions of the College and the strategic outcomes. The Digital Skills ambitions will be a key part of ensuring the SoSEP developments are as effective as possible.

Succession Planning continued to be a key feature of Board discussions, and there were changes in Committee Chairs and members during the year to enhance and develop skills;

The Board continue to pro-actively work with other partners across the South of Scotland. A Joint Board session was held with Borders College, which explored shared strategic ambitions, and ways to ensure the joint SoSEP project provides benefits across the region. Other partnership networking included the NHS Board, SoSEP and the Developing the Young Workforce Dumfries and Galloway.

A Board Development event took place in April 2019, which included a review of the future development objectives, and consideration of the Board Self Evaluation for 2018-19. A number of developments took place during 2018-19 as part of the Board Development Plan, including College Development Network 'Induction Training' for new Board members, access to on-line workshops and review and enhancement of Induction processes for new members, and revision of the Induction Checklists.

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

Accountability Report

Corporate Governance Report

Governance Statement

Governance Structure (continued)

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

Appointments to the Board of Management

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

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

As noted in the Director's Report at page 16, the Board of Management has formally constituted several committees to act with delegated authority and their own terms of reference. Current membership of the key committees is also set out in the Directors' Report.

The remit of each committee is set out below.

Human Resources Committee

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

Board Development Committee

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

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration, terms and conditions (and, where appropriate severance payments) of the Principal, members of the Executive Management Team and the Secretary to the Board. The Committee meets at least once per year. Details of the remuneration of senior post-holders for the period ended 31 July 2019 are set out in note 7 to these financial statements.

Audit Committee

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

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

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

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

Accountability Report

Corporate Governance Report

Governance Statement

Governance Structure (continued)

Finance and General Purposes Committee

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

Learning and Teaching Committee

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

Grievance/ Appeals Committee

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

Self Evaluation

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

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

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

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

- To develop a Board Links Scheme to facilitate improved organisational knowledge and the opportunity to understand staff views, culture and College business;

- Refining the organisation and content of Board and Board Committee meetings and communication - to continue to improve the effectiveness of the meetings structure and the facilitation of effective decision making;

- Continue to improve strategic knowledge and understanding of priorities in the sector;

- Stakeholders - promote College activities and get feedback on what they want from us;

- Review and further improve Induction Packs for new Board members;

- Continue with the good uptake of development/ learning opportunities including development of networking with other college Boards.

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

Accountability Report

Corporate Governance Report

Governance Statement

Corporate Strategy

The Board of Management receives recommendations from its committees, the Principal and Executive Management Team to inform strategic developments. In addition to the scheduled Board meetings, Board Development sessions are held each year to provide an opportunity to focus discussions on the strategic direction for the College.

The Board are overseeing the development of a new Strategic Plan which will replace the current plan, Vision 2020. The plan will be ambitious for the region, but will ensure that the student experience remains at the core of the College's values and will focus on continuous improvements, and making a positive contribution to local and national priorities.

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

Estates Strategy

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

Through the Estates Strategy the College aims to:

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

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

Human Resources Strategy

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

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

Risk Management and Internal Control

Scope of Responsibility

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

The College maintains a corporate level Risk Register, which is under the ownership of the member of the Executive Management team responsible for planning. The register is intended to cover wide risks which are so significant or pervasive that they pose a risk to strategic objectives.

Accountability Report

Corporate Governance Report

Governance Statement

Risk Management and Internal Control (continued)

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

Purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Dumfries and Galloway College for the period ended 31 July 2019 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Board of Management has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Management is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Management.

Risk and control framework

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

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

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

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

The College's Internal Auditor has expressed the opinion that the College has an adequate and effective framework for risk management, governance, internal control and economy, efficiency and effectiveness. However, their work has identified further enhancements to the framework for risk management, governance, internal control and economy, efficiency and effectiveness to ensure that it remains adequate and effective.

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

Accountability Report

Corporate Governance Report

Governance Statement

Risk Management and Internal Control (continued)

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

Significant risks and management action that have been considered and agreed during 2018-19 are set out at page 5 of the Performance Report in these financial statements.

The Board of Management recognise that the most significant risks to the College relate to financial sustainability, together with salary pressures. The risk has increased due to the impact of salary levels and terms and conditions of service. A Transformation Plan is being developed which will take into account the refreshed Strategic Plan and ensure that the structure is in place to meet the challenges and developments planned for future years.

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

Review of effectiveness

As described on Page 5 of the Performance Report, Risk Management is an integral part of the overall governance arrangements of the College, and as such there are specific responsibilities for people and groups undertaking different roles in the organisation.

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

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

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

The Executive Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Management Team and the Audit Committee also receive regular reports from the internal auditor, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board of Management's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2019 meeting, the Board of Management carried out the annual assessment for the period ended 31 July 2019 by considering documentation from the Executive Management Team and internal audit, and taking account of events since 31 July 2019.

Accountability Report (continued)

Corporate Governance Report

Governance Statement

Going Concern

As noted on Page 14 of the Performance Statement, the College continues to prepare budget forecasts to ensure that adequate resources are available for the foreseeable future. Medium-term financial forecasts and costs modelling have been prepared to inform strategies for future years, and a Transformation Plan is currently being prepared to address the increasing costs and to ensure the College is financially sustainable going forward. In order to reduce any potential overspend, a number of measures have been introduced which include robust workforce planning, and a full review of budgets to establish targets for savings. After making appropriate enquiries, the Board of Management considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Conclusion

In our opinion the College has an appropriate framework of internal control, and provides reasonable assurance regarding the effective and efficient deployment of resources to achieve the College aims.

Approved by order of the members of the Board on 10 December 2019 and signed on its behalf by:

Brian Johnstone
Chairman

Joanna Campbell
Principal

Accountability Report

Remuneration and Staff Report

Introduction

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2018-19 Government Financial Reporting Manual (FReM) issued by the Scottish Government, which is relevant for the financial period ending 31 July 2019.

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

The report also provides information on the number of College employees, including Executive Management Team members, whose total actual remuneration was £60,000 or more, this information being disclosed in salary bandings of £10,000 above £60,000. The following report has been prepared in accordance with the aforementioned Regulations.

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

Remuneration Policy

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

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration, terms and conditions (and, where appropriate severance payments) of the Principal, members of the Executive Management Team and the Secretary to the Board. The Committee meets at least once per year. Details of the remuneration of senior post-holders for the period ended 31 July 2019 are set out in note 7 to the financial statements.

Remuneration including salary entitlements

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

The College's employees receiving more than £60,000 remuneration during the period covered by the financial statements are shown below. This information is disclosed in salary bandings of £10,000 above £60,000 or more.

	12 Month period ended 31 July 2019		12 Month period ended 31 July 2018	
	Number senior post-holders	**Number other staff**	Number senior post-holders	Number other staff
£60,001 to £70,000	**2**	**1**	2	0
£70,001 to £80,000	**1**	**0**	0	0
£80,001 to £90,000	**0**	**0**	0	0
£90,001 to £100,000	**0**	**0**	1	0
£100,001 to £110,000	**0**	**0**	0	0
£110,001 to £120,000	**0**	**0**	0	0
£120,001 to £130,000	**0**	**0**	0	0
	3	**1**	**3**	**0**

Accountability Report

Remuneration and Staff Report (continued)

During the period, the College made no non-cash benefits available to staff (2017-18 - none).

Median Remuneration

Based on the 12 month figures above, the banded remuneration of the highest paid official in the organisation during the financial year 2018-19 was £95,000 - £100,000. (2017-18 - £95,000 - £100,000). This was 3.7 times (2017-18 - 3.9 times) the median remuneration of the workforce which was £26,842 (2017-18 £25,301).

Salary entitlements

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

	12 months ended 31 July 2019			12 months ended 31 July 2018		
	Actual			Actual		
	Salary	**Pension benefit ***	**Total**	Salary	Pension benefit	Total
Name	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
B. Johnstone	**20-25**	**0**	**20-25**	20-25	0	20-25
C. Turnbull (1)	**55-60**	**15-20**	**75-80**	95-100	20-25	120-125
J. Campbell (2)	**15-20**	**25-30**	**45-50**			
A. Glen (3)	**75-80**	**85-90**	**160-165**	60-65	20-25	80-85
S.A. Wright	**65-70**	**40-45**	**110-115**	60-65	0-5	60-65

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

(1) C Turnbull left the Executive Management Team on 28.02.19. Her full time equivalent salary was in the £95-100k band.

(2) J Campbell commenced employment as a member of the Executive Management team on 01.06.19. Her full time equivalent salary was in the £95-£100k band.

(3) A Glen received an uplift in salary during the period in his capacity as Acting Principal.

The salary and pension benefits above are shown in bands of £5,000 in accordance with the 2018-19 Government Financial Reporting Manual.

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

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

Contribution rates for both pension schemes are set annually for all employees, as set out at note 20.

Accountability Report

Remuneration and Staff Report (continued)

Changes to the Local Government Pension Scheme

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

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

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

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

Senior Executives Pension

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

Name	Accrued pension at pension age at 31 July 2019	Accrued lump sum at pension age at 31 July 2019	Real increase in pension 1 August 2018 to 31 July 2019	Real increase in lump sum 1 August 2018 to 31 July 2019	CETV at 31 July 2019	CETV at 31 July 2018	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
B. Johnstone	0	0	0	0	0	0	0
C. Turnbull	40-45	75-80	0-5	0	985-1000	910	50-55
J. Campbell	15-20	35-40	0-5	0-5	280-285	0	20-25
A. Glen	5-10	0	0-5	0	75-80	17	55-60
S.A. Wright	25-30	80-85	0-5	5-10	580-585	520	55-60

Cash Equivalent Transfer Value

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

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

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

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

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

Accountability Report

Remuneration and Staff Report (continued)

Real increase in CETV

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

Compensation for loss of office

No employees left under voluntary exit/ early retirement terms during the year (2017-18 - no employees).

Exit packages

No Board member or senior manager left under voluntary or compulsory exit schemes in 2018-19 (2017-18 - none)

Staff Report

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

Staff Costs

Staff costs for the year were as follows:

	Directly employed staff £'000	**Seconded and agency staff £'000**	**2018-19 Total £'000**	Directly employed staff £'000	Seconded and agency staff £'000	2017-18 Total £'000
Wages and salaries	7,666	2	7,668	6,621	24	6,645
Social security costs	675	-	675	591	-	591
Other pension costs	2,165	-	2,165	1,739	-	1,739
Total	**10,506**	**2**	**10,508**	8,951	24	8,975
Average number of FTE	236	0.04	236.04	218	1	219

The College employed 229 females and 129 males as at 31 July 2019. Of the three College Senior Executives at July 2019, two are male and one is female.

Sickness Absence

The total number of days lost per full-time equivalent (FTE) to sickness absence during 2018-19 was 8 days, which was in line with 2017-18.

Accountability Report

Remuneration and Staff Report (continued)

Social Matters, Respect for Human Rights

The College's Equality Impact Assessment template requires consideration of Human Rights as a mandatory step in the policy approval process. Assessments are completed for all new or reviewed policies, procedures, strategies or plans. This ensures that all our activities support the human rights of our staff, students and stakeholders. Copies of the assessments can be requested by members of the public through our Equality and Diversity Officer, and are available to our staff through our intranet website. Assessments completed this year have found no detriment to Human Rights through College activity and considerable positive impact in terms of strengthening rights to education, employment, privacy and family life.

Equality, Diversity and Inclusion

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

We aim to achieve equality for all regardless of age, disability, gender, gender identity, marriage and civil partnership, pregnancy and maternity, race, religion or belief and sexual orientation. In addition, we recognise and prioritise equality for those who are carers, care experienced, veterans of the armed services or those who are disadvantaged socio-economically. By fostering a culture of dignity and respect, we will ensure that everyone across our College family achieves their full potential. This year, we achieved a rating of 'Substantial Assurance' for our equality work through our internal audit programme.

Our work towards equality and diversity is structured and tracked through a continuous improvement system, our Equality and Diversity Framework. This is underpinned by a clear Equality and Diversity Policy, and tracked through an annual Equality Report which meets the reporting requirements of the Equality Act (21010) Specific Duties (Scotland) (2012), the SFC and Scottish Government. A tabular action plan is used to track outputs. Accountability is assured through submission of all annual documents to the Board, College Leadership Team and cross-College Equality and Diversity Committee (which includes as members the President and Vice-President of the Students' Association, staff from across all functions of our service, managers from all levels and our Board Equality Champion). Transparency is assured through publication on our website.

Our annual plan includes actions to support other government initiatives, such as the Race Equality Framework and the Disability in Recruitment and Employment project. IN addition, we operate annually reviewed and updated action plans for British Sign Language promotion and addressing gender inequality. The Gender Action Plan 2017-20 (due to be reviewed and replaced this year with the plan for 2021-25) incorporates actions to progress the Equally Safe national project for eliminating gender based violence.

Our Board currently has a 50:50 gender split (55:45 if executive members are included) and BME representation exceeds our local population demographic percentage. In terms of staff gender equality, while our overall gender pay gap stands at 9.1%, analysis reveals that there is only a 1.3% pay gap at management level, and the overall pay gap is attributable to the preponderance of female staff who are undertaking cleaning and entry-level administrative jobs. If these posts are eliminated from the calculation, our pay gap stands at 0.67%. We measure pay gaps for all protected characteristics and report on these within our annual report.

We are committed to partnership working, and are an active member of Dumfries and Galloway Strategic partnership's Equality and Diversity Working Group. This group includes representatives from all local public sector agencies, and a range of third sector organisations representing people from across the protected characteristics, such as Dumfries and Galloway Multicultural Association, DGVoice (representing people with a range of disabilities), LGBT Youth, D&G LGBT+ and Interfaith (D&G). The group operates an annual action plan and reporting schedule with clear output targets.

Employment issues including employee consultation and or participation

A Staff Survey was held this year. Results have been analysed and shared with the College leadership team, Board and the wider staff group, with the proposal that the survey be repeated in March of each calendar year. Results suggested that staff have a high level of pride in the College and respect for their colleagues and managers. Key areas for improvement included communication and involvement in setting strategic direction.

Pilot Staff Wellbeing Days run last autumn were well received, resulting in plans to hold a Staff Wellbeing Week at each campus in winter of this coming year. Sessions on mindfulness, meditation, yoga, mindful movement, wellbeing walks, board games, resilience and qi gong were amongst the sessions on offer. Feedback from the evaluation survey was positive.

Accountability Report

Remuneration and Staff Report (continued)

Policies in relation to disabled persons

As outlined in our Equality, Diversity and Inclusion section, we operate an Equality and Diversity framework which includes disability. We are a Disability Confident employer. We operate an Equality Impact Assessment system which ensures that every strategy, plan, policy and procedure we have is checked for barriers or negative impacts for people with disabilities.

The College is a key partner in the local region's joint British Sign Language Plan 2017-21, and has arrangements in place with Access to Work to ensure appropriate BSL support for employees, through online support or through face to face interpreters. Our declaration rate for staff with disabilities is 5.6%, but it is likely that the true figure is around double this percentage. We will be investigating how to raise this declaration rate as part of our work towards the Fairer Scotland for Disabled People staff profile targets set by Scottish Government.

For students, we aim to create an environment which enables everyone to participate fully in their chosen subject and in College life. We aim to design our curriculum to be as accessible as possible and to provide extra support where it is needed. This includes provision of alternative formats for curriculum material, physical access and financial assistance where students are eligible for additional support such as scribes or signers.

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

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

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

Facility Time

In accordance with the Trade Union (Time Facility Publication Requirements) Regulations 2017, the College provided the following support through paid facility time for union officials working at the College during the period April 2018 to March 2019:

Relevant Union Officials

Number of employees who were relevant union officials during the relevant period:	Full-time equivalent employee number:
5	4.8

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	0
1-50%	5
51-99%	0
100%	0

Accountability Report

Remuneration and Staff Report (continued)

Percentage of pay bill spent on facility time

Total cost of facility time:	£8,447.64
Total pay bill:	£9,517,198
Percentage of total pay bill spent on facility time:	0.09%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility hours:	12%

Approved by order of the members of the Board on 10 December 2019 and signed on its behalf by:

Brian Johnstone
Chairman

Joanna Campbell
Principal

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Dumfries and Galloway College for the year ended 31 July 2019 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college as at 31 July 2019 and of the deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is 3 years. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Board of Management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual report and accounts

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

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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

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

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

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

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or

- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or

- We have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

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

David Eardley (for and on behalf of Scott Moncrieff Audit Services)
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

16 December 2019

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

Statement of Comprehensive Income

	Note	**Year ended 31 July 2019**	Year ended 31 July 2018
		£000	£000
INCOME			
SFC grants	2	**11,733**	10,146
Tuition fees and education contracts	3	**1,613**	1,448
Other grant income	4	**318**	356
Other operating income	5	**452**	386
Endowment and investment income		**0**	0
Total Income		**14,116**	12,336
EXPENDITURE			
Staff costs excluding exceptional costs	6	**10,732**	9,067
Fundamental restructuring costs		**0**	0
Other operating expenses	8	**3,378**	2,922
Depreciation	12	**1,449**	1,203
Interest and other finance costs	11	**70**	230
Total Expenditure		**15,629**	**13,422**
(Deficit)/ Surplus before other gains and losses		**(1,513)**	**(1,086)**
Gain/ (Loss) on disposal of fixed assets		**4**	18
(Deficit)/ Surplus for the year		**(1,509)**	(1,068)
Unrealised surplus on revaluation of land and buildings	12	**0**	2,099
Actuarial gain/ (loss) in respect of pension schemes	20	**(3,802)**	6,919
Total comprehensive income for the year		**(5,311)**	**7,950**
Represented by:			
Unrestricted comprehensive income for the year		**(5,311)**	**7,950**

All items of income and expenditure relate to continuing activities.

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

Statement of Changes in Reserves for the year ended 31 July 2019

	Income and expenditure reserve	Revaluation reserve	Total
	£000	£000	£000
Balance at 1 August 2017	**(996)**	**4,144**	**3,148**
Surplus/ (Deficit) from the income and expenditure statement	(1,068)	0	**(1,068)**
Other comprehensive income	6,919	2,099	**9,018**
Transfers between revaluation and income and expenditure reserve	141	(141)	**0**
	5,992	1,958	7,950
Balance at 1 August 2018	**4,996**	**6,102**	**11,098**
Surplus/ (Deficit) from the income and expenditure statement	(1,509)	0	**(1,509)**
Other comprehensive income	(3,802)	0	**(3,802)**
Transfers between revaluation and income and expenditure reserve	225	(225)	**0**
Total comprehensive income for the year	(5,086)	(225)	(5,311)
Balance at 31 July 2019	**(90)**	**5,877**	**5,787**

Balance Sheet as at 31 July 2019

	Note	Year ended 31 July 2019	Year ended 31 July 2018
		£000	£000
Non-current assets			
Fixed assets	12	**36,697**	36,706
Current Assets			
Trade and other receivables	13	**699**	327
Cash and cash equivalents	14	**3,660**	744
Total current assets		**4,359**	1,071
Less: Creditors - amounts falling due within one year	15	**(2,669)**	(1,972)
Net Current Assets/ (Liabilities)		**1,690**	(901)
Total Assets less Current Liabilities		**38,387**	35,805
Less: Creditors - amounts falling due after more than one year	16	**(25,101)**	(21,901)
Provisions			
Pension provisions	17	**(7,499)**	(2,806)
Total net assets		**5,787**	11,098
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		**(90)**	4,996
Revaluation reserve		**5,877**	6,102
Total reserves		**5,787**	11,098

The financial statements on pages 37 to 59 were approved by the Board of Management on 10 December 2019 and were signed on its behalf by:

Brian Johnstone
Chairman

Joanna Campbell
Principal

Statement of Cash Flows for the year ended 31 July 2019

	Note	Year ended 31 July 2019	Year ended 31 July 2018
		£000	£000
Cash flow from operating activities			
(Deficit)/ Surplus for the period		**(1,509)**	(1,068)
Adjustment for non-cash items			
Depreciation	12	**1,449**	1,203
Decrease/ (increase) in debtors		**(372)**	59
(Decrease)/ increase in creditors	15,16	**3,889**	(1,763)
Increase/ (decrease) in pension provision	17	**891**	687
Increase/ (decrease) in other provisions		**0**	0
Adjustment for investing or financing activities			
Investment income		**0**	0
Gain/ (loss) on sale of fixed assets	12	**4**	18
Net cash (Outflow)/ Inflow from operating activities		**4,352**	(864)
Cash flows from investing activities			
Proceeds from sales of fixed assets	12	**4**	19
Payments to acquire fixed assets	12	**(1,440)**	(44)
		(1,436)	(25)
(Decrease)/ increase in cash and cash equivalents in the period		**2,916**	**(889)**
Cash and cash equivalents at beginning of the period		**744**	1,633
Cash and cash equivalents at end of the period		**3,660**	744

1. Statement of Accounting Policies

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

1.1 Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (SORP) 2015: 'Accounting in Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2018-19 Government Financial Reporting Model (FReM) issued by the Scottish Government and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

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

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

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

1.2 Basis of accounting

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

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

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

1. Statement of Accounting Policies (continued)

1.3 Recognition of income

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

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

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

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

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

Grant funding

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

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

Donations and endowments

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

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

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

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

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

Capital grants

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

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

1.4 Fixed assets

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

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 2019. They are not depreciated until they are brought into use.

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

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

Equipment

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

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

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

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

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

Borrowing costs

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

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

1.5 Finance leases

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

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

1.6 Operating leases

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

1.7 Cash and cash equivalents

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

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

1.8 Taxation

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

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

1.9 Accounting for retirement benefits

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

Scottish Teachers' Superannuation Scheme

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

Dumfries and Galloway Council Pension Fund

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

1. Statement of Accounting Policies (continued)

Defined Contribution Plan

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

Defined Benefit Plan

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

1.10 Employment benefits

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

1.11 Financial Instruments

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

All material amounts of trade receivables and other current assets due at 31 July 2019 have been brought into the Statement of Comprehensive Income irrespective of when actual payments were received.

All material amounts of trade payables and other current liabilities outstanding at 31 July 2019 have been brought into the Statement of Comprehensive Income irrespective of when actual payments were made.

1.12 Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

1.13 Reserves

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

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

	Year ended 31 July	Year ended 31 July
	2019	2018
	£000	£000
2 SFC Grants		
SFC FE recurrent grant (including fee waiver)	**9,911**	8,794
FE and HE childcare funds	**181**	257
Release of deferred capital grants	**675**	673
Infrastructure grant	**368**	334
South of Scotland Skills and Learning Network project	**458**	0
Other SFC grants - FE provision	**140**	88
Total	**11,733**	10,146
3 Tuition Fees and education contracts		
FE fees - UK	**441**	417
HE fees	**698**	722
SDS contracts	**333**	208
Education contracts	**141**	101
Other contracts		0
Total	**1,613**	1,448
4 Other grant income		
Release of deferred capital grants	**87**	87
Scottish Colleges Foundation - Revenue grant	**44**	0
Scottish Colleges Foundation - Capital grant (Note 10)		211
Other capital grants	**61**	
Other grants	**126**	58
Total	**318**	356
5 Other operating income		
Residences and catering	**405**	355
Other income-generating activities	**10**	8
Other income	**37**	23
Total	**452**	386

Notes to the Financial Statements (continued)

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
6 Staff costs		
Wages and salaries	**7,666**	6,621
Social security costs	**675**	591
Other pension costs (including IAS 19 adjustments of £532k (2017 - £455k) note 20)	**2,165**	1,739
Total pay costs	**10,506**	8,951
Other employee related non-pay costs	**226**	116
Total staff costs excluding exceptional costs	**10,732**	9,067
Exceptional costs - severance costs		0
Staff costs including exceptional costs	**10,732**	9,067
Academic/ Teaching departments	**5,186**	4,411
Academic/ Teaching services	**1,407**	1,078
Administration and central services	**3,287**	2,836
Premises	**475**	486
Other expenditure	**151**	140
Catering and residences	**0**	0
Other employee related non-pay costs	**226**	116
Total	**10,732**	9,067

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

	No.	No.
Academic/ Teaching departments	**93**	88
Academic/ Teaching services	**31**	24
Administration and central services	**95**	88
Premises	**14**	15
Other expenditure	**3**	3
Catering and residences	**0**	0
Total	**236**	218

6 Staff costs (continued)

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

	Year ended 31 July 2019 Number senior post-holders	Year ended 31 July 2018 Number senior post-holders
£60,001 to £70,000 per annum	1	2
£70,001 to £80,000 per annum	2	0
£80,001 to £90,000 per annum	0	0
£90,001 to £100,000 per annum	0	1
	3	3

7 Senior post-holders' emoluments

	2019 **No.**	2018 No.
The number of senior post-holders, including the Principal was:	**4**	3

Senior post-holders' emoluments are made up as follows:	**Year ended 31 July 2019**	Year ended 31 July 2018
	£	£
Salaries	**222,938**	252,838
Pension contributions	**87,463**	50,074
Total emoluments	**310,401**	302,912

The above emoluments include amounts payable to the Principal(s) and Acting Principal who were also the highest paid senior post-holder(s), of:

	£	£
Salary (including holiday pay)	**103,489**	97,533
Pension contributions	**15,368**	20,089

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

The members of the Board of Management, other than the Principal, Regional Chairman, and staff members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. Travel expenses reimbursed to four members of the Board of Management during the year amounted to £1,259.

8 Other operating expenses		Year ended 31 July 2019	Year ended 31 July 2018
		£000	£000
Teaching departments		**742**	850
Administration and central services		**1,154**	958
Premises costs (including additional Lennartz charge £26,000. 2018 - credit of £22,000)		**731**	559
Planned maintenance		**317**	165
Agency Staff Costs		**2**	24
Residences and catering		**432**	366
		3,378	2,922
Transfer to Arms Length Foundation		**0**	0
Total		**3,378**	**2,922**
Other operating costs include:			
Auditors' remuneration	- external audit of these financial statements	**18**	16
	-internal audit services *	**17**	23
	- other services	**5**	5
Hire of plant and machinery - operating leases		**99**	95

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

9. Impact of Depreciation Budget on Statement of Comprehensive Income

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

Under the FE/ HE SORP, the College recorded an operating deficit of £1,513,000 for the year ended 31 July 2019. After taking account of the Government non-cash budget and non-cash pension adjustments, the College shows an 'adjusted' deficit of £1,123,000 on a Central Government accounting basis. The deficit is attributed to other factors reflected in the adjusted operating table at Note 10, and the College is therefore operating sustainably within its funding allocation.

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
(Deficit) before other gains and losses (FE/ HE SORP basis) for academic year	(1,513)	(1,086)
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	390	390
Operating (deficit) on Central Government accounting basis for academic year	**(1,123)**	(696)

10. Adjusted Operating Position

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

10. Adjusted Operating Position (continued)

	Year ended 31 July 2019	Year ended 31 July 2018 *
	£000	£000
(Deficit) before other gains and losses (FE/ HE SORP basis)	**(1,513)**	(1,086)
Add Back:		
- Depreciation (net of deferred grant release) on both government funded and privately funded assets (1)	**687**	443
- Non-cash pension adjustments - Net service cost (2)	**808**	532
- Non-cash pension adjustments - Net interest cost (3)	**70**	230
- Non-cash pension adjustments - early retirement provision (4)	**63**	23
Deduct:		
- Non-government capital grant (ALF grant) (5)	**(61)**	(211)
Adjusted operating (deficit)/ surplus	**54**	(69)

** 2018 figures have been restated in agreement with SFC*

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

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

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

(4) The adjustment for early retirement provision represents the non-cash movement in the provision for unfunded pensions for the year.

(5) Grants have been received from non-government sources for equipment. This income is not matched by expenditure as it has been used to fund capital assets which will be depreciated over the life of the asset.

11 Interest payable	**Year ended 31 July 2019**	Year ended 31 July 2018
	£000	£000
Net interest cost on pension liability (note 20)	**70**	230

12 Tangible Fixed Assets

	Land and Buildings	Fittings and Equipment	Motor Vehicles	Course of Construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 August 2018	36,980	585	155	0	37,720
Additions	0	152	0	1,288	1,440
Disposals	0	0	(61)		(61)
Transfers	0	0	0	0	0
Surplus on revaluation	0	0	0	0	0
At 31 July 2019	**36,980**	**737**	**94**	**1,288**	**39,099**
Depreciation					
At 1 August 2018	562	327	125	0	1,014
Provided during period	1,400	32	17	0	1,449
On disposals			(61)	0	(61)
Written-back on revaluation	0	0	0	0	0
At 31 July 2019	**1,962**	**359**	**81**	**0**	**2,402**
NBV at 1 August 2018	36,418	258	30	0	36,706
NBV at 31 July 2019	**35,018**	**378**	**13**	**1,288**	**36,697**
Inherited	3,318	0	0	0	3,318
Financed by capital grant	31,700	378	13	1,288	33,379
Other	0	0	0	0	0
At 31 July 2019	**35,018**	**378**	**13**	**1,288**	**36,697**

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

Inherited Land and Buildings with a net book value of £3,318,000 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.

13 Debtors: Amounts falling due within one year

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
Trade debtors - net of provision for doubtful debts	**86**	85
Prepayments and accrued income	**613**	242
	699	327

14 Cash and cash equivalents

	31 July 2019	31 July 2018
	£000	£000
Cash and cash equivalents	**3,660**	744

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 £151,000 are included in the cash and cash equivalents at the year end.

15 Creditors: Amounts falling due within one year

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
Trade creditors	**52**	42
VAT	**9**	80
Other taxation and social security	**214**	155
Pension	**182**	144
Accruals and deferred income	**1,297**	611
Deferred capital grants	**751**	757
Bursaries and Access funds for future disbursement (note 14)	**164**	183
	2,669	1,972

16 Creditors: Amounts falling due after more than one year

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
Deferred capital grants	**25,101**	21,901

Deferred capital grants to be released within one year are included within current creditors, and the balance of deferred capital grants within long term creditors at note 15 in accordance with the requirements of FRS 102 and the 2015 SORP.

17 Provisions for liabilities and charges

	Early Retirement pension costs	Defined Pension obligations (Note 20)	2018-19 Total	2017-18 Total
At 1 August 2018	713	2,093	**2,806**	9,038
Expenditure in the period	(50)	(736)	**(786)**	(756)
Additional provision required in period	59	1,544	**1,603**	1,213
Revaluation adjustment	0	3,802	**3,802**	(6,919)
Interest charged	4	70	**74**	230
At 31 July 2019	726	6,773	**7,499**	2,806

The Early Retirement pension costs provision has been revalued using actuarial tables supplied by the Scottish Funding Council. The net interest rate applied was 0%.

18 Lease obligations

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
Total rentals under operating leases for equipment and vehicles are as follows:		
Payable during the period	**80**	78
Future minimum lease payments due:		
- Not later than 1 year	80	71
- Later than 1 year and not later than 5 years	64	121
Total lease payments due	144	192

19 Financial Instruments

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
Financial assets		
Financial assets measured at amortised cost	**3,746**	829
Financial liabilities		
Financial liabilities measured at amortised cost	**1,513**	836

19 Financial Instruments (continued)

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

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

20 Pensions and similar obligations

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

The total pension costs for the institution was :	**12 months to July 2019 £000**	12 months to July 2018 £000
Contribution to STSS	**604**	545
Contribution to LGPS	**753**	662
Pension costs as a result of implementing FRS 102	**878**	762
Total pension cost	**2,235**	1,969

Employer contribution rates during the period were:
STSS - 17.2% from September 2015
LGPS - 21.2% from April 2018

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

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

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

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

The Local Government Pension Scheme (LGPS)
The LGPS is a defined benefit scheme, with the assets held in separate trustee administered funds.

The triennial valuation of the Dumfries and Galloway Council Pension Fund was carried out as at 31 March 2017 by Hymans Robertson LLP. The valuation for Dumfries and Galloway College's participation in the Dumfries and Galloway Council Pension Fund was updated by Hymans Robertson as at 31 July 2019.

20 Pensions and similar obligations (continued)

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

Employer contribution rates applied previously were as follows:

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

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

Assumptions

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

	As at 31/07/19	As at 31/07/18
	%	%
Discount rate	**2.10%**	2.80%
Future salary increases	**3.20%**	3.20%
Inflation/ pension rate increase	**2.40%**	2.40%

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2016 model with an allowance for smoothing of recent mortality experience and long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below.

- Current pensioner aged 65: 21.8 years (male), 24.3 years (female).
- Future retiree upon reaching 65: 23 years (male), 26.2 years (female).

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

Scheme assets and expected rate of return for LGPS

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

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

	Year ended 31 July 2019	Year ended 31 July 2018	Year ended 31 July 2017
	Fair value	Fair value	Fair value
	£000	£000	£000
Equities	**17,991**	17,184	15,369
Corporate bonds	**3,551**	3,124	3,033
Property	**2,130**	2,009	1,820
Other	**0**	0	0
	23,672	22,317	20,222
Actual return on plan assets	**229**	1,127	1,748

20 Pensions and similar obligations (continued)

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

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
Charged to staff costs:		
Current service cost	**(1,318)**	(1,236)
Past service costs	**(226)**	0
Total charged to staff costs	**(1,544)**	**(1,236)**
Credit/ charge for net return on pension scheme:		
Interest income	**631**	551
Interest cost	**(701)**	(781)
Net interest charged	**(70)**	**(230)**
Credit/ charge to other comprehensive income:		
Return on assets	**229**	1,127
Other experience	**(1)**	3,596
Gains and losses on changes in financial assumptions	**(4,030)**	2,153
Changes in demographic assumptions	**0**	43
Actuarial Gain/ (Loss)	**(3,802)**	6,919
Total charge to the SOCI	**(5,416)**	**5,453**
Analysis of the movement in deficit during the year:		
Deficit in scheme at start of year	**(2,093)**	**(8,250)**
Service costs	**(1,544)**	**(1,236)**
Employers contributions	**736**	**704**
Net interest costs	**(70)**	**(230)**
Actuarial gain/ (loss)	**(3,802)**	**6,919**
Deficit in scheme at end of year	**(6,773)**	**(2,093)**

21 Related Party Transactions

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

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

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

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

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

Member	Organisation	Position
J. Brennan	Crichton Foundation	Appointed Trustee
H. Carr	Dumfries and Galloway Housing Partnership	Director of Finance
J. Henderson	Dumfries and Galloway Housing Partnership	Vice Chairman
	Crichton Foundation (until May 2019)	Appointed Trustee
B. Johnstone	College Development Network	Board Member
	Colleges Scotland	Board Member
K. McGahan	William Waugh & Sons (Builders) Ltd	Joint Managing Director

The Crichton Foundation has previously provided grant funding towards the Henry Duncan building, which forms part of the Crichton Campus. The Crichton Foundation provided grant funding of £12,000 for student support in July 2018 which was fully disbursed to students by the College during 2018-19.

The College provided training courses to Dumfries and Galloway Housing Partnership during the year ended 31 July 2019. Invoices to Dumfries and Galloway Housing Partnership amounted to £23,634. No balances were due to the College from Dumfries and Galloway Housing Partnership at 31 July 2019.

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 £1,264. No balances were due to William Waugh by the College at 31 July 2019.

The members of the Board of Management, other than the Principal, Regional College Chair, and staff members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. Travel expenses reimbursed to seven members of the Board of Management during the year amounted to £1,131.

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

22 FE Bursaries and other Student Support Funds

	FE Bursary	EMA's	Other	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000	£000	**£000**	£000
Balance brought forward	173	0	0	**173**	430
Allocation received in year (including interest)	1,887	150	171	**2,208**	2,056
	2,060	150	171	**2,381**	2,486
Expenditure	(1,922)	(150)	(181)	**(2,253)**	(2,016)
Repayable to Funding Council as Clawback	(62)	0	0	**(62)**	(323)
College Contribution to funds	0	0	0	**0**	0
Virements	33	0	10	**43**	26
Balance Carried forward	**109**	**0**	**0**	**109**	173
Represented by:					
Repayable to Funding Council as Clawback	6	0	0	**6**	70
Retained by College for Students	103	0	0	**103**	103
	109	**0**	**0**	**109**	173

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

23 FE and HE Childcare Funds

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
Balance brought forward	**6**	16
Allocation received in year	**260**	287
	266	303
Expenditure	**(181)**	(257)
Repayable to Funding Council as Clawback	**0**	(14)
Virements	**(43)**	(26)
Balance Carried forward	**42**	6
Represented by:		
Repayable to Funding Council as Clawback	**42**	6
Retained by College for Students	**0**	0
	42	6

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

24 Capital Commitments

Provision has not been made for the following capital commitments at 31 July 2019:

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
Commitments contracted for	**1,783**	0

Appendix

2018-19 Accounts direction for Scotland's colleges and Glasgow Colleges Regional Board

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

2 A new SORP ('the 2019 SORP') was issued in October 2018 and this must be adopted for accounting periods ending on or after 1 January 2019 and thereafter. Early adoption is permitted as described in Section 27 ('Transition to the 2019 SORP') of the 2019 SORP.

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

4 Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2018-19 (FReM) where applicable.

5 Incorporated colleges are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2019.

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

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

Scottish Funding Council
5 July 2019