Scottish Charity No. SC021189

DUMFRIES AND GALLOWAY COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD

1 AUGUST 2019 TO 31 JULY 2020

Dumfries and Galloway College

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The financial statements were approved and authorised for issue on 8 December 2020.

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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 2020.

Principal's Statement on Performance

Academic year 2019-20, despite dealing with the impact of a global pandemic, has been a successful one for Dumfries and Galloway College as a result of the continued hard work and dedication of our staff and students.

Dumfries and Galloway College continues to play a critical role in allowing communities and their economies to thrive. The College is pivotal in supporting a skills led recovery and working with its key stakeholders to build a prosperous regional economy as we work to mitigate the impact of the COVID-19 pandemic.

Dumfries and Galloway College's expert and experienced team aspire to achieve excellence in academic and financial performance and aim to deliver the highest quality learning for our 1,300 full time students and 4,700 part time students. We do this by making a positive contribution to local and national priorities and harnessing the expertise of our staff to deliver a far reaching and impactful portfolio of educational provision.

In June 2020 we launched our new 5 year strategic plan, Ambition 2025. Ambition 2025 outlines our vision of an ambitious and far reaching student experience that aims to provide individuals, businesses and communities with the 21st century skills to flourish. This will be achieved by nurturing aspiration, ambition and achievement, supporting and stimulating the local economy, developing people and partnerships, enabling equity of access and social mobility and creating a prosperous net zero economy

In what are very challenging operating environment across the college sector, Dumfries and Galloway College continues to see improvements in performance across a number of fronts including increases in student retention, student satisfaction and student attainment. The work of the College Academic Council, which was established at the start of academic year 2019-20, provides greater rigour on academic provision and performance. This has provided greater oversight of governance and monitoring arrangements of the College's Enhancement Plan.

The financial out-turn for 2019-20 shows an deficit position of £1,950,000 with an underlying operating deficit of £607,000. This reflects the difficulty in maintaining a break-even position each year within the constraints of a challenging Scotland-wide funding and policy environment. 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 two year college transformation plan was initiated in 2019-20. We aim to transform the College and strengthen its finances, in a way that is sustainable and student focussed. The focus in year one was on creating a financially sustainable institution, a leadership structure aligned to realising Ambition 2025 and reducing staffing costs through a voluntary severance scheme, which have now been reduced from 74% of overall costs to 68%. In year two the transformation plan will focus on business systems transformation and commercial growth opportunities

In my first full year as Dumfries and Galloway Principal, I am proud of the College achievements in a year where we have had to contend with issues of significant magnitude as we work towards achieving aspirational levels of performance and implement Ambition 2025

Joanna Campbell

Principal and Chief Executive Officer

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 1,300 full-time and 4,700 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. Dumfries and Galloway College has a role as a regional college in a remote rural setting, and provides a wide range of curriculum and services at our Stranraer campus where lower student numbers and demand provides additional pressure to create sustainable provision. Some courses have been structured differently, for example by combining different levels of learner or using mixed delivery methods - for existing and new provision. Dumfries and Galloway College have implemented a Transformation Plan to meet the challenges in academic, financial and resource, to ensure that the organisation is placed on a sustainable footing for the future. The plan is looking at income generation and diversification, improving student retention and attainment, and ensuring our portfolio meets the needs of the region and wider South of Scotland economies.

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 establishment of a digital learning network in a joint project with Borders College has meant that the College has been able to move quickly due to the impact of COVID-19 to blended learning for students, and the majority of our staff have been able to continue their work from home.

The College will continue to work with 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.

Strategic Outcomes

Dumfries and Galloway College's new Strategic Plan, Ambition 2025, will be delivered through five supporting college strategies:

1 - Student Experience

2 - People & Culture

3 - Growth & Innovation

4 - Finance and Performance

5 - Systems and Infrastructure

Performance Report (continued)

Strategic Outcomes (continued)

By 2025 Dumfries and Galloway College will provide an ambitious and far reaching student experience that will:

- Nurture aspiration, ambition and achievement;
- Support and stimulate the local economy;
- Develop our people and partnerships;
- Enable equity of access and social mobility;
- create a prosperous net zero economy.

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 impact of COVID-19, 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 and a clear programme of transformation is being implemented to achieve ongoing financial sustainability.

- **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 achieve credit targets -** the ongoing impact of COVID-19 continues to be monitored, and ongoing actions are being taken to meet the needs of students and support them with their learning.

- **Reputational risk** - potential loss of reputation with key stakeholders, with actions being taken to strengthen stakeholder engagement and monitoring of Social Media, as well as a re-branding and development of the College website.

- **Unexpected incident -** failure of emergency procedures, and threats to health - including COVID-19, and MIS failure. Clear disaster recovery plans are in place, including scenario testing. The College continues to follow Public Health guidance, and monitors effectiveness of communications to all stakeholders. A separate Covid Risk Register is maintained and updated regularly.

- **Breach of ICT/ Cyber security -** this continues to be a risk for the college sector. Effective management of ICT arrangements is in place, as well as ICT/ data security monitoring, staff training on cyber security issues, and there is regular monitoring of cyber resilience plans.

- **Failure to reach aspirational standards in learning, teaching and service delivery** - measures have been implemented over the previous two years to increase student retention and attainment. Mitigating actions include ensuring clear quality arrangements, continuous self evaluation and action monitoring, and rigorous CPD arrangements are in place. Comprehensive monitoring of PI's and staff and student feedback is in place, regular Stop and Review events, and external review and validation of findings.

Performance Report (continued)

- Failure to meet the deadlines for the SoSEP project - Curriculum development planning is monitored through the Learning & teaching Committee, and the overall project is monitored by the Board of Management. The project will be further scrutinised through the SFC Project Planning Board.

In addition to the College Risk Register, a Business Continuity Team have been operating throughout the pandemic to highlight potential risks and monitor the impact of COVID-19 on the operations of the College.

Performance Summary

The College's Performance Indicators (PI's) demonstrate an improvement on academic year 2018-19 in all modes and levels. In full time Further Education the completed successful PI is 67.5%, an increase of 8.9% on the previous year; in full time Higher Education the completed successful PI is at 82.3%, an increase of 12.6% on the previous year; in part time Further Education completed successful was 76.8%, an increase of 3.7%; in part time Higher Education completed successful was 80.4%, an increase of 5.9%

In academic year 2019-20 the College delivered activity of 29,648 credits against a target of 30,176. During this academic year, SFC, recognising the challenges due to COVID-19 and the resulting course changes, provided flexibility around the credit target and no clawback of core grant is expected.

During 2019-20 much of the attention on student performance was on the implementation of processes to ensure that students were retained on their course of study. It is clear from the outturn that this work by teaching and support staff has realised improvements in retention and attainment.

Student Numbers

In all modes of attendance and levels - there were 5,982 students in attendance during academic year 2019-20, of these 1,307 were full time students. Full time Further Education (FE) and Higher Education (HE) student retention improved on 2018-19 - early withdraw in both improved by 2% and further withdrawal improved for full time FE by 3.4% and full time HE by 5%.

Student Achievements

Complete success for all modes and levels improved over a 3 year period by 8.9% for full time FE and 12.6% for full time HE. At the time of this report the latest college sector Performance Indicator figures are not available.

The College developed a strategy during 2019-20 to focus on the retention of students. The strategy, with the support of College managers, ensured that those students at risk were identified early and mechanisms were put in place to assist them with their academic work or personal issues.

Retention and attainment rates continued to be a priority area for the College in 2019-20. A number of key actions have been implemented:

- as a result of the first phase of Transformation a Director of Student Experience and Academic Performance has been added to the management structure to drive improvement in our onboarding of students and their support whilst on their chosen course;

- the role of the Director of Curriculum has been added to ensure that we effectively plan our curriculum and its associated portfolio;

- the role of Student Advisors has been enhanced to support curriculum staff in supporting at risk students;

- portfolio reviews have been introduced to ensure that we scrutinise course performance and plan our curriculum offer.

Performance Report (continued)

Quality Assurance and Enhancement

As a result of COVID-19 the Scottish Funding Council did not require the College to submit an Evaluative Report and Enhancement Plan. During 2020-21 the College will be working to develop a new plan in alignment with the guidance being developed by SFC to ensure that enhancements are brought to the student experience.

Curriculum Developments

The College will review its curriculum portfolio to ensure that it meets the needs of the Regional Skills Assessment and the Regional Skills Investment Plan. This process using a series of portfolio review meetings which will examine the offer and identify new programmes that are more in line with future demand in Digital, Enterprise, Health and Social Care and Green Energy.

The College is currently working on a strategic project which will look to devising a plan for medium to long term delivery of a digital curriculum to ensure that our pedagogy, online platforms and assessment approaches support a blended learning delivery. In addition we have commenced work on a Green Skills Academy Hub which will enable us to develop our curriculum offer in green technology.

A Student Experience Strategy has been devised with clear stretch targets which underpins the College's Ambition 2025. As part of the Student Experience Strategy a new pedagogical model has been developed which focuses delivery on employer engagement, digital, EDI and active learning.

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 and we continue to promote our curriculum to students from SIMD, care, veteran and BME backgrounds. Our aim is to promote access to all.

We will continue to work collaboratively with community partners to reduce barriers to entry to college education and we have reshaped our schools provision in a College Academy which ensures we provide relevant pathways to employment or further study.

STEM qualifications at all levels are needed in businesses in Dumfries and Galloway, and this is a developing area. The College is active in working partnership with industry to deliver the qualifications they require in green energy, health and social care, enterprise and digital.

Dumfries and Galloway College is a key partner in Developing the Young Workforce and does this through offering Modern Apprenticeships in the South of Scotland and the delivery of Foundation Apprenticeships pathways. 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.

Future Developments

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.

Priority outputs to be delivered in 2020-21 are:

- achieving the increased student activity target of 30,798 credits;
- setting a baseline target for the Student Experience strategy;
- continued enhancements in student retention and attainment;
- continued numbers of students entering positive destinations; and
- a curriculum which reflects the skills requirements and meets the needs of the region.

Performance Report (continued)

We continue to demonstrate our 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.

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 2019-20 SFC Outcome Agreement supports the Scottish Funding Council's 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 the 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 to be delivered by the end of 2019-20 were:

- Design and planning of a range of HE courses in conjunction with HEI institutions for delivery start in 2019-20 and 2020-21;

- Realise and implement "South of Scotland Digital Skills and Learning Network" project which will create a technology enabled network connecting schools and colleges across the South of Scotland (July 2019). Commence delivery of project by December 2019. Implement Crichton Consolidated Agreement over the next 5 years;

Performance Report (continued)

How we measure performance (continued)

- To work in partnership with local industry, local authority employability and skills teams, SDS and other key stakeholders to contribute to a reduction in the region's unemployment, improving life chances for all learners;

- To ensure provision is delivered efficiently, is 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 2019-20 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 and national economic priorities.

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.

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

The College Senior Leadership Team meet on a regular basis to review performance and agree actions to be taken. Standing items for discussion at each meeting are:

- Transformation Plan
- Financial Update
- Performance Indicators
- Admissions and Enrolments

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.

Performance Report (continued)

Development and performance during the year

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

The College delivered activity of 29,648 credits against a target of 30,176, which represents a shortfall of 528 credits or 1.75% of the target. Delivery was planned throughout the year to meet the credit targets, but the challenges due to COVID-19 have impacted on the ability to deliver courses, in particular face to face teaching, and assessments for practical delivery have been deferred until 2020-21. Scottish Funding Council have recognised those sector-level difficulties and have allowed for some flexibility around the credit target.

As noted above, student performance indicators demonstrate an improvement from the previous year for all modes and levels. Full time Further Education PI's for successful completion increased by 8.9%, and full time Higher Education increased by 12.6%. Part time Further Education showed an increase of 3.7% and part time Higher Education by 5.9%.

	2019-20	2018-19
Student performance:		
Credits achieved	**29,648**	**30,805**
Credits per FTE staff	**121**	**130**
Target Credits (including in-year reallocation in 2018-19)	**30,176**	**30,526**
Full-time equivalent funded places	**1,977**	**2,054**
Enrolments	**5,982**	**3,981**
Student Retention		
- Full Time Further Education	**77%**	**72%**
- Full Time Higher Education	**89%**	**82%**
Student Outcomes:*		
- Full Time Further Education	**68%**	**59%**
- Full Time Higher Education	**82%**	**70%**
Financial Performance:		
Operating deficit (inclusive of IAS 19 adjustments)	**(£1,950,000)**	(£1,513,000)
Deficit as a % of total income	**14.13%**	10.72%
Deficit as a % of total expenditure	**12.38%**	9.68%
Staff costs (excluding fundamental restructuring costs) as a % of total expenditure	**69.89%**	68.7%
Ratio of current assets to current liabilities	**0.47**	1.63
Days cash to total expenditure excluding depreciation	**22**	94
Non SFC income as a % of total expenditure	**17.8%**	16.9%

** Student Outcomes are subject to further updating for deferred results during 2020-21*

Performance Report (continued)

Development and performance during the year (continued)

Financial Out-turn for the period

The College operating results are for a twelve month accounting period, from 1 August 2019 to 31 July 2020. The underlying results for the year, which exclude the net depreciation costs and pension valuation changes, show a net deficit of £607,000 as noted below.

The overall results for the period show an operating deficit of £1,950,000, which includes non-cash depreciation costs, net of deferred grant release, of £657,000 as well as a net charge of £923,000 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 2020, in accordance with the technical accounting requirements as detailed at Note 10.

The budget for 2019-20 had highlighted increasing staff costs and a forecast net deficit out-turn for the year. The financial impact of national bargaining and increased pension costs has increased the overall annual pay costs from previous years.

As a result of the changing financial position, the introduction of a College Transformation Plan was brought forward. The aims of the Transformation Plan were to:

- create a firm foundation for the future of the College, and provide the capacity to deliver the new Strategic Plan - Ambition 2025;
- prioritise leadership capacity to enhance the student experience and improve performance;
- deliver key Scottish Funding Council Outcomes;
- Create capacity to develop, increase and enhance the diversification of income;
- increase accountability and performance;
- to identify a number of projects which will be implemented over a longer period of time;
- safeguard our financial sustainability in the context of the increasing financial pressures on the sector;
- invest in staff to enable the development of the College and its curriculum offer and to enhance outcomes for all learners;
- invest in digital capabilities throughout the College including e-learning, online delivery, transformational systems and reporting; and
- to match staff costs with projected activity and sector standards.

Several changes were implemented during 2019-20 in order to reduce staffing and other costs, including a recruitment freeze, re-alignment of non-staff budgets, and scrutiny at Senior Leadership team level of any proposed staffing and budget changes.

The COVID-19 outbreak has had a significant impact on the commercial courses and other training which was planned during 2019-20. Additional costs were also incurred to prepare the college for the safe return of staff and students, which has impacted the overall deficit for the year. The College has commenced implementation of the first phase of the two-year Transformation Plan. Budgets have been reviewed in order to re-align available funds to priority areas and ensure minimal impact on students during the period.

The College is investing in digital systems and equipment to support students and staff two work remotely where required, ensuring that equipment needs are identified and systems are resilient to support remote and blended learning.

The STEM hubs were completed during the year and will support the College's Digital Transformation going forward.

Performance Report (continued)

Financial Out-turn for the period (continued)

The College Balance Sheet at 31 July 2020 shows net current liabilities of £1,698,000. Included in creditors are deferred capital grants of £906,000 and unspent student support funds of £176,000. In addition, the College received a cash advance of £550,000 from Scottish Funding Council at 31 July 2020 to meet the costs of voluntary severance and provide working capital for the start of the 2020-21 academic year.

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:

	2019-20	2018-19
Revenue Priorities	**£000**	£000
2015-16 Pay award	80	80
Curriculum developments	-	310
Restructuring costs	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 2019 Statement of Recommended Accounting Practice (SORP): 'Accounting in Further and Higher Education' and Financial Reporting Standards FRS 102. The adjusted operating position (as defined by SFC) 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.

	2019-20	2018-19
	£000	£000
(Deficit) before other gains and losses (FE/ HE SORP basis)	(1,950)	(1,513)
Add back:		
- Depreciation (net of deferred grant release) on both government funded and privately funded assets	657	687
- Non-cash pension adjustments - Net service cost	759	808
- Non-cash pension adjustments - Net interest cost	164	70
- Non-cash pension adjustments - early retirement provision	(104)	63
Deduct:		
- Non-government capital grants	(133)	(61)
Underlying operating surplus/ (deficit)	**(607)**	**54**

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 3.58% (2018-19 - 1.72%). 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 College continues to actively monitor and report its carbon emissions in line with the Public Bodies Climate Change Reporting Duties. The report is in progress and is due for submission in November 2020.

The College has continued to work to reduce its emissions through innovative working practices. In the last reporting year the College has worked on initiatives such as:

- Reduction of travel by promoting digital meetings and study tools;
- Continuation of Estates improvements including LED lighting for the sports hall;
- Removal of waste streams by recycling wood waste and eliminating the use of single use plastics; and
- Continued work of the Climate Emergency Group.

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 is in the process of creating a new action plan which will run from 2021 to replace the previous 5 year plan. The plan will focus on emissions reductions and embedding sustainability into education.

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 include the new five year strategy for the College, Ambition 2025, the Transformation project, voluntary severance scheme and the risk assessment for return to College in light of COVID-19 restrictions. We 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 £1,950,000 as well as a net charge of £923,000 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 £24,159,000 have been disclosed as long-term 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 an ongoing dialogue with SFC. The budget for 2020-21 has been prepared on the basis that actions taken during 2019-20 will reduce staff FTE and related costs, but further work will be required to bring staff costs to a sustainable level.

A management re-structure has taken place which will provide a sound basis 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. A voluntary severance scheme was agreed which has resulted in a reduction of 14.52 FTE from August 2020.

Phase 2 of the College's Transformation Plan is being implemented during 2020-21. The three strands of the plan include projects to develop marketing and re-branding, digitalisation, and business development.

Joanna Campbell

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

Brian Johnstone acted as Regional Chair until his term of office finished on 1st March 2020. Delia Holland acted as Interim Chair from 1st to 30th March 2020, with Hugh Carr taking over the role as Interim Chair from 30th March 2020 pending recruitment of a permanent Chair by SFC.

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

Janet Brennan
Bronwyn Brown (Student member)
Joanna Campbell (Principal and Chief Executive)
Hugh Carr (Interim Chair)
Amy Farley (Student member)
Ros Francis
John Henderson
Ann Hill (from August 2019)
Delia Holland (Vice Chair)
Naomi Johnson
Pat Kirby (Senior Independent Member)
Sue Livermore (Support Staff member)
Karen McGahan
Rob Orr
Robbie Thomas
Ian White (Lecturing Staff Member)

The following individuals were also Board members in the period from August 2019 up to 31 July 2020:

Barry Graham (resigned 03.11.20)
Brian Johnstone (term of office finished 01.03.20)
Nikki Vjatschslav (resigned 07.02.20)
Caitlin McCutcheon (term of office finished 30.06.20)

The Board Secretary maintains a register of financial and personal interests of the members of the Board of Management. A short biography of each Board member, together with their Register of Interests, can be accessed on our website using the following link: *http://www.dumgal.ac.uk/dumgalportal/index.php?pageid=BOM-profiles*

Ann Walsh acted as Board Secretary for the period August 2019 to December 2019, and Penny Davies acted as Interim Secretary from January 2020 until August 2020. Lorraine Grierson was appointed as Board secretary from August 2020.

Accountability Report

Corporate Governance Report

Directors' Report (continued)

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.

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

Joanna Campbell (Principal and Chief Executive)

Andrew Glen (Vice Principal Planning and Performance)

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

Douglas Dickson (Vice Principal Learning, Skills and Student Experience) from February 2020

Steve Uphill (Acting Vice Principal Finance and Commercial Services - from September 2020)

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, Delia Holland, Rob Orr and Ian White

Board Development Committee
Janet Brennan, Hugh Carr (Chair), Delia Holland, Naomi Johnson and Pat Kirby.

Remuneration Committee
Janet Brennan, Hugh Carr, Delia Holland (Chair), Karen McGahan and Ian White

Audit Committee
Ros Francis, John Henderson, Naomi Johnson (Chair), Pat Kirby and Robbie Thomas

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

Learning and Teaching Committee
Bronwyn Brown, Joanna Campbell, Amy Farley, John Henderson, Ann Hill, Delia Holland, Naomi Johnson, Pat Kirby (Chair), Sue Livermore, Rob Orr, Robbie Thomas and Ian White.

Grievance/ Appeals Committee

Janet Brennan, Hugh Carr (Chair), Ros Francis and Karen McGahan

Data Security

There were no personal data-related incidents reported to the Information Commissioners Office during the 2019-20 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 2019 Statement of Recommended Practice 'Accounting in Further and Higher Education', the 2019-20 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 8 December 2020 and signed on its behalf by:

Hugh Carr
Regional Chair

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 2020 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 2020.

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.

Accountability Report

Corporate Governance Report

Governance Statement

Governance Structure (continued)

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

Following the impact of the COVID-19 pandemic on Dumfries and Galloway College, the Board has continued to meet remotely to continue with the essential business of the Board. No changes have been made to the College's Governance Framework due to COVID-19, instead digital technology has been used to support continued operations, and electronic authorisation and approval processes have been implemented which mirror existing approval requirements and authorisation thresholds.

The Board have considered the impact of COVID-19 on Risk Management processes in the College, and have worked with the Executive Team to ensure the essential business of the Board has continued throughout the period. The risks and impact of COVID-19 on students and staff wellbeing, teaching delivery, exams, and finances have all continued to be monitored.

The Audit Committee have continued to monitor the progress of Internal Audit work during the period, with some work continuing remotely.

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 complies 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 2019-20 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 the previous year. The Risk Register is now considered by all Committees to ensure that their collective expertise is focused on specific risks. 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 institutional sustainability. The College Transformation Plan was approved at the March Board meeting, and progress against the plan will continue to be monitored.

The Board Development Plan for 2019-20 included a focus on the following actions:

- Support for recruitment for the new Regional Chair;

- The Stranraer Strategy was highlighted for review within the overall Strategic Review to be undertaken in 2019-20;

- Succession Planning continued, with particular attention to preparing for changes as terms of appointment end;

- The Board continue to pro-actively work with other partners. Joint Board sessions have been held with Borders College, and discussions on ensuring the joint SoSEP project provides benefits across the region; and

- The support and structure of the Student Association continues to be an area of focus, in particular improving the student voice, and supporting the increased engagement of students.

Accountability Report

Corporate Governance Report

Governance Statement

Governance Structure (continued)

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

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 2020 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.

Accountability Report

Corporate Governance Report

Governance Statement

Governance Structure (continued)

Audit Committee (continued)

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

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

Finance and General Purposes 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 four times per year.

Learning and Teaching Committee

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

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 Regional Chair is undertaken by the Vice Chair. The performance of the Regional Chair is also evaluated by the Scottish Government, as regional college chairs are appointed by the Scottish Ministers and are personally accountable to them.

As part of the approved internal audit plan for 2019-2020, a review of the College’s governance structure was undertaken to provide assurance over the transparency of the decision-making processes, duplication of reported information, and adherence to established Terms of Reference. Overall, the review demonstrated that the College’s governance arrangements and controls in place were adequate, however some suggested areas for improvement were highlighted, which the Board Development Committee will take forward.

Key areas identified for further improvement include:

- The Articles of Governance and Governance Manual will be updated to reflect the timescale for issuing meeting Agendas and papers in advance of each meeting;

- The Board will review the reporting requirements of committees, to ensure they are provided with assurance that they are discharging their delegated responsibilities effectively, and escalating responsibilities where required:

- Benchmarking against other Colleges will be reviewed to determine any areas for further consideration and incorporation in the committee Terms of Reference;

- The Board Development Day will consider actions to improve Communications.

An External Review of Board effectiveness will be completed in 2020-21.

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 five strategies which will sit with the new Strategic Plan, Ambition 2025. The plan is 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.

Systems and Infrastructure Strategy

The Estates Strategy will be superseded by a new Systems and Infrastructure Strategy, which will be one of the five key strategies to support the College's new strategic plan, Ambition 2025.

When the new Systems and Infrastructure Strategy is approved by the Board of Management, the College will aim to:

- integrate and harmonise College systems to meet customer needs;
- provide an exceptional experiential learning and social environment to support high quality learning:
- model innovative workplace practices with a focus on increasing our customer reach and satisfaction;
- provide a modern estate which is flexible, adaptive and meets the needs of current and future users;
- optimise ways of working through the use of digital technologies; and
- enable our net zero emissions targets within our College operations.

Operational plans are in place for the Corporate Services department areas to allow for the effective execution of the Systems and Infrastructure Strategy. Those linked project plans will be reviewed at regular intervals to ensure they are aligned to implementation of the strategy.

Human Resources Strategy

The College has a five year human resources strategy which was implemented to support the College's previous strategic plan. A refreshed Strategy will align to the new strategic plan, Ambition 2025, and the key aims are:

- Maintain a clear focus on outcomes and goals;
- Be innovative and ambitious;
- Nurture, support and develop our talent;
- Increase ownership and accountability across our workforce;
- Promote an ethos of collegiate working and partnership; and
- Work in a healthy, safe and respectful 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 member 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 2020 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 2020 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 2019-20 Internal Audit plan included scrutiny of some areas which were not performing as well as required. A 'Partial Assurance' opinion was given on three reports relating to specific controls in areas of staff development, petty cash/expenses and curriculum planning. The Audit Committee and Executive Management Team are monitoring progress towards implementing the recommendations and improving overall performance, with several recommendations having now been implemented.

Accountability Report

Corporate Governance Report

Governance Statement

Risk Management and Internal Control (continued)

The College's Internal Auditor has expressed the opinion that there are weaknesses in the framework for risk management, governance, internal control and economy, efficiency and effectiveness such that it could become inadequate and ineffective. However, the Annual Report from the Internal Auditor has noted that a proportion of their work was completed prior to the advent of the substantial operational disruption caused by the COVID-19 pandemic, and they recognise that there has been a significant impact on both the operations of the College and its risk profile, and the annual opinion should be read in this context.

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

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 2019-20 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 COVID-19 and the College's ability to increase commercial income in the short term. A Transformation Plan project is currently in place, and a new Strategic Plan has been approved, which will 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.

Accountability Report (continued)

Corporate Governance Report

Governance Statement

Review of effectiveness (continued)

The Executive Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Management Team and the Audit Committee also receive regular reports from the internal auditor, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board of Management's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Board of Management carried out the annual assessment for the period ended 31 July 2020 by considering documentation from the Executive Management Team and internal audit, and taking account of events since 31 July 2020.

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 Project is in placed which will 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 during 2019-20 the College has a framework of internal control that provided partial assurance regarding the effective and efficient deployment of resources to achieve the College aims. Focussed improvements highlighted by audit work have been made and will continue during 2020-21. These improvements relate to specific controls in the areas of staff development, petty cash and expenses, and curriculum planning.

Approved by order of the members of the Board on 8 December 2020 and signed on its behalf by:

Hugh Carr
Regional Chair

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 2019-20 Government Financial Reporting Manual (FReM) issued by the Scottish Government, which is relevant for the financial period ending 31 July 2020.

The report sets out the remuneration and accrued pension benefits of the Senior College Executives, which comprises the Regional Chair, College Principal and Executive Management Team. The Regional Chair 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 2020 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 2020		12 Month period ended 31 July 2019	
	Number senior post-holders	**Number other staff**	Number senior post-holders	Number other staff
£60,001 to £70,000	**0**	**0**	2	1
£70,001 to £80,000	**1**	**0**	1	0
£80,001 to £90,000	**0**	**0**	0	0
£90,001 to £100,000	**0**	**0**	0	0
£100,001 to £110,000	**1**	**0**	0	0
£110,001 to £120,000	**0**	**0**	0	0
£120,001 to £130,000	**0**	**0**	0	0
	2	**0**	**3**	**1**

Accountability Report

Remuneration and Staff Report (continued)

During the period, the College made no non-cash benefits available to staff (2018-19 - 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 2019-20 was £100,000 - £105,000. (2018-19 - £95,000 - £100,000). This was 3.7 times (2018-19 - 3.7 times) the median remuneration of the workforce which was £27,177 (2018-19 £26,842).

Salary entitlements

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

	12 months ended 31 July 2020			12 months ended 31 July 2019		
	Actual			Actual		
	Salary	**Pension benefit ***	**Total**	Salary	Pension benefit	Total
Name	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
B. Johnstone (1)	**10-15**	**0**	**10-15**	20-25	0	20-25
D. Holland (2)	**0-5**	**0**	**0-5**	0	0	0
H. Carr (3)	**5-10**	**0**	**5-10**	0	0	0
J. Campbell	**100-105**	**70-75**	**175-180**	55-60	15-20	75-80
A. Glen	**70-75**	**40-45**	**130-135**	75-80	85-90	160-165
D. Dickson (4)	**35-40**	**45-50**	**85-90**	0	0	0

** 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. The real increase excludes increases due to inflation or any increase or decreases due to a transfer of pension rights.*

(1) B Johnstone's term of office ceased on 1st March 2020. His full-year equivalent salary was £15,000-£20,000.

(2) D Holland acted as Interim Chair of the Board between 1st and 30th March 2020. Her full-year equivalent salary was £20,000-£25,000.

(3) H Carr commenced as Interim Chair of the Board on 30th March 2020. His full-year equivalent salary was £20,000-£25,000.

(4) D Dickson commenced as Vice Principal Learning, Skills and Student Experience on 3rd February 2020. His full-year equivalent salary was £70,000-75,000.

The salary and pension benefits above are shown in bands of £5,000 in accordance with the 2019-20 Government Financial Reporting Manual.

Pension benefits for all College employees except the Regional Chair 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 or 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 one Senior Executive, 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 2020	Accrued lump sum at pension age at 31 July 2020	Real increase in pension 1 August 2019 to 31 July 2020	Real increase in lump sum 1 August 2019 to 31 July 2020	CETV at 31 July 2020	CETV at 31 July 2019	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
H. Carr	0	0	0	0	0	0	0
D. Holland	0	0	0	0	0	0	0
J. Campbell	20-25	40-45	0-5	5-10	345-350	280-285	20-25
A. Glen *	30-35	0	0-5	0	410-415	75-80	130-135
D. Dickson	20-25	40-45	0-5	0-5	380-385	0	0

** The CETV at 31.07.20 for A. Glen includes a transfer in to the scheme during the year.*

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

21 employees left under voluntary exit/ early retirement terms during the year as part of the College Transformation Plan (2018-19 - no employees). The table below summarises the exit packages for those staff who left during 2019-20. It includes payments made to staff and the accrued pension cost of added years.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	0	8	8
£10,000-£25,000	0	8	8
£25,000-£50,000	0	5	5
Total number of exit packages	0	21	21
Total cost (£)	**0**	**£324,822**	**£324,822**

Exit packages

No Board member or senior manager left under voluntary or compulsory exit schemes in 2019-20 (2018-19 - 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**	**2019-20 Total £'000**	Directly employed staff £'000	Seconded and agency staff £'000	2018-19 Total £'000
Wages and salaries	7,836	8	7,844	7,666	2	7,668
Social security costs	716	-	716	675	-	675
Other pension costs	2,399	-	2,399	2,165	-	2,165
Total	**10,951**	**8**	**10,959**	10,506	2	10,508
Average number of FTE	245	0.16	245.16	236	0.04	236.04

The College employed 205 females and 117 males as at 31 July 2020. Of the three College Senior Executives at July 2020, two are male and one is female.

Sickness Absence

The total number of days lost per full-time equivalent (FTE) to sickness absence during 2019-20 was 9 days, which was an increase from 8 days per FTE in 2018-19 .

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 include the new five year strategy for the College, Ambition 2025, the Transformation project, voluntary severance scheme and the risk assessment for return to College in light of COVID-19 restrictions. We 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, suffer from mental health difficulties, are 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. 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 (2010). 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 Forum (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 of all documents 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. Our College endorsed the national #BlackLivesMatter and #callitracism campaigns this year, and signed up for the FE and HE Anti-Racism project. In addition, we reviewed and updated actions for British Sign Language promotion and addressing gender inequality. Our four year Gender Action Plan 2017-20 demonstrated progress across all identified key outcomes, including actions to embed the Equally Safe national project for eliminating gender based violence.

Our Board currently has a 45:55 gender split in favour of women (42:58 if executive members are included) and BAME representation exceeds our local population demographic percentage. In terms of staff gender equality, while our overall gender pay gap stands at 7.5%, 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 national Job Evaluation project is underway across the Scottish College sector, and there was an expectation that this would be complete and the costs known within this academic year. The project has been delayed due to COVID-19. However, progress is being made and the first round of panel assessment is well under way. Dumfries and Galloway College has had all relevant roles evaluated by the first round panel. The process will now include a second round panel of evaluation.

Changes were planned to management and team structures across College in order to increase value for money, which were further complicated and delayed for a time due to the effects of COVID-19 restrictions.

Remuneration and Staff Report (continued)

Employment issues including employee consultation and or participation (continued)

A Transformation project was initiated to align lines of accountability and staffing needs with a focus on value for money. This focussed on moving to a three Vice Principal structure and rationalising work families to bring appropriate teams into closer collaborative groups. Savings of 25 FTE were included in the plans in order to save approximately £1.1m in staffing costs over a two year period, and savings of £500,000 are projected to be made from the current scheme. Consultation was critical in executing this project. Regular LJNC meetings were held to discuss plans with Trades Unions. Staff meetings were held by the Principal at the start of the process, regular updates were provided on the staff intranet and the regular Principal's Briefing publication contained updates throughout. Staff were updated following the Board approval of the plan. All documents relating to Transformation were loaded on to the intranet for staff to access. Impacted staff had consultation meetings with their Line Manager, HR and Union representatives (if chosen).

As a result of the Transformation process, and to facilitate the optimal range of options for staff affected, the College gained approval to open a Voluntary Severance scheme and opened its first window from 21 April to 31 May 2020. Applications were considered by line managers for their initial stage decisions, with approved applications submitted to a Voluntary Severance panel for a final decision. Approval is in place to re-open the window (if required) until July 2021.

The national introduction of a furlough option provided an important opportunity to secure our workforce's future and provide some stability and reassurance for our staff during a time of change. In collaboration with Trades Unions, the decision was taken that staff who would be eligible for furlough were to be identified and approached with the furlough option on a strictly voluntary basis. This approach ensured that staff with caring responsibilities had a range of options for managing their financial affairs and work life balance. All staff who took furlough had their full salary maintained by the College so that there was no detriment in taking the furlough option.

Managing the changing requirements related to the COVID-19 crisis has made close consultation with staff and students essential at every stage. There are weekly meetings with LJNC to discuss all COVID related issues, plans, and actions required and Trades Unions colleagues attend Business Continuity meetings to help form policy. Regular advice is shared by HR with managers regarding welfare of staff during off site working, Flexible working to accommodate staff who have caring responsibilities was been key to making this work.

A staff survey was used to inform our approach, which collated the range of difficulties staff faced when working from home, and gathered information on anxieties or issues that might prevent a return to the building. All staff have access to the Togetherall mental health support website, containing self help courses and staffed round the clock by guides who can webchat with support and advice for anyone facing a crisis. Individual risk assessments were completed for each member of staff prior to return to the building, with extensive risk assessment undertaken collaboratively by each team to ensure safe working measures when on site. Core changes to our onsite working arrangements include compulsory face coverings and a one way system, sanitising stations and temperature checks.

The change in our way of working arising from the crisis has led to a review of key policies, such as Redundancy, Organisational Change, Redeployment, Travel and Time Off In Lieu (TOIL). All policies, plans and risk assessments arising from the crisis have been equality impact assessed.

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. All changes to our normal procedures in light of the COVID-19 crisis were subject to Equality Impact Assessment so that we could mitigate their effect on staff and students with disabilities. For example, staff and students with severe mobility problems, visual impairment or learning disability were exempt from the one way system and given right of way within College. 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.

Accountability Report

Remuneration and Staff Report (continued)

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 in our HR 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 2019 to March 2020:

Relevant Union Officials

Number of employees who were relevant union officials during the relevant period:	Full-time equivalent employee number:
6	5.8
Percentage of time spent on facility time	
Percentage of time	Number of employees
0%	0
1-50%	6
51-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time:	£26,722.00
Total pay bill:	£10,281,731
Percentage of total pay bill spent on facility time:	0.26%

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 8 December 2020 and signed on its behalf by:

Hugh Carr
Regional Chair

Joanna Campbell
Principal

Independent auditor's report to 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 2020 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, and Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2020 and of its deficit for the year then ended;

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

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

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (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 four 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 college. 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 report in a separate Annual Audit Report, 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

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; or

- there has been a failure to achieve a prescribed financial objective.

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 Azets Audit Services)

Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

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

Statement of Comprehensive Income

	Note	Year ended 31 July 2020	Year ended 31 July 2019
		£000	£000
INCOME			
SFC grants	2	**11,350**	11,733
Tuition fees and education contracts	3	**1,415**	1,613
Other grant income	4	**601**	318
Other operating income	5	**435**	452
Endowment and investment income		**0**	0
Total Income		**13,801**	14,116
EXPENDITURE			
Staff costs excluding exceptional costs	6	**10,996**	10,732
Fundamental restructuring costs		**325**	0
Other operating expenses	8	**2,851**	3,378
Depreciation	12	**1,415**	1,449
Interest and other finance costs	11	**164**	70
Total Expenditure		**15,751**	**15,629**
(Deficit)/ Surplus before other gains and losses		**(1,950)**	**(1,513)**
Gain/ (Loss) on disposal of fixed assets		**0**	4
(Deficit)/ Surplus for the year		**(1,950)**	(1,509)
Unrealised surplus on revaluation of land and buildings	12	**1,951**	0
Actuarial gain/ (loss) in respect of pension schemes	20	**(4,973)**	(3,802)
Total comprehensive income for the year		**(4,972)**	**(5,311)**
Represented by:			
Unrestricted comprehensive income for the year		**(4,972)**	**(5,311)**

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 2020

	Income and expenditure reserve	Revaluation reserve	Total
	£000	£000	£000
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**
	(5,086)	(225)	(5,311)
Balance at 1 August 2019	**(90)**	**5,877**	**5,787**
Surplus/ (Deficit) from the income and expenditure statement	(1,950)	0	**(1,950)**
Other comprehensive income	(4,973)	1,951	**(3,022)**
Transfers between revaluation and income and expenditure reserve	225	(225)	**0**
Total comprehensive income for the year	(6,698)	1,726	(4,972)
Balance at 31 July 2020	**(6,788)**	**7,603**	**815**

Balance Sheet as at 31 July 2020

	Note	Year ended 31 July 2020	Year ended 31 July 2019
		£000	£000
Non-current assets			
Fixed assets	12	**39,914**	36,697
Current Assets			
Trade and other receivables	13	**657**	699
Cash and cash equivalents	14	**873**	3,660
Total current assets		**1,530**	4,359
Less: Creditors - amounts falling due within one year	15	**(3,228)**	(2,669)
Net Current Assets/ (Liabilities)		**(1,698)**	1,690
Total Assets less Current Liabilities		**38,216**	38,387
Less: Creditors - amounts falling due after more than one year	16	**(24,159)**	(25,101)
Provisions			
Pension provisions	17	**(13,242)**	(7,499)
Total net assets		**815**	5,787
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		**(6,788)**	(90)
Revaluation reserve		**7,603**	5,877
Total reserves		**815**	5,787

The financial statements on pages 37 to 59 were approved by the Board of Management on 8 December 2020 and were signed on its behalf by:

Hugh Carr
Regional Chair

Joanna Campbell
Principal

Statement of Cash Flows for the year ended 31 July 2020

	Note	Year ended 31 July 2020	Year ended 31 July 2019
		£000	£000
Cash flow from operating activities			
(Deficit)/ Surplus for the period		**(1,950)**	(1,509)
Adjustment for non-cash items			
Depreciation	12	**1,415**	1,449
Decrease/ (increase) in debtors		**42**	(372)
(Decrease)/ increase in creditors	15,16	**(383)**	3,889
Increase/ (decrease) in pension provision	17	**770**	891
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	**0**	4
Net cash (Outflow)/ Inflow from operating activities		**(106)**	4,352
Cash flows from investing activities			
Proceeds from sales of fixed assets	12	**0**	4
Payments to acquire fixed assets	12	**(2,681)**	(1,440)
		(2,681)	(1,436)
(Decrease)/ increase in cash and cash equivalents in the period		**(2,787)**	**2,916**
Cash and cash equivalents at beginning of the period		**3,660**	744
Cash and cash equivalents at end of the period		**873**	3,660

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 2019 Statement of Recommended Accounting Practice (SORP): 'Accounting in Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2019-20 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.

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 2020. 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 2020 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 2020 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 **2020** **£000**	Year ended 31 July 2019 £000
2 SFC Grants		
SFC FE recurrent grant (including fee waiver)	**9,995**	9,911
FE and HE childcare funds	**167**	181
Release of deferred capital grants	**671**	675
Infrastructure grant	**220**	368
South of Scotland Skills and Learning Network project	**47**	458
Other SFC grants - FE provision	**250**	140
Total	**11,350**	11,733
3 Tuition Fees and education contracts		
FE fees - UK	**321**	441
HE fees	**654**	698
SDS contracts	**326**	333
Education contracts	**114**	141
Other contracts	**0**	0
Total	**1,415**	1,613
4 Other grant income		
Release of deferred capital grants	**87**	87
Scottish Colleges Foundation - Revenue grant	**70**	44
Other capital grants	**133**	61
Other Government grant income	**273**	0
Other grants	**38**	126
Total	**601**	318
5 Other operating income		
Residences and catering	**329**	405
Other income-generating activities	**7**	10
Other income	**99**	37
Total	**435**	452

	Year ended 31 July 2020	Year ended 31 July 2019
	£000	£000
6 Staff costs		
Wages and salaries	**7,836**	7,666
Social security costs	**716**	675
Other pension costs (including IAS 19 adjustments of £759k (2019 - £811k) note 20)	**2,387**	2,165
Total pay costs	**10,939**	10,506
Other employee related non-pay costs	**57**	226
Total staff costs excluding exceptional costs	**10,996**	10,732
Exceptional costs - severance costs	**325**	0
Staff costs including exceptional costs	**11,321**	10,732
Academic/ Teaching departments	**5,907**	5,186
Academic/ Teaching services	**1,290**	1,407
Administration and central services	**3,442**	3,287
Premises	**486**	475
Other expenditure	**139**	151
Catering and residences	**0**	0
Other employee related non-pay costs	**57**	226
Total	**11,321**	10,732

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

	No.	No.
Academic/ Teaching departments	**92**	93
Academic/ Teaching services	**36**	31
Administration and central services	**100**	95
Premises	**14**	14
Other expenditure	**3**	3
Catering and residences	**0**	0
Total	**245**	236

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 2020 Number senior post-holders	Year ended 31 July 2019 Number senior post-holders
£60,001 to £70,000 per annum	0	1
£70,001 to £80,000 per annum	1	2
£80,001 to £90,000 per annum	0	0
£90,001 to £100,000 per annum	1	0
	2	3

7 Senior post-holders' emoluments

	2020 **No.**	2019 No.
The number of senior post-holders, including the Principal was:	**3**	4

Senior post-holders' emoluments are made up as follows:	**Year ended 31 July 2020** **£**	Year ended 31 July 2019 £
Salaries	**288,618**	222,938
Pension contributions	**56,089**	87,463
Total emoluments	**344,707**	310,401

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)	**102,910**	103,489
Pension contributions	**23,186**	15,368

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 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 five members of the Board of Management during the year amounted to £1,990.

8 Other operating expenses		**Year ended 31 July 2020**	Year ended 31 July 2019
		£000	£000
Teaching departments		**579**	742
Administration and central services		**1,306**	1,154
Premises costs		**506**	731
Planned maintenance		**110**	317
Agency Staff Costs		**8**	2
Residences and catering		**342**	432
		2,851	3,378
Transfer to Arms Length Foundation		**0**	0
Total		**2,851**	**3,378**
Other operating costs include:			
Auditors' remuneration	- external audit of these financial statements	**17**	18
	-internal audit services *	**24**	17
	- other services	**5**	5
Hire of plant and machinery - operating leases		**137**	99

** 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 £ for the year ended 31 July 2020. After taking account of the Government non-cash budget and non-cash pension adjustments, the College shows an 'adjusted' deficit of £ 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 2020	Year ended 31 July 2019
	£000	£000
(Deficit) before other gains and losses (FE/ HE SORP basis) for academic year	(1,950)	(1,513)
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	**(1,560)**	(1,123)

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 2020	Year ended 31 July 2019
	£000	£000
(Deficit) before other gains and losses (FE/ HE SORP basis)	**(1,950)**	(1,513)
Add Back:		
- Depreciation (net of deferred grant release) on both government funded and privately funded assets (1)	**657**	687
- Non-cash pension adjustments - Net service cost (2)	**759**	808
- Non-cash pension adjustments - Net interest cost (3)	**164**	70
- Non-cash pension adjustments - early retirement provision (4)	**(104)**	63
Deduct:		
- Non-government capital grant (5)	**(133)**	(61)
Adjusted operating (deficit)/ surplus	**(607)**	54

(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 2020	Year ended 31 July 2019
	£000	£000
Net interest cost on pension liability (note 17)	**164**	70

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 2019	36,980	737	94	1,288	39,099
Additions	0	39	0	2,642	2,681
Disposals	0	0	0	0	0
Transfers	3,930	0	0	(3,930)	0
(Deficit) on revaluation	(801)	0	0	0	(801)
At 31 July 2020	**40,109**	**776**	**94**	**0**	**40,979**
Depreciation					
At 1 August 2019	1,962	359	81	0	2,402
Provided during period	1,357	46	12	0	1,415
On disposals	0	0	0	0	0
Written-back on revaluation	(2,752)	0	0	0	(2,752)
At 31 July 2020	**567**	**405**	**93**	**0**	**1,065**
NBV at 1 August 2019	35,018	378	13	1,288	36,697
NBV at 31 July 2020	**39,542**	**371**	**1**	**0**	**39,914**
Inherited	3,179	0	0	0	3,179
Financed by capital grant	36,363	371	1	0	36,735
Other	0	0	0	0	0
At 31 July 2020	**39,542**	**371**	**1**	**0**	**39,914**

Land and buildings were revalued at 31st July 2020 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 £3,179,000 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 2020	Year ended 31 July 2019
	£000	£000
Trade debtors - net of provision for doubtful debts	**110**	86
Prepayments and accrued income	**547**	613
	657	699

14 Cash and cash equivalents

	31 July 2020	31 July 2019
	£000	£000
Cash and cash equivalents	**873**	3,660

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 £159,000 are included in the cash and cash equivalents at the year end.

15 Creditors: Amounts falling due within one year

	Year ended 31 July 2020	Year ended 31 July 2019
	£000	£000
Trade creditors	**98**	52
VAT	**7**	9
Other taxation and social security	**190**	214
Pension	**186**	182
Accruals and deferred income	**1,665**	1,297
Deferred capital grants	**906**	751
Bursaries and Access funds for future disbursement (note 14)	**176**	164
	3,228	2,669

16 Creditors: Amounts falling due after more than one year

	Year ended 31 July 2020	Year ended 31 July 2019
	£000	£000
Deferred capital grants	**24,159**	25,101

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 2019 SORP.

17 Provisions for liabilities and charges

	Early Retirement pension costs	Defined Pension obligations (Note 20)	**2019-20 Total**	2018-19 Total
At 1 August 2019	726	6,773	**7,499**	2,806
Expenditure in the period	(49)	(762)	**(811)**	(786)
Additional provision required in period	(104)	1,521	**1,417**	1,603
Revaluation adjustment	0	4,973	**4,973**	3,802
Interest charged	12	152	**164**	74
At 31 July 2020	585	12,657	**13,242**	7,499

The Early Retirement pension costs provision has been revalued by Hymans Robertson LLP.

18 Lease obligations

	Year ended 31 July 2020	Year ended 31 July 2019
	£000	£000
Total rentals under operating leases for equipment and vehicles are as follows:		
Payable during the period	**80**	80
Future minimum lease payments due:		
- Not later than 1 year	65	80
- Later than 1 year and not later than 5 years	2	64
Total lease payments due	67	144

19 Financial Instruments

	Year ended 31 July 2020	Year ended 31 July 2019
	£000	£000
Financial assets		
Financial assets measured at amortised cost	**983**	3,746
Financial liabilities		
Financial liabilities measured at amortised cost	**1,939**	1,513

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 2020 £000**	12 months to July 2019 £000
Contribution to STSS	**873**	604
Contribution to LGPS	**758**	753
Pension costs as a result of implementing FRS 102	**911**	878
Total pension cost	**2,542**	2,235

Employer contribution rates during the period were:

STSS - 17.2% to 31 August 2019

- 23% from 1 September 2019

LGPS - 21.2% from April 2018

The Scottish Teachers Superannuation Scheme

Dumfries and Galloway College participates in the Scottish Teachers' Pension 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 in 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 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% pf pensionable pay from September 2019 and an anticipated yield of 9.4% employees contributions.

Dumfries and Galloway College has no liability for other employers' obligations to the multi-employer scheme.

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

The scheme is an unfunded multi-employer defined benefit scheme.

It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where Dumfries and Galloway College is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate for the period from 1 April 2019 is 17.2% increasing from 1 September to 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/ Sargeant (Firefighters scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. The cost cap will be reconsidered once the final decision on a remedy and how this affects the Scottish Teachers' Pension Scheme is known and its impact fully assessed in relation to any additional costs to the scheme.

20 Pensions and similar obligations (continued)

The Scottish Teachers Superannuation Scheme (continued)

Dumfries and Galloway College's level of participation in the scheme is 0.138% based on the proportion of employers' contributions paid in 2018-19.

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 2020.

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 2019-20 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.

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 31/07/20	As at 31/07/19
	%	%
Discount rate	**1.40%**	2.10%
Future salary increases	**2.90%**	3.20%
Inflation/ pension rate increase	**2.20%**	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.

20 Pensions and similar obligations (continued)

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

	Year ended 31 July 2020	Year ended 31 July 2019	Year ended 31 July 2018
	Fair value	Fair value	Fair value
	£000	£000	£000
Equities	**15,902**	17,991	17,184
Corporate bonds	**4,609**	3,551	3,124
Property	**2,304**	2,130	2,009
Other	**231**	0	0
	23,046	23,672	22,317
Actual return on plan assets	**(1,605)**	229	1,127

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

	Year ended 31 July 2020	Year ended 31 July 2019
	£000	£000
Charged to staff costs:		
Current service cost	**(1,689)**	(1,318)
Past service costs	**168**	(226)
Total charged to staff costs	**(1,521)**	**(1,544)**
Credit/ charge for net return on pension scheme:		
Interest income	**502**	631
Interest cost	**(654)**	(701)
Net interest charged	**(152)**	**(70)**
Credit/ charge to other comprehensive income:		
Return on assets	**(1,605)**	229
Other experience	**131**	(1)
Gains and losses on changes in financial assumptions	**(3,499)**	(4,030)
Changes in demographic assumptions	**0**	0
Actuarial Gain/ (Loss)	**(4,973)**	(3,802)
Total charge to the SOCI	**(6,646)**	**(5,416)**
Analysis of the movement in deficit during the year:		
Deficit in scheme at start of year	**(6,773)**	**(2,093)**
Service costs	**(1,521)**	**(1,544)**
Employers contributions	**762**	**736**
Net interest costs	**(152)**	**(70)**
Actuarial gain/ (loss)	**(4,973)**	**(3,802)**
Deficit in scheme at end of year	**(12,657)**	**(6,773)**

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
	Colleges Scotland	Board Member
J. Henderson	Dumfries and Galloway Housing Partnership	Vice Chairman
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. Grant finding received during the previous year of £7,781 was fully distributed during 2019-20.

The College provided training for Dumfries and Galloway Housing Partnership during the year ended 31 July 2020. Invoices to Dumfries and Galloway Housing Partnership amounted to £1,435. No balances were due to the College from Dumfries and Galloway Housing Partnership at 31 July 2020.

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 £14,882. No balances were due to William Waugh by the College at 31 July 2020.

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 five members of the Board of Management during the year amounted to £1,990.

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 2020	Year ended 31 July 2019
	£000	£000	£000	**£000**	£000
Balance brought forward	109	0	0	**109**	173
Allocation received in year (including interest)	2,072	145	381	**2,598**	2,208
	2,181	145	381	**2,707**	2,381
Expenditure	(2,095)	(145)	(341)	**(2,581)**	(2,253)
Repayable to Funding Council as Clawback	0	0	0	**0**	(62)
College Contribution to funds	0	0	0	**0**	0
Virements	33	0	0	**33**	43
Balance Carried forward	**119**	**0**	**40**	**159**	109
Represented by:					
Repayable to Funding Council as Clawback	16	0	0	**16**	6
Retained by College for Students	103	0	40	**143**	103
	119	**0**	**40**	**159**	109

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 2020	Year ended 31 July 2019
	£000	£000
Balance brought forward	**42**	6
Allocation received in year	**200**	260
	242	266
Expenditure	**(167)**	(181)
Repayable to Funding Council as Clawback	**(42)**	0
Virements	**(33)**	(43)
Balance Carried forward	**0**	42
Represented by:		
Repayable to Funding Council as Clawback	**0**	42
Retained by College for Students	**0**	0
	0	42

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 2020:

	Year ended 31 July 2020	Year ended 31 July 2019
	£000	£000
Commitments contracted for	**0**	1,783

Appendix

2019-20 Accounts direction for Scotland's colleges and Glasgow Colleges Regional Board

1 It is the Scottish Funding Council's direction that institutions comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.

2 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 (RSB) (for assigned colleges).

3 Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2019-20 (FReM) where applicable.

4 Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2020.

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

6 Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
17 July 2020