

**Scottish Charity No. SC021189**

**DUMFRIES AND GALLOWAY COLLEGE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD**

**1 AUGUST 2022 TO 31 JULY 2023**

## Dumfries and Galloway College

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The financial statements were approved and authorised for issue on 11 December 2023.

**Professional Advisers**

**External Auditors:**

Azets Audit Services  
Exchange Place 3  
Semple Street  
Edinburgh

**Internal Auditors:**

RSM Risk Assurance Services LLP  
Fifth Floor  
Central Square  
29 Wellington Street  
Leeds

**Bankers:**

Royal Bank of Scotland  
2nd Floor  
62 Hamilton Road  
Motherwell

**Solicitors:**

Grieve, Grierson, Moodie and Walker  
14 Castle Street  
Dumfries

Morton Fraser MacRoberts, Solicitors  
152 Bath Street  
Glasgow

## Performance Report

### Performance Overview

The purpose of this Overview is to give a short summary, with sufficient information to provide an understanding of Dumfries and Galloway College, its purpose, key risks facing the College in achieving its objectives, and how the College has performed over the year ended 31 July 2023.

### Principal's Statement on Performance

In academic year 2022-23, the College, due to the hard work of the college team, demonstrated resilience and adaptability in the face of various challenges, including the legacy impact of the Covid-19 pandemic and a period of national industrial action.

In terms of financial sustainability, the college has managed to end the financial year with a modest Underlying Surplus through an increase in our commercial activities and by continuing to control our operating costs. Staffing costs continue to present a risk to long term financial sustainability along with inflationary pressures and increased utility costs.

Despite these pressures, the college had confidence in its mechanisms to enhance students' experience expressed in our Education Scotland progress report.

The college recognized that the impact of the pandemic was still with us and impacting on students' social skills and mental health and took proactive measures to address these issues, showing a commitment to the well-being of its students.

Once again we continue to increase organizational performance, we achieved the credit threshold within the acceptable range provided by the Scottish Funding Council. We have also demonstrated an upward trajectory in student outcomes over the past 3 years, surpassing the Scottish sector average in part time further and higher education and full time further education, demonstrating a commitment to academic excellence.

Our student retention and attainment, implementing key initiatives, such as a new observation system for teaching processes and a self-evaluation system, has allowed us to enhance the quality of education and student outcomes. We achieved a remarkable increase in the student satisfaction rate, with a notable improvement in the overall college experience to 96%, reflecting the dedication of staff to student well-being and educational quality.

Our student performance further improved with more students achieving the qualification they set out to study, our full time further education success was 65.3% and our full time higher education was 73.9%. These PIs grew by 6.1% and 12.7% respectively.

In line with the Regional Economic Strategy, our curriculum has been reviewed and adapted to respond to regional and national needs, providing increased opportunities for students and the communities we serve.

The college has played a significant role in developing skills for employers in the region and engaged with students from diverse backgrounds. We have demonstrated a commitment to inclusivity by supporting care-experienced and estranged students, with work undertaken by the Student Experience Directorate.

In conclusion, I am delighted in the College's resilience, adaptability, and strong commitment to improving the educational experience and outcomes for its students while actively contributing to the region's economic and social development. This has enabled us to remain 'One Step Ahead'

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 students and employers are dependent on it to deliver skills and training which meets their needs. The College delivers tertiary education across a broad range of curriculum areas from access level to SCQF level 8, to approximately 1,300 full-time and 3,000 part-time learners through its campus locations in Dumfries and 75 miles away in Stranraer.

Dumfries and Galloway College is a twin campus, multi award winning college set in the beautiful South-west 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. 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.

The College's approach to education reflects our rural locality, the local economy and the changing patterns of lifestyles. As a major employer and a dynamic tertiary institution, we have strongly embraced the 'digital' revolution and its many forms and are fast becoming the basis of our organisation's operations and academic delivery.

We are moving into an exciting stage of our development, building on the successes of the past and driving forward to achieve our aspiration of being "one step ahead". We are on a transformation journey as set out in our strategic plan, Ambition 2025.

Due to challenging economic outlook and regional demographics, the College will remain financially challenged. Dumfries and Galloway College is undergoing a period of transformation to meet the challenges in academic, financial and resource, to ensure that the organisation is placed on a sustainable footing for the future.

The College's approach to learning is a reflection of the rural locality, the local economy and the changing patterns of lifestyles. As a major employer and a dynamic rural learning institution, the 'digital' revolution has been strongly embraced by us and its many forms are fast becoming the basis for the College's operations and delivery.

The College 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 regional and national Universities.

**Strategic Outcomes**

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

- 1 - Student Experience
- 2 - People & Culture
- 3 - Growth & Financial Sustainability
- 4 - 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 recently updated the Risk Management Policy which outlines approaches and arrangements in respect of the management, oversight, control, mitigation, evaluation and reporting of risks associated with College operation and activities. The Policy ensures that significant risks are monitored and managed more closely and confirms roles and responsibilities of the Board of Management, Executive Team and other staff. The College has recently updated the Risk Management Policy which outlines approaches and arrangements in respect of the management, oversight, control, mitigation, evaluation and reporting of risks associated with College operation and activities. The Policy ensures that significant risks are monitored and managed more closely and confirms roles and responsibilities of the Board of Management, Executive Leadership Team, and others in the effective management of risks.

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 has responsibility to:

- establish the overall culture and ethos in respect of risk and opportunity management within the College as a whole.
- approve major decisions affecting the College risk profile or exposure in accordance with appropriate financial strategy and procedures and agree
- annually review the College approach to risk management, risk appetite and approve changes or improvements as necessary.
- enable the College Executive to discharge their duties in the management of risk.

The Board of Management has delegated responsibility for Risk Management to the Audit Committee. The Audit Committee monitor and report to the Board on internal controls and alert Board Members to any significant emerging issues.

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

**- Failure of College strategy to meet the needs of Dumfries and Galloway Region and/or national priorities** - possible consequences would include loss of credibility, unable to meet economic and societal needs of region, curriculum not fit for purpose, College will not meet funding targets and will not remain financially sustainable. Mitigation is in place including robust workplans and oversight in line with ROA and Financial targets, with clear performance metrics for all strategic outcomes.

**- Failure to achieve institutional sustainability** - the current economic climate, '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. Mitigation against those risks includes increasing commercial income, effective cost control, tracking of credits and forecasting, and monitoring of costs and continual analysis of student requirements based on need.

**- Business Continuity Incident - Fire, failure of emergency procedures, health** would all have a serious impact to the College's ability to operate and deliver education to students, safeguarding of staff and students, impact financial sustainability and reputation. Mitigations are in place to reduce the likelihood of the threat, including clear disaster recovery plans, staff CPD, monitoring Public Health Advice, increased awareness of climate emergency issues, planning for changes in process, systems and equipment, and management and monitoring of estates and data.

**- Failure to achieve effective Industrial Relations** - consequences would include financial loss, impact to ability to effectively teach, industrial action, loss of reputation. Mitigations in place include established and constructive formal and informal communication channels, regular meetings, staff awareness and contingency planning.

**- Failure to achieve highest academic performance levels** - consequences could include loss of reputation in the region, financial sustainability, ability to attract future students and educational partners. Mitigations in place include online reports with curriculum areas performance, action planning at curriculum level, regular curriculum meetings, and self evaluation reporting.

**Performance Report (continued)****Key issues and risks affecting Dumfries and Galloway College (continued)**

- Failure to achieve and maintain systems and operable and secure ICT –could have a serious impact to the college’s ability to operate and deliver education to students, financial loss, loss of data and reputation. Mitigations in place include documented disaster recovery procedures, Cyber Incident Recovery plan, Firewalls and anti-virus software in place, and staff CPD could have a serious impact to the college’s ability to operate and deliver education to students, financial loss, loss of data and reputation. Mitigations in place include documented disaster recovery procedures, Cyber Incident Recovery plan, Firewalls and anti-virus software in place, and staff CPD.

**Health and Safety** – possible consequences would be loss of reputation, financial penalties, and criminal liability. Mitigations in place include IOSH training for staff, reporting and review procedure including ‘near miss’, and specific communication at time of increased risk.

The College, in alignment with Colleges Scotland, continues to highlight its concerns at a high level regarding risks arising from the SFC funding settlement. A number of key reports associated with Education Reform have recently been published. The College Executive Leadership Team are pro-actively engaged in identifying opportunities for Dumfries and Galloway College as the landscape changes, to ensure that they remain One Step Ahead.

**Performance Summary**

In academic year 2022-23 the Student Performance Indicators were affected by some key factors –

- On-going repercussions from Covid continue to affect some long-term areas such as social skills and mental health of students.
- The teaching union is engaged in Action Short of Strike (ASOS) which has affected the timely input of results for the students and therefore the college has not been able to evaluate the full year’s KPI’s.

Despite the pressures, the college KPIs for 2022-23 have improved from the previous year of 2021-22, which in turn was an improvement on the AY 20-21. In 21-22 the college KPI’s were above the Scottish sector average in 3 areas, with only FT HE slightly under the Scottish average.

In academic year 2022-23 the College delivered activity of 30,756 credits against a total target of 30,889. The shortfall of 133 credits is within the 2% leeway allowed by SFC’s credit guidance.

The results in 2022/23 demonstrate an improved position on 2021/22 in terms of student success in all level and modes of study. This improved position demonstrates the embedding of the College’s self evaluation system which is designed to enable teaching teams develop enhancements to improve student success.

The KPI’s from the previous years are:

**% Completed Successfully:**

| Mode  | 2022/23 Student Success | 2021/22 | Scottish Average | 2020/21 | Scottish Average | 2019/20 | Scottish Average |
|-------|-------------------------|---------|------------------|---------|------------------|---------|------------------|
| FT FE | 65.3%                   | 59.80%  | 59.00%           | 46.74%  | 60.90%           | 68.59%  | 66.00%           |
| PT FE | 85.6%                   | 79.30%  | 76.30%           | 69.32%  | 76.20%           | 76.13%  | 78.00%           |
| FT HE | 73.9%                   | 61.20%  | 62.50%           | 63.97%  | 71.60%           | 81.22%  | 73.40%           |
| PT HE | 82.3%                   | 79.10%  | 78.80%           | 80.08%  | 80.90%           | 78.00%  | 78.20%           |

Retention and attainment rates continued to be a priority area for the College in 2022-23. A number of key actions have been implemented to help improve these figures:

-In order to support the improvement of the KPIs a new system for observation of Learning and Teaching processes is in its second year and order to support the improvement of the KPIs a new system for observation of Learning and Teaching processes is in its second year and is proving to be very popular. 57 members of staff have undergone observations during AY 22-23 receiving appropriate feedback. “How to?” take up numbers are 98%.

-This process is encouraged for all teaching staff allowing best practice to be shared college wide. Students’ comments and evaluations of their courses are an integral part of this process to gain an all-round view of any issues or areas for improvement.

- The Self Evaluation system (DG-See) is also in its second year of implementation. There has been a strong uptake of this style of reflective analysis, and it is proving popular amongst staff. This data is then used to shape different college areas, analyse for improvements and report on successes.

**Curriculum**

- Portfolio reviews continue to be implemented. The college’s offer is scrutinised and compared against the regional and national needs. This consistent approach enables the development of action plans to support improvement and updating.

**Performance Report (continued)****Performance Summary (continued)****Curriculum (continued)**

- These portfolio reviews are utilised twice in the academic year. This enabled planning of the curriculum offer to be created and also to provide scrutiny of KPI's on an ongoing basis.
- Further expansion of induction into college during the summer. This activity promotes early engagement and offers students a welcome day during the summer vacation.
- The use of Purlos to speed up offers, acceptances and student information has been introduced which will be reviewed for effectiveness.
- The enterprise, meta-skills and career management focus continues and supports students to get employment-ready through a variety of methods.
- We developed further support for students from a care experienced background to ensure we fulfil our statutory duty but also to develop improvement of outcomes for these students. The number of care-experienced students continues to increase. Our DG-Cares team support our most vulnerable groups including estranged students.

**Regional Outcome Agreement**

In all modes of attendance and levels - there were approximately 6,000 students in attendance during academic year 2022-23, of these 1,280 were full time students.

The Scottish Funding Council released a framework for interim Outcome Agreements for academic year 2022-23. The information, below, provides an indicator of the College's progress against the measures reported to SFC.

The SFC Credit targets for 2022-23 was 30,889. The College achieved 30,756 which was within the SFC threshold.

The college works to enable access for all students who wish to study to attend college, with various initiative to attract and support students access relevant courses.

**Volume and proportion of Credits delivered to learners in the most deprived 10% postcode areas (SIMD10).**

|            | 2022/23 | 2021/22 |
|------------|---------|---------|
| Volume     | 2,670   | 3,039   |
| Proportion | 8.68%   | 8.83%   |

Student success for those students from a SIMD 10 area increased from 64.6% to 65.9%

The college delivered 2,670 credits to students from SIMD10 postcodes, this equates to 8.68% of all credits. The attraction of students from SIMD 10 areas demonstrates the College's commitment to access.



**Performance Report (continued)****Performance Summary (continued)****Care Experienced Students**

In a 3-year trend the College is delivering to more students with experience of care, this is due to the definition for care experienced including students up to 26 years of age.

We saw an increase in the number of credits delivered to students with experience of care and this remains a mainly upward trajectory trend.

|         | 2022/23 | 2021/22 |
|---------|---------|---------|
| Number  | 158     | 94      |
| Success | 60.1%   | 54.3%   |

The success of care experienced students increased by 5.8% due to a support package which was put in this year to assist them stay on course and succeed.

158 Care experience students enrolled on courses for 22/23 of which 95 went on to complete their course. The college has a dedicated team to support students who are care experienced.

**Senior Phase Pupils Studying in College**

Using SFC's calculation methodology saw a decrease of Senior Phase age pupils enrolling on programmes at the college. However, 174 Senior Phase students enrolled at College in 2022/23.

|                                 | 2022/23 | 2021/22 |
|---------------------------------|---------|---------|
| Number of senior phase students | 174     | 217     |
| Student Success                 | 61%     | 49%     |

The success of College Academy programmes in 2022/23 has improved by some 12% from 2021/22.

**Total number of Full Time Further Education Students**

|         | FT FE | FT HE | PT HEFT HE | PT FE |
|---------|-------|-------|------------|-------|
| 2022/23 | 948   | 333   | 243        | 3138  |
| 2021/22 | 848   | 379   | 273        | 2383  |
| 2020/21 | 919   | 424   | 246        | 2355  |

We had an increase in FT FE students from 848 in 21-22 to 948 in 22-23. This shows an increase in demand for FE FT education and despite the financial pressures the college aims to continue to offer quality provision.

**Performance Report (continued)****Performance Summary (continued)****Total number of Full Time Further Education Students (continued)**

PT FE student numbers increased from 2383 in 21-22 to 3138 in 22-23. This could be due to a number of factors. We recognise that there is a desire for part time study as this enables those in jobs to upskill and also it enables students to study and enter employment more quickly.

We had a decline of FT HE students from 379 in 21/22 to 333 in 22/23. This is a potential area of growth for the college and planning to increase FT HE in targeted areas are being developed.

PT HE fell slightly from 273 in 21/22 to 243 in 22/23. This is also an area of potential growth. We will continue to develop ways of PT HE study going forward.

*\* These figures are for the total number of students enrolled at the college, not just those attending accredited courses.*

**\*Student Success**

The college has a high proportion of PT students. The FE PT students pass rate for AY 21-22 was 79.4% and the HE PT 79.1%. In AY 21-22 our fulltime students' success was at 59.25% for FT FE and 61.2% of our FT HE students. The college is aiming to improve on these previous percentages for AY 22-23.

**% Completed Successfully:**

| Mode  | 2022/23 | 2021/22 | 2020/21 | 2019/20 |
|-------|---------|---------|---------|---------|
| FT FE | 65.3%   | 59.2%   | 59.40%  | 67.40%  |
| PT FE | 85.6%   | 79.4%   | 73.90%  | 75.60%  |
| FT HE | 73.9%   | 61.2%   | 67.90%  | 82.10%  |
| PT HE | 82.3%   | 79.1%   | 82.50%  | 80.40%  |

**Student Satisfaction and Engagement Survey**

For the whole of session 22-23 the overall college experience satisfaction rate is 96%. On comparison to the satisfaction rate for session 21-22 (90.4%) this represents an increase of 5.6%.

Overall participation in the survey was positive with 996 responses in total. This represented a return of 50.6%. This represents an increase of 19.1% on comparison to the return for session 21-22 (31.8%).

There were also 126 comments from the survey. Comments have been shared with relevant staff and feedback requested to note any actions taken in response to issues raised. This will form part of the College DG-See process.

During this academic year student satisfaction was measured using the Student Satisfaction and Engagement Survey (SSES). The most recent SSES in 2021-22 identified that 89.9% of full time FE students were satisfied, and 87.6% of full time HE students were satisfied.

In terms of the key question – Overall I am happy with my College experience – some 90.5% indicated positively.

94.1% of FT HE students and 96.9% of FE FT students were satisfied overall with their experience.

Therefore over 9 out of 10 FT students were satisfied with their college experience overall.

HE distance/flexible learning were 94% satisfied overall and FE distance/flexible learning resulted in 94.4% satisfied overall.

Regarding PT students: PT HE students were 92% satisfied overall and PT FE students were 98.2% satisfied overall.

The college is pleased with these results but will continue to look at the comments and the small percentage of students who had issues, to make improvements where possible.

**Performance Report (continued)****Performance Summary (continued)****Student Satisfaction and Engagement Survey (continued)****SSSES Survey - The percentage of students Overall, satisfied with their college experience**

| Mode  | 2022/23 | 2021/22 | National Average | 2020/21 | National Average |
|-------|---------|---------|------------------|---------|------------------|
| FT FE | 96.9%   | 91.20%  | 92.70%           | 89.40%  | 88.60%           |
| PT FE | 98.2%   | 95.60%  | N/A              | 100.00% | N/A              |
| FT HE | 94.1%   | 88.40%  | 85.70%           | 88.00%  | 80.30%           |
| PT HE | 92.0%   | 100.00% | N/A              | 90.90%  | N/A              |

**College Leaver Destinations**

With the ROA a key measure is student destinations, this measure is taken 6 months after a student has left the College and as a result there is a publication time lag.

**Confirmed/Unconfirmed Destinations (All qualifiers)**

|                          | 2020/21     | 2019/20     | 2018/19     |
|--------------------------|-------------|-------------|-------------|
| No. of leavers           | 757         | 773         | 842         |
| Confirmed destinations   | 93.7% (709) | 92.0% (711) | 94.9% (799) |
| Unconfirmed destinations | 6.3% (48)   | 8.0% (62)   | 5.1% (43)   |

The college has a high percentage of confirmed destinations of all leavers (93.7%) but is also keen to have 100% and is working towards this in order to have a full picture.

**Articulation**

Again, this ROA information has a time lag in publication. The most recent information for AY 2020-21 identifies –

|   | 2021/22 | 2020/21 | 2019/20 | 2018/19 |
|---|---------|---------|---------|---------|
| Total number of students who have achieved HNC or HND qualifications articulating to degree level courses with advanced standing              | 45      | 47      | 55      | 45      |
| The total number of students who have achieved HNC or HND qualifications progressing to degree level courses                                  | 123     | 85      | 124     | 106     |
| The proportion of successful learners who have achieved HNC or HND qualifications articulating to degree level courses with advanced standing | 39.8%   | 55.3%   | 44.4%   | 42%     |

(P) - no credit for prior learning. Note students may be offered AS or AP but may choose to start at Year 1 at university.

**Performance Report (continued)**

**Performance Summary (continued)**

**Student Achievements**

The College had a number of key student achievements during 2022-23:

- Engineering Modern Apprentice with Cochran Ltd, was announced as first runner-up at the Industrial & Commercial Heating Equipment Association (ICOM) Apprentice of the Year Award 2023.
- MKM Building supplies awarded one of our students the Apprentice Bricklayer of the Year 2023
- One of our students won GOLD in Judo at the Special Olympics World Games in Berlin
- The Student Association won the 2023 Bridge 2 Business Award for the work in supporting our students during the cost-of-living crisis.
- Sports & Fitness students have been working in local schools delivering coaching, including curling for 300 primary school children and blocks of coaching to various schools, totalling over 500 local children benefitting from these opportunities.
- The college has partnered with Gretna Green Hotels to establish a partnership for collaboration in hospitality. This partnership will create opportunities for our hospitality students and will enable them to gain work experience and skills in the industry.
- Creative Industry students have been working on live briefs including
  - Glentroll Hive - Branding and promotion of the new Bike Festival
  - Trad Music Trust - Branding and Promotion of the Blues Weekender Festival
  - The Befriending Project - Animated Annual Report
  - The Boonies Bothy holiday let - Branding/promotion
- Citizens Advice Dumfries - 25th Anniversary video
- The Student Association recognised staff and students its Above & Beyond Awards for 2023.
- The Student Association won the NUS award for Campaign of the Year.
- An electrical engineering student won Apprentice of the Year Competition for West of Scotland 2022

**Performance Report (continued)****Quality Assurance and Enhancement**

We submitted an evaluation of performance, and the Regional Outcome Agreement were submitted and accepted by SFC. These documents can be found here - <https://www.sfc.ac.uk/funding/outcome-agreements/2021-22/dumfries-oa2021-22.aspx>

During 2022-23 we were visited by Education Scotland as part of their resumed programme of Progress Visits. The College was rated as satisfactory, there are only 2 categories, Satisfactory or Not satisfactory.

We were visited by 8 Awarding Bodies for 52 Awarding Body visits throughout 22/23 to scrutinise assessment decisions. We were identified as being fully compliant on all visits. Our current Awarding Bodies are BPEC, C&G, EAL, ILM, IMI, REHIS, Sports Leaders and SQA.

**Equality & Diversity**

Dumfries and Galloway College is committed to promoting equality and celebrating diversity in everything we do. Our recent work in defining and embedding our Values aims to further foster a welcoming culture for everyone across our College community.

This year's report shows that there is encouraging progress in reducing pay gaps, improving outcomes for students with disabilities, addressing harassment, and achieving staff and student profiles which reflect those of our community. Long term challenges remain in addressing gender segregation for some subjects for both staff and students, and in remaining vigilant for the emerging effects of the COVID and Cost of Living crises.

The staff and students of our Equality and Diversity Forum chose the Cost-of-Living Crisis, Wellbeing and Support for Refugees as key issues for awareness raising this year. This work will be branded under our College Value, 'Here For You'.

Projects are underway to embed our Values into our policies and procedures, to continue with our work as an SCQF Inclusive Employer, and to increase Manager confidence in conducting Equality Impact Assessments.

Our Equality and Diversity Framework sets out how we 'mainstream' equality and diversity. This ensures we have the governance, policy, operational, improvement and monitoring structures in place to identify inequalities, take action to address these, and track our progress.

**Curriculum Developments**

The College has been working over the last 3 years in partnership with D&G Council and other partners on the Advanced Manufacture in the South of Scotland (AIMS) project. We have now entered a new phase of this project where our students can develop their skills in advanced manufacturing engineering equipment.

The college participated in last year's Youth Matters Conference with our Curriculum Manager attending as an expert listener within the 'Breaking Down Barriers,' workshop.

The Student Experience teams have been working closely with secondary schools in helping with transitions, this has been for care experienced students, students with additional needs and College Academy. In total, we have reached circa 60 students.

Digital pathfinder continues to offer students delivery of higher-level digital skills and this will expand the region's digital talent to provide employers with the skills pipeline they need.

The college held two very successful events in March as part of Scottish Apprenticeship Week and over 25 businesses recruiting apprentices attended.

The College continues to review its curriculum portfolio to ensure that it meets the needs of the Regional Skills Assessment, the National Strategy for Economic Transformation 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 scrutinising the curriculum with clear curriculum priority sectors for the next 5 years including emerging and declining sectors.

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.

### **Quality Assurance and Enhancement**

The College is currently implementing 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.

Several CPD days offered as compulsory training for teaching staff including pedagogy, sharing best practice and self-evaluation.

A Student Experience Strategy is in place to ensure we have clear stretch targets which underpins the College's Ambition 2025. As part of the Student Experience Strategy, a new pedagogical model has been implemented focusing on employer engagement, digital, EDI and active learning.

We will continue to work collaboratively with community partners to reduce barriers to entry to college education. As part of this work we are developing degree pathways in association with the University of the West of Scotland in Business and Cyber Security.

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 in an area which has historically had difficulties in accessing FE and HE. This includes care experienced students, people who have caring responsibilities, estranged students, those from postcode areas with high levels of deprivation and people who are disabled.

Priority outputs to be delivered in 2023-24 are:

- Achieving the student activity target of 27,800 credits;
- Mitigating the impact of the 10% credit reduction on students and KPIs
- Improving the baseline from the Student Experience strategy;
- Continue developing degree pathways in association with the University of the West of Scotland;
- Continued enhancements in student retention and attainment;
- Continued numbers of students entering positive destinations; and
- Developing a curriculum which reflects the skills requirements and meets the needs of the region.

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.

### **Financial Objectives**

The College's financial objectives following reclassification are:

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

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

**Performance Report (continued)****How we measure performance**

The College Outcome Agreement with the Scottish Funding Council (SFC) sets out what the College plans to deliver in return for funding. The Outcome Agreement reflects the College's commitment to responding to the educational and skills needs within the Dumfries and Galloway Region. The College Strategic Outcomes set out in the 2022-23 SFC Outcome Agreement supports the Scottish Funding Council's priority outcomes.

**Outcomes for students**

1. Fair Access and Transitions – to improve access to further and higher education for people from the widest possible range of backgrounds, this includes addressing digital poverty and rural geography, supporting widening access through a range of programmes, and taking innovative views of access to Higher Education opportunities.

2. High Quality Learning, Teaching and Support – ensuring that all students have the necessary support and guidance to enable them to attend college and to achieve their qualifications. Our Student Experience Strategy aims to develop an approach to pedagogy which supports blended learning but also continues to deliver strategic priorities of the Scottish Government. A new performance improvement process will support improvement and enhancement of the student experience.

3. Partnership, Participation and Student Experience – as part of our student self-evaluation we have embedded student voice through student experience forums, and further developed our class rep system this year to add different levels of involvement to meet student needs. – Our Student Association will be using planning and operational tools more in line with those used across the College. Operational planning will be essential to develop continuity from year to year and a more effective way to monitor targets and impact.

4. Learning with impact – we are supporting deferred students by offering an individual approach to completion of their learning, and providing an opportunity to complete qualifications in a variety of ways. We continue to learn from delivery through the pandemic to ensure we can enhance our digital curriculum. We recognise the power of digital both in terms of access but also to ensure our approaches prepare learners for the future world of work and the required digital competencies.

5. Public Health Emergency – the College has worked collaboratively with all staff, students and wider networks and agencies to ensure our operations continue to be as safe as they can be as we move into the recovery phase from the pandemic, and continues to adopt a risk-based approach, ensuring all activities across campuses are risk assessed and fully mitigated before any activity can happen and in line with Scottish Government guidance.

6. Equalities and Inclusion – in collaboration with staff, students and our regional Public/Third/Private sector partnership, Dumfries and Galloway Diversity Working Group, the College designed and published 5 new Equality Outcomes 2021-25. this report is a holistic single narrative is informed by trend data relating each stage of both student and staff profiles for the college. Where a disparity relating to one of the protected characteristics is identified, actions have been designed to address each gap and ensure equality of opportunity.

Outcomes for Economic Recovery and Social Renewal – in collaboration with staff, students and our regional Public/Third/Private sector partnership, Dumfries and Galloway Diversity Working Group, the College designed and published 5 new Equality Outcomes 2021-25. this report is a holistic single narrative is informed by trend data relating each stage of both student and staff profiles for the college. Where a disparity relating to one of the protected characteristics is identified, actions have been designed to address each gap and ensure equality of opportunity.

7. Responsive Institutions – the College has planned a series of collaborations to encourage engagement with local businesses, including the new partnership with Natural Power where specialist training has been created by using the knowledge of both institutions to create the most appropriate curriculum for the wind turbine industry, this collaborative provides clear pathway from introductory training into paid internship and employment.

8. The college has partnered with Gretna Green to give students a world class hospitality work experience through placement partnerships. This is important as Hospitality is an important part of the tourism industry for the region.

9. The partnership with Borders College to continue development of the Digital Skills Hub will drive forward efforts to eradicate digital exclusion, create a platform of digital skills in the region and ensure that individuals, employers and other stakeholders have a vast wealth of experience, expertise and training from which to draw upon for the future.

**Performance Report (continued)**

10. Confident and Highly Capable Work Ready Graduates - we recognise the need to support students in preparation for their next steps in their careers and progression. One of the key aspects within our Student Experience strategy is the implementation of employer forums and activities in all curriculum areas to ensure our students are exposed to career insights, experiences and networking opportunities.

11. Knowledge Exchange and Innovation - We have staff who work across all levels of the college engaging in knowledge exchange and innovation. We are part of a cross college working group looking at the development and resource requirements of micro credentials whilst we are also instrumental in developing a digital future for the college sector with our Principal leading the way with Jisc and Scotland's AI strategy.

12. Collaboration - the College continues to engage in developments with the University of the West of Scotland to explore extended models of provisions. This includes Business, Cyber Security and Creative Industries. These will provide a range of integrated pathways and flexibility around entry and exit

13. Climate Emergency - Dumfries and Galloway College is a leading voice in green skills development to help tackle climate change and are dedicated to making our ideas a reality that will benefit students, staff and the wider region. Our Green Skills Academy offers a range of courses focussed on sustainability and green technology to allow people to upskill or train for an employment in a net zero future. <https://www.dumgal.ac.uk/green-skills->

14. The College Senior Leadership Team meet on a regular basis to review performance and agree actions to be taken. Business meetings include regular updates on the Transformation Programme, Admissions and Credits, and SLT review/ update of the Strategic Risk Register.

15. The Learning & Teaching Committee of the Board also monitors academic performance, including retention, progression and outcomes, including sector comparators.

**Financial Out-turn for the period**

The College operating results are for a twelve month accounting period, from 1 August 2022 to 31 July 2023. The underlying results for the year, which exclude the net depreciation costs and pension valuation changes, show a net surplus of £7,000 as noted below.

The overall results for the period show an operating deficit of £999,000, which includes non-cash depreciation costs, net of deferred grant release, of £668,000 as well as a net charge of £325,000 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 2023, in accordance with the technical accounting requirements as detailed at Note 11.

In order to adapt to the challenging economic environment and financial position, the College is working through a Transformation Plan to help safeguard our financial sustainability in the context of the increasing financial pressures on the sector including inflationary pressures, as well as invest in staff and digital capabilities to enable the development of the College and its curriculum offer and to enhance outcomes for all learners. Geopolitical issues and Brexit has impacted on availability of staff and materials for some teaching areas during the year, and will continue to be factored into planning during 2023-24.

Several changes have already been implemented to reduce staffing and other costs, including a recruitment freeze, re-alignment of non-staff budgets, and re-opening of the VS scheme during 2022-23.

A revised Marketing Strategy has supported an increase in delivery of commercial courses and other training, including utilisation of Flexible Workforce Development Funds from SFC as well as work-based learning.

The College Balance Sheet at 31 July 2023 shows net current liabilities of £1,745,000. Included in creditors are deferred capital grants of £740,000 which do not represent a future outlay, and unspent student support funds of £685,000.



**Performance Report (continued)**

| <b>Financial Performance Indicators:</b>  | <b>2022-23</b> | <b>2021-22</b> |
|---|----------------|----------------|
| Operating deficit (inclusive of IAS 19 adjustments)                                 | <b>(£999)</b>  | (£2,137)       |
| Deficit as a % of total income  | <b>6.54%</b>   | 14.96%         |
| Deficit as a % of total expenditure   | <b>6.14%</b>   | 13.01%         |
| Staff costs (excluding fundamental restructuring costs) as a % of total expenditure | <b>67.95%</b>  | 70.1%          |
| Ratio of current assets to current liabilities                                      | <b>0.68</b>    | 0.67           |
| Days cash to total expenditure excluding depreciation                               | <b>50</b>      | 52             |
| Non SFC income as a % of total expenditure  | <b>15.20%</b>  | 11.2%          |

**Spend of Cash Budget for Priorities**

Following their reclassification as central government bodies from 1 April 2014, colleges require 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.

**Performance Report (continued)****Financial Out-turn for the period (continued)****Spend of Cash Budget for Priorities (continued)****Table of cash budget for priorities spend:**

|   | <b>2022-23</b> | 2021-22    |
|---|----------------|------------|
|   | <b>£000</b>    | £000       |
| <b>Revenue Priorities</b>                     |                |            |
| 2015-16 Pay award                             | 84             | 83         |
| Estates developments                          | 117            | 93         |
| Restructuring costs                           | 189            | 214        |
| <b>Total cash budget for priorities spend</b> | <b>390</b>     | <b>390</b> |

**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.

|  | <b>2022-23</b> | 2021-22     |
|--|----------------|-------------|
|  | <b>£000</b>    | £000        |
| <b>(Deficit) before other gains and losses (FE/ HE SORP basis)</b>                                   | (999)          | (2,137)     |
| <b>Add back:</b>   |                |             |
| - Depreciation (net of deferred grant release) on both government funded and privately funded assets | 668            | 655         |
| - Non-cash pension adjustments - Net service cost  | 377            | 1,295       |
| - Non-cash pension adjustments - Net interest cost   | (38)           | 178         |
| - Non-cash pension adjustments - early retirement provision  | (1)            | (61)        |
| <b>Deduct:</b>   |                |             |
| - Non-government capital grants  | 0              | 0           |
| <b>Underlying operating surplus/ (deficit)</b>   | <b>7</b>       | <b>(70)</b> |

**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 6.50% (2021-22 - 5.15%), with the increase due to the timing of invoices at the year end. The College did not pay any interest on late payments as defined under the Late Payment of Commercial Debts (Interest) Act 1998.

**Taxation Status**

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

**Performance Report (continued)****Environmental Considerations and Sustainability Reporting**

Dumfries and Galloway College continues to actively monitor and report its carbon emissions in line with the Public Bodies Climate Change Reporting Duties.

This year the College have been working on 2 projects which will aid its overall carbon reductions in the long term. These are :

- UWS Co-location project. This has seen the College repurpose low use space to accommodate UWS moving onto our Dumfries campus. Additional classrooms were created, allowing an increase of footfall without increasing the building footprint.
- Net Zero surveys. The College has now completed in depth Net Zero surveys which will provide the framework for providing highly efficient, net zero campuses.

The College continues to work in line with the Climate Change Action Plan 2020-25. A copy can be found on the College website: <https://www.dumgal.ac.uk/climate-change-action-plan>

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

**Social Matters****Respect for Human Rights**

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. EIA findings are published as an Equality Impact Assessment Results Summary which is updated each year. We have found no detriment to Human Rights through College activity and recorded 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.

**Performance Report (continued)**

**Going Concern**

The financial statements have been prepared on the going concern basis, which provides that the organisation will continue in operational existence for the foreseeable future. The Operating Deficit reported in the Statement of Comprehensive Income includes non-cash depreciation costs, net of deferred grant release, of £668,000 as well as a net charge of £325,000 included in the Statement of Comprehensive Income to reflect the pension valuation changes for the Local Government Pension Scheme. In addition, deferred government capital grants of £22,810,000 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 2023-24 has been prepared on the basis that proactive actions continue to be taken to reduce costs and increase efficiencies, as well as increase commercial income. Work is ongoing to ensure the budget is sustainable for future years, and given the significant challenges the sector is likely to face for the medium term due to external factors and the national economic outlook, the College will continue to take proactive measures to maintain financial sustainability.

**Joanna Campbell**

Principal

12 December 2023

## 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

Caroline Stuart has acted as Chair throughout 2022-23.

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

Eddie Black  
Gillian Brydson  
Annette Cameron (Student Member from 22 August 2023)  
Joanna Campbell (Principal and Chief Executive)  
Adnan Dogrultan (Student Member from 22 August 2023)  
Will Dowson  
Kate Glendye (Staff member from 22 August 2022)  
Sharon Hodgson  
Danielle Hughes (Student member from 20 August 2021 until 21 August 2023)  
Ann Hill  
Sue Irving  
Malcolm MacLeod  
Claire McLean  
Susan McLellan (Staff Member from 22 August 2022)  
Richard Nash  
Rebecca Plant (Student Member from 22 August 2022 until 21 August 2023)  
Jamie Ross  
Caroline Stuart (Chair)

The following individuals were also Board members in the period from August 2022 up to 31 July 2023:

Amy Farley (Student member – left 22 August 2022)  
Sue Livermore (Support Staff member – left 21 March 2023 )  
Ian White (Lecturing Staff Member – left 8 August 2022)

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:  
<https://board.dumgal.ac.uk/committees/board-of-management/>

Lorraine Grierson has acted as Board secretary throughout the year.

**Accountability Report**

**Corporate Governance Report**

**Directors' Report (continued)**

**Composition of Senior Management and Committees**

**Executive Leadership Team**

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

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

Joanna Campbell (Principal and Chief Executive)

Douglas Dickson (Depute Principal)

Joe McGraw (Vice Principal People and Transformation – from August 2023)

Jill Galloway acted as Vice Principal People and Transformation until 31 July 2023.

**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 24.

Current Committee Members are as follows:

**Board Development Committee**

Caroline Stuart (Chair), Gillian Brydson, Adnan Dogrultan, Sharon Hodgson, Sue Irvine, Claire McLean, Susan McLellan, Richard Nash.

**Remuneration Committee**

Sue Irving (Chair), Will Dowson, Sharon Hodgson, Ann Hill, Claire McLean, Richard Nash, Jamie Ross, Caroline Stuart

**Audit Committee**

Gillian Brydson (Chair), Will Dowson, Ann Hill, Sue Irving, Malcolm MacLeod, Jamie Ross.

**Finance and General Purposes Committee**

Richard Nash (Chair), Eddie Black, Joanna Campbell, Kate Glendye, Claire McLean, Susan McLellan, Jamie Ross, Caroline Stuart.

**HR Sub-Committee**

Claire McLean (Chair), Ann Hill, Sue Irving, Kate Glendye, Susan McLellan

**Learning and Teaching Committee**

Sharon Hodgson (Chair), Eddie Black, Gillian Brydson, Annette Cameron, Adnan Dogrultan, Kate Glendye, Ann Hill, Malcolm MacLeod, Susan McLellan,

**Grievance/ Appeals Committee**

Caroline Stuart (Chair), Ann Hill, Claire McLean, Jamie Ross

**Data Security**

Two personal data-related incident were reported to the College Data Protection Officer during the year, neither of which required to be reported to the Information Commissioners Office (ICO). The College has taken steps to increase security and staff training, with further measures introduced to prevent this type of breach. No other personal data related incidents occurred during the 2022-23 financial period and up to the date of approval of the financial statements.

**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 2022-23 Government Financial Reporting Manual (FRM) 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.

**Auditor**

The Auditor General for Scotland has appointed Azets Audit Services to undertake the audit for the year ended 31 July 2023.

**Disclosure of Information to Auditors**

The Board members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each Board member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Board on 11 December 2023 and signed on its behalf by:

**Caroline Stuart**

Regional Chair  
12 December 2023



**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 2023 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 2023.

**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 ten non-executive members, one of which is the 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.

**Accountability Report**

**Corporate Governance Report**

**Governance Statement**

**Governance Structure (continued)**

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

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

The Audit Committee considered an investigation report on the personal data-related incident as highlighted on page 21, and key areas have been actioned to improve procedures and staff training relating to cyber attacks.

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. This was reviewed by the Standards Commission in 2022 and adopted by the Board. The Board also adopted the code of Good Governance for Scotland's Colleges in January 2015, this too has been reviewed and updated by the Good Governance Steering Group. 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 four times during the 2022-23 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 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. In March 2023 the Board approved the formation of an HR Sub-Committee to the Finance and General Purposes Committee. All committees are required to report back to the Board on their activities.

The Board has considered the Risk Management Process. The Risk Register is 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.

**Accountability Report**

**Corporate Governance Report**

**Governance Statement**

**Governance Structure (continued)**

The Board of Management recognise that the most significant risk to the College relates to institutional sustainability. Work towards financial sustainability is continuing as the Executive Team implement the Transformation Plan, and are refreshing the Ambition 2025 strategy.

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 21, 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.

**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, Directors, 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 2023 are set out in note 7 to these financial statements.

**Audit Committee**

The Audit Committee comprises 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, facilities, Human Resources, and Commercial and Marketing activity. The Committee meets four times per year.

**HR Sub-Committee**

The HR Sub Committee is responsible for the human resource and equality and diversity element of the Finance and General Purposes Committee remit in order to ensure full consideration is given to these important areas and ensure the College is operating within legal requirements relating to employment law. The Committee will meet four times a year and make recommendations to the Finance and General Purposes Committee.

**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 or Senior Independent Member. 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.

In March 2021, the College underwent an External Effectiveness review conducted by College Development Network, in line with the requirements of the Code of Good Governance. The Code states that the relevant governing board must have in place a robust self-evaluation process, at para D. 23: 'The Board must keep its effectiveness under annual review and have in place a robust self-evaluation process. There should also be an externally facilitated evaluation of its effectiveness at least every three years'. Building on the EER a Board Development Action Plan was developed to address the recommendations made in the Review. All the recommendations have been completed. The internal auditors, RSM, also conducted a review to ensure the College has an appropriate framework in place to demonstrate compliance with the Code of Good Governance for Scotland's Colleges and there is appropriate evidence in place to confirm this. The conclusion of this review was that the Board can take substantial assurance that the controls upon which the College relies to manage this area are suitably designed, consistently applied and effective.'

The Governance Improvement Plan was completed in September 2022 resulting in the Embedding Best Practice Action Plan which has 15 Actions, 13 of which have now been completed. One action is being progressed and another is ongoing.

All new board members undergo induction training. The Board Development Committee undertook a review of the skills and knowledge of members in June 2023 and Committee membership has been changed to accommodate necessary skills required for each Committee.

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

The table below details the attendance of members at Board meetings during the period August 2022-June 2023:

| Name              | Board | Board Dev. | Rem. Com. | Audit | F&GP | L&T | Grievance/ Appeals |
|-------------------|-------|------------|-----------|-------|------|-----|--------------------|
| C Stuart          | 4/4   | 2/2        | 3/3       |       | 4/4  |     | 1/1                |
| E Black           | 3/4   |            |           |       | 2/4  | 2/4 |                    |
| G Brydson         | 3/4   | 1/2        | 3/3       | 3/3   |      | 3/4 |                    |
| J Campbell        | 4/4   |            |           |       | 4/4  |     |                    |
| W Dowson          | 4/4   |            | 3/3       | 3/3   |      |     |                    |
| K Glendye         | 3/4   |            |           |       | 4/4  | 4/4 |                    |
| S Hodgson         | 4/4   |            |           |       | 3/4  | 3/4 |                    |
| D Hughes          | 3/4   | 1/2        |           |       |      | 2/4 |                    |
| A Hill            | 3/4   |            | 3/3       | 2/3   |      | 1/4 |                    |
| S Irving          | 4/4   | 1/2        | 3/3       | 3/3   |      |     |                    |
| M MacLeod         | 3/4   | 2/2        |           |       |      | 3/4 |                    |
| C Mclean          | 4/4   | 2/2        | 2/3       |       | 4/4  |     | 1/1                |
| S McLellan        | 4/4   |            |           |       | 4/4  | 4/4 |                    |
| R Nash            | 3/4   | 2/2        | 3/3       |       | 4/4  |     |                    |
| R Nicoll (Co-opt) |       |            |           | 2/3   |      | 1/3 |                    |
| R Plant           | 0/4   |            |           |       |      | 4/4 |                    |
| J Ross            | 4/4   |            | 3/3       | 3/3   | 4/4  |     | 1/1                |

**Board Appraisal and Development**

All board members attended a Strategy day in May 2023, which was very successful allowing a team building opportunity for board members. Future strategy events are planned into the meeting schedules for May of each year. All board members attended a Strategy day in May 2023, which was very successful allowing a team building opportunity for board members. Future strategy events are planned into the meeting schedules for May of each year.

The Board has recently conducted its annual self evaluation review of individual and committee performance. All board members have undergone a performance review, and development requirements are incorporated in the Board Development Plan and progress towards this will be monitored over the forthcoming year.

**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 implementation of four strategies which 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.

**Accountability Report****Corporate Governance Report****Governance Statement****Corporate Strategy (continued)****Systems and Infrastructure Strategy**

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

The Systems and Infrastructure Strategy 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 are 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 Secretary to the Board. The register is intended to cover wide risks which are so significant or pervasive that they pose a risk to strategic objectives.

The Board of Management has delegated the day-to-day responsibility to the Principal, as Accountable 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 2023 and up to the date of approval of the annual report and accounts.

**Accountability Report****Corporate Governance Report****Governance Statement****Risk Management and Internal Control (continued)*****Capacity to handle risk***

The Board of Management has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Management is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2023 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.

The Audit Committee has recently discussed the effectiveness of the current risk register within the College and asked that more scrutiny and attention should be paid to documenting individual risks and control measures assigned to them. In line with this, a new format to the register has been introduced. The main register provides an overview of the key risks, which are graded in terms of probability of occurrence and severity of impact. In addition to the main register, each risk has supporting documentation outlining in detail monitoring and mitigation processes, and the relevant risk appetite. The reporting of risks has been recently reviewed and strengthened to clearly show the 3 lines of defence. The supporting documentation for risks is presented to each meeting of the assigned committee for scrutiny and agreed further action is noted.

Each Audit Committee meeting also undertakes a 'deep dive' exercise on specifically selected risks through detailed risk discussion to assess the adequacy of controls and mitigations, and to receive assurance from risk owners that the process for mitigating and monitoring is clear, thorough and rigorously applied. Any concerns are highlighted to the full Board.

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 2022-23 Internal Audit Annual Report gave a positive opinion based on the work undertaken during the year. Further enhancements to the framework of risk management, governance and internal control were identified which will ensure that it remains adequate and effective. The recommendations will be followed up and progress on implementation monitored by the Audit Committee during 2023-24.

**Accountability Report**

**Corporate Governance Report**

**Governance Statement**

**Risk Management and Internal Control (continued)**

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 2022-23 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, business continuity and the achievement of highest academic performance levels. Risks including the impact of current Inflationary pressures, geopolitical issues and Brexit on the College's financial position continue to be closely monitored, as well as potential mitigating actions.

The Principal and Executive Leadership Team routinely review the Strategic Risk Register to reflect the risks the College is facing and mitigation applied to each risk. The risks have been reviewed and updated and are presented in a revised format to Board and Committee meetings as well as Senior Leadership Team. Each risk has supporting documentation to detail the risk, potential impact and control measures attached.

**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 Accountable 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 Leadership 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 Leadership 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 Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2023 meeting, the Board of Management carried out the annual assessment for the period ended 31 July 2023 by considering documentation from the Executive Leadership Team and internal audit, and taking account of events since 31 July 2023.

**Going Concern**

As noted on Page 19 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 proactive actions continue to be taken to reduce costs and increase efficiencies to help ensure the College is financially sustainable going forward. Given the significant challenges the sector is likely to face for the medium term due to external factors and the national economic outlook, robust workforce planning and financial planning will continue. 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 2022-23 the College has a framework of internal control that provided assurance regarding the effective and efficient deployment of resources to achieve the College aims.

Approved by order of the members of the Board on 11 December 2023 and signed on its behalf by:

**Caroline Stuart**  
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 2022-23 Government Financial Reporting Manual (FRoM) issued by the Scottish Government, which is relevant for the financial period ended 31 July 2023.

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 FRoM.

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 their 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 2023 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.

|                      | <b>12 Month period ended 31</b> |                    | 12 Month period ended 31 July |             |
|----------------------|---------------------------------|--------------------|-------------------------------|-------------|
|                      | <b>July 2023</b>                |                    | <b>2022</b>                   |             |
|                      | <b>Number</b>                   |                    | <b>Number</b>                 |             |
|                      | <b>senior post-</b>             | <b>Number</b>      | Number senior                 | Number      |
|                      | <b>holders</b>                  | <b>other staff</b> | post-holders                  | other staff |
| £60,001 to £70,000   | <b>1</b>                        | <b>0</b>           | 0                             | 0           |
| £70,001 to £80,000   | <b>1</b>                        | <b>0</b>           | 2                             | 0           |
| £80,001 to £90,000   | <b>1</b>                        | <b>0</b>           | 1                             | 0           |
| £90,001 to £100,000  | <b>0</b>                        | <b>0</b>           | 0                             | 0           |
| £100,001 to £110,000 | <b>0</b>                        | <b>0</b>           | 1                             | 0           |
| £110,001 to £120,000 | <b>1</b>                        | <b>0</b>           | 0                             | 0           |
| £120,001 to £130,000 | <b>0</b>                        | <b>0</b>           | 0                             | 0           |
|                      | <b>4</b>                        | <b>0</b>           | <b>4</b>                      | <b>0</b>    |

## Accountability Report

## Remuneration and Staff Report (continued)

| Pay Multiples and Median Remuneration  | 2022-23 | 2021-22 | Change |
|--|---------|---------|--------|
|  | £       | £       | %      |
| <b>Range of workforce remuneration</b> |         |         |        |
| Highest paid official remuneration     | 110,000 | 102,500 | 7.30%  |
| Median                                 | 33,236  | 28,927  | 15.20% |
| Ratio                                  | 3.39    | 3.54    | 4.40%  |
| 25th percentile                        | 29,374  | 24,695  | 18.90% |
| Ratio                                  | 3.83    | 4.15    | 7.71%  |
| 75th percentile                        | 46,857  | 43,357  | 8.07%  |
| Ratio                                  | 2.40    | 2.36    | 1.69%  |
| Lowest paid official remuneration      | 23,356  | 19,158  | 21.91% |

The banded remuneration of the highest paid official in the College in financial year 2022-23 was £110,000 (2021-22 £105,500). This was 3.3 times (2021-22 3.5 times) the median remuneration of the workforce which was £33,236 (£2021-22 £28,927).

The reduction in the ratio reflects the pay offer for 2022-23 of £2,000 per FTE, which equates to 6.9% of the median salary for 2021-22.

The figures above are based on FTE/ total pay. No non-consolidated performance pay and benefits in kind/ non-cash benefits were payable during 2022-23 or 2021-22.

## Salary entitlements

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

| Name            | 12 months ended 31 July 2023 |                   |         | 12 months ended 31 July 2022 |                 |         |
|-----------------|------------------------------|-------------------|---------|------------------------------|-----------------|---------|
|                 | Actual                       |                   |         | Actual                       |                 |         |
|                 | Salary                       | Pension benefit * | Total   | Salary                       | Pension benefit | Total   |
|                 | £'000                        | £'000             | £'000   | £'000                        | £'000           | £'000   |
| J. Campbell     | 110-115                      | 10-12             | 120-125 | 100-105                      | 0               | 100-105 |
| D. Dickson      | 80-85                        | 0-5               | 85-90   | 85-90                        | 15-20           | 100-105 |
| J. Galloway (1) | 75-80                        | 20-25             | 95-100  | 10-15                        | 5-10            | 15-20   |
| C. Stuart (2)   | 20-25                        | 0                 | 20-25   | 10-15                        | 0               | 10-15   |

\* 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) J Galloway commenced as Vice Principal People and Transformation on 6th June 2022. Her full-year equivalent salary was £75,000-£80,000.

(2) C Stuart commenced as Chair of the Board on 1 February 2022. Her full-year equivalent salary was £20,000-£25,000 in 2021-22.

The salary and pension benefits above are shown in bands of £5,000 in accordance with the 2022-23 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 2023 | Accrued lump sum at pension age at 31 July 2023 | Real increase in pension 1 August 2021 to 31 July 2023 | Real increase in lump sum 1 August 2021 to 31 July 2023 | CETV at 31 July 2023 | CETV at 31 July 2022 | Real increase in CETV |
|-------------|--|---|--|---|----------------------|----------------------|-----------------------|
|             | £'000  | £'000   | £'000  | £'000   | £'000                | £'000                | £'000                 |
| J. Campbell | 25-30  | 75-80   | 0-5  | 0   | 525-530              | 425-430              | 20-25                 |
| D. Dickson  | 25-30  | 70-75   | 0-5  | 0   | 590-600              | 485-490              | 10-15                 |
| J. Galloway | 0-5  | 0   | 0-5  | 0   | 20-25                | 0-5                  | 15-20                 |
| C. Stuart   | 0  | 0   | 0  | 0   | 0                    | 0                    | 0                     |

## 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**

9 employees left under voluntary exit/ early retirement terms during the year as part of the College Transformation Plan (2021-22 - 8 employees). The table below summarises the exit packages for those staff who left during 2022-23. It includes payments made to staff and the accrued pension cost of added years.

| Exit package cost band               | Year to 31 July 2023              |                                   |  | 2022                                       |
|--------------------------------------|-----------------------------------|-----------------------------------|--|--|
|                                      | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band | Total number of exit packages by cost band |
| < £10,000                            | 0                                 | 2                                 | 2  | 0  |
| £10,000-£25,000                      | 0                                 | 5                                 | 5  | 0  |
| £25,000-£50,000                      | 0                                 | 2                                 | 2  | 8  |
| <b>Total number of exit packages</b> | 0                                 | 9                                 | 9  | 8  |
| <b>Total cost (£)</b>                | <b>0</b>                          | <b>£186,328</b>                   | <b>£186,328</b>                            | <b>£214,546</b>                            |

**Exit packages**

No Board member or senior manager left under voluntary or compulsory exit schemes in 2022-23 (2021-22 - 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:

|                       | Seconded                            |                              | 2022-23<br>Total<br>£'000 | Directly<br>employed<br>staff<br>£'000 | Seconded and<br>agency staff<br>£'000 | 2021-22<br>Total<br>£'000 |
|-----------------------|-------------------------------------|------------------------------|---------------------------|--|---------------------------------------|---------------------------|
|                       | Directly<br>employed staff<br>£'000 | and agency<br>staff<br>£'000 |                           |  |                                       |                           |
| Wages and salaries    | 8,151                               | 81                           | 8,232                     | 7,728                                  | 286                                   | 8,014                     |
| Social security costs | 736                                 | -                            | 736                       | 720                                    | -                                     | 720                       |
| Other pension costs   | 2,053                               | -                            | 2,053                     | 2,948                                  | -                                     | 2,948                     |
| <b>Total</b>          | <b>10,940</b>                       | <b>81</b>                    | <b>11,021</b>             | <b>11,396</b>                          | <b>286</b>                            | <b>11,682</b>             |
| Average number of FTE | 202                                 | 0.5                          | 202.48                    | 201                                    | 3.4                                   | 204.40                    |

The College employee gender split is 66% female and 34% male as at 31 July 2023. Of the three College Senior Executives at July 2023, one is male and two are female.

**Accountability Report****Remuneration and Staff Report (continued)****Staff Turnover**

Staff turnover during 2022-23, based on headcount, was 24.82% (2021-22 19.18%). The increase in staff turnover reflects a move to reduce the number of fixed term contracts and Workforce Planning measures which were strengthened during 2022-23.

**Sickness Absence**

The total number of days lost per full-time equivalent (FTE) to sickness absence during 2022-23 was 13 days, which was an increase from 9 days per FTE in 2021-22.

**Social Matters, Respect for Human Rights**

The College's Equality Impact Assessment (EIA) 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 and plans. This ensures that our activities support the human rights of our staff, students and stakeholders. EIA findings are published as an Equality Impact Assessment Results Summary which is updated each year. We have found no detriment to Human Rights through College activity and recorded 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 and celebrating diversity in everything we do. Our recent work in defining and embedding our Values aims to further foster a welcoming culture for everyone across our College community.

We aim to achieve equality for all regardless of age, disability, sex and 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 aim to ensure that everyone across our College family achieves their full potential

Our equality and diversity work is structured and tracked through a continuous improvement system, the Equality and Diversity Framework. This is underpinned by our 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 these reports to the Board, College Leadership Team and cross-College Equality and Diversity Forum (which includes as members the President and Vice-Presidents of the Students' Association, and a cross section of staff and managers from different functions and levels).

As noted previously, this year's report shows that there is encouraging progress in reducing pay gaps, improving outcomes for students with disabilities, addressing harassment, and achieving staff and student profiles which reflect those of our community. Long term challenges remain in addressing gender segregation for some subjects for both staff and students, and in remaining vigilant for the emerging effects of the COVID and Cost of Living crises.

**Accountability Report**

**Remuneration and Staff Report (continued)**

**Equality, Diversity and Inclusion (continued)**

**Disability**

We are a Disability Confident employer. We operate an Equality Impact Assessment system which ensures that every strategy, plan, policy and procedure we have is checked for barriers or negative impacts for people with disabilities. We look for opportunities to broaden our support. For example, as part of our recent co-location project with the University of the West of Scotland, an additional toilet with Changing Places functionality was added to our estate in Dumfries.

For students, we aim to create an environment which enables everyone to participate fully in their chosen subject and in College life. We 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. We are currently investing in strong provision to support mental health across our student body, in anticipation that the aftermath of COVID may present ongoing challenges.

**Employment issues including employee consultation and or participation**

The College continues to be represented at College Employers Scotland (formerly the Employers Association). College Employers Scotland is the body through which the Scottish Government's policy of National Bargaining is delivered and implemented, in partnership with trade unions.

The national Job Evaluation project remains ongoing across the Scottish College sector, but timescales for the development of pay and grading options have been delayed.

Trade Union colleagues and College staff continued to attend Business Continuity meetings throughout 2022-23 to help form policy changes.

A phased launch of employee health and wellbeing was very successful during the year, which included access to the Vivup portal and the launch of Shared Cost AVC scheme for local government pension scheme members, and as ongoing events through the i-Matter forum.

**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 40.

**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.



## Accountability Report

## Remuneration and Staff Report (continued)

## 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 2021 to March 2022:

## Relevant Union Officials

|   |                                       |
|---|---------------------------------------|
| Number of employees who were relevant union officials during the relevant period: | Full-time equivalent employee number: |
| 4   | 0.2173                                |

## Percentage of time spent on facility time

| Percentage of time | Number of employees |
|--------------------|---------------------|
| 0%                 | 0                   |
| 1-50%              | 4                   |
| 51-99%             | 0                   |
| 100%               | 0                   |

## Percentage of pay bill spent on facility time

|  |             |
|--|-------------|
| Total cost of facility time:                         | £15,616.53  |
| Total pay bill:                                      | £10,940,000 |
| Percentage of total pay bill spent on facility time: | 0.14%       |

## Paid trade union activities

|  |     |
|--|-----|
| Time spent on trade union activities as a percentage of total paid facility hours: | 74% |
|--|-----|

Approved by order of the members of the Board on 11 December 2023 and signed on its behalf by:

**Caroline Stuart**

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**

### **Reporting 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 2023 under the Further and Higher Education (Scotland) Act 1992 and section 44(1) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including 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 of the state of the college's affairs as at 31 July 2023 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 for 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 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We were 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the college's current or future financial sustainability. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

#### **Risks of material misstatement**

We report in our separate Annual Audit Report, the most significant assessed risks of material misstatement that we identified and our judgements 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 there is an intention to discontinue the college's operations.

### **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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the college sector to identify that the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 are significant in the context of the college;
- inquiring of the College Principal as to other laws or regulations that may be expected to have a fundamental effect on the operations of the college;
- inquiring of the College Principal concerning the college's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussion among our team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the college's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Reporting on regularity of expenditure and income**

#### **Opinion on regularity**

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

#### **Responsibilities for regularity**

The Board of Management is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Reporting on other requirements**

#### **Opinion prescribed by the Auditor General for Scotland on the audited parts of the Remuneration and Staff Report**

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

#### **Other information**

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

#### **Opinions prescribed by the Auditor General for Scotland on the Performance Report and Governance Statement**

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 parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

#### **Conclusions on wider scope responsibilities**

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

#### **Use of our report**

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 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

13 December 2023

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<br>July<br>2023<br>£000 | Year ended<br>31 July<br>2022<br>£000 |
|---|------|---------------------------------------|---------------------------------------|
| <b>INCOME</b>   |      |                                       |                                       |
| SFC grants  | 2    | 12,802                                | 12,439                                |
| Tuition fees and education contracts                    | 3    | 1,818                                 | 1,415                                 |
| Other grant income                                      | 4    | 131                                   | 147                                   |
| Other operating income                                  | 5    | 486                                   | 283                                   |
| Endowment and investment income                         | 6    | 38                                    | 0                                     |
| <b>Total Income</b>                                     |      | <b>15,275</b>                         | 14,284                                |
| <b>EXPENDITURE</b>                                      |      |                                       |                                       |
| Staff costs excluding exceptional costs                 | 7    | 11,058                                | 11,505                                |
| Fundamental restructuring costs                         |      | 189                                   | 214                                   |
| Other operating expenses                                | 9    | 3,613                                 | 3,148                                 |
| Depreciation  | 13   | 1,414                                 | 1,376                                 |
| Interest and other finance costs                        | 12   | 0                                     | 178                                   |
| <b>Total Expenditure</b>                                |      | <b>16,274</b>                         | <b>16,421</b>                         |
| <b>(Deficit)/ Surplus before other gains and losses</b> |      | <b>(999)</b>                          | <b>(2,137)</b>                        |
| Gain/ (Loss) on disposal of fixed assets                |      | 2                                     | 2                                     |
| <b>(Deficit)/ Surplus for the year</b>                  |      | <b>(997)</b>                          | (2,135)                               |
| Unrealised surplus on revaluation of land and buildings | 13   | 8,259                                 | 0                                     |
| Actuarial gain/ (loss) in respect of pension schemes    | 20   | 3,629                                 | 13,102                                |
| Asset ceiling adjustment                                | 20   | (5,006)                               | 0                                     |
| <b>Total comprehensive income for the year</b>          |      | <b>5,885</b>                          | <b>10,967</b>                         |
| <b>Represented by:</b>                                  |      |                                       |                                       |
| Unrestricted comprehensive income for the year          |      | <b>5,885</b>                          | <b>10,967</b>                         |

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 2023

|  | Income and<br>expenditure<br>reserve<br>£000 | Revaluation<br>reserve<br>£000 | Total<br>£000       |
|--|--|--------------------------------|---------------------|
| <b>Balance at 1 August 2021</b>                                  | <b>(4,457)</b>                               | <b>7,363</b>                   | <b>2,906</b>        |
| Surplus/ (Deficit) from the income and expenditure statement     | (2,135)                                      | 0                              | <b>(2,135)</b>      |
| Other comprehensive income                                       | 13,102                                       | 0                              | <b>13,102</b>       |
| Transfers between revaluation and income and expenditure reserve | 240  | (240)                          | <b>0</b>            |
|  | <hr/> 11,207                                 | <hr/> (240)                    | <hr/> 10,967        |
| <b>Balance at 1 August 2022</b>                                  | <b>6,750</b>                                 | <b>7,123</b>                   | <b>13,873</b>       |
| Surplus/ (Deficit) from the income and expenditure statement     | (997)  | 0                              | <b>(997)</b>        |
| Other comprehensive income                                       | 3,629  | 0                              | <b>3,629</b>        |
| Asset ceiling adjustment   | (5,006)                                      | 0                              | <b>(5,006)</b>      |
| Transfers between revaluation and income and expenditure reserve | 0  | 8,259                          | <b>8,259</b>        |
| <b>Total comprehensive income for the year</b>                   | <hr/> (2,374)                                | <hr/> 8,259                    | <hr/> 5,885         |
| <b>Balance at 31 July 2023</b>                                   | <hr/> <b>4,376</b>                           | <hr/> <b>15,382</b>            | <hr/> <b>19,758</b> |

## Balance Sheet as at 31 July 2023

|  | Note | Year ended 31<br>July<br>2023 | Year ended<br>31 July<br>2022 |
|--|------|-------------------------------|-------------------------------|
|  |      | £000                          | £000                          |
| <b>Non-current assets</b>                                      |      |                               |                               |
| Fixed assets   |      |                               |                               |
| Tangible assets  | 13   | 44,809                        | 37,809                        |
| Pension asset  | 18   | 0                             | 1,243                         |
|  |      | <u>44,809</u>                 | <u>39,052</u>                 |
| <b>Current Assets</b>  |      |                               |                               |
| Trade and other receivables                                    | 14   | 1,637                         | 1,124                         |
| Cash and cash equivalents                                      | 15   | 2,053                         | 2,169                         |
| Total current assets   |      | <u>3,690</u>                  | <u>3,293</u>                  |
| <b>Less: Creditors - amounts falling due within one year</b>   | 16   | <u>(5,435)</u>                | <u>(4,919)</u>                |
| <b>Net Current Assets/ (Liabilities)</b>                       |      | <u>(1,745)</u>                | <u>(1,626)</u>                |
| <b>Total Assets less Current Liabilities</b>                   |      | <u>43,064</u>                 | <u>37,426</u>                 |
| Less: Creditors - amounts falling due after more than one year | 17   | (22,881)                      | (23,553)                      |
| <b>Provisions</b>  |      |                               |                               |
| Pension provisions   | 18   | (425)                         | 0                             |
| <b>Total net assets</b>  |      | <u><u>19,758</u></u>          | <u><u>13,873</u></u>          |
| <b>Unrestricted Reserves</b>                                   |      |                               |                               |
| Income and expenditure reserve - unrestricted                  |      | 4,376                         | 6,750                         |
| Revaluation reserve  |      | 15,382                        | 7,123                         |
| <b>Total reserves</b>  |      | <u><u>19,758</u></u>          | <u><u>13,873</u></u>          |

The financial statements on pages 44 to 66 were approved by the Board of Management on 11 December 2023 and were signed on its behalf by:

**Caroline Stuart**  
Regional Chair

**Joanna Campbell**  
Principal

## Statement of Cash Flows for the year ended 31 July 2023

|  | Year ended 31<br>July<br>2023 | Year ended<br>31 July<br>2022 |
|--|-------------------------------|-------------------------------|
| Note   | £000                          | £000                          |
| <b>Cash flow from operating activities</b>                             |                               |                               |
| (Deficit)/ Surplus for the period                                      | <b>(997)</b>                  | (2,135)                       |
| <b>Adjustment for non-cash items</b>                                   |                               |                               |
| Depreciation   | 13 <b>1,414</b>               | 1,376                         |
| Decrease/ (increase) in debtors  | <b>(513)</b>                  | (229)                         |
| (Decrease)/ increase in creditors                                      | 16,17 <b>(270)</b>            | (182)                         |
| Increase/ (decrease) in pension provision                              | 18 <b>291</b>                 | 1,366                         |
| Increase/ (decrease) in other provisions                               | <b>0</b>                      | 0                             |
| <b>Adjustment for investing or financing activities</b>                |                               |                               |
| Interest Payable (pension liability)                                   | 12 <b>0</b>                   | 178                           |
| Repayment of leasing liabilities                                       | <b>(28)</b>                   | (18)                          |
| (Gain)/ loss on sale of fixed assets                                   | 12 <b>0</b>                   | (2)                           |
| <b>Net cash (Outflow)/ inflow from operating activities</b>            | <b>(103)</b>                  | 354                           |
| <b>Cash flows from investing activities</b>                            |                               |                               |
| Proceeds from sales of fixed assets                                    | 12 <b>0</b>                   | 2                             |
| Payments to acquire fixed assets                                       | 13 <b>(98)</b>                | (197)                         |
| Receipt of deferred capital grants                                     | 2,4,16,17 <b>85</b>           | 265                           |
|  | <b>(13)</b>                   | 70                            |
| <b>Cash flows from financing activities</b>                            |                               |                               |
| Interest Paid  | <b>0</b>                      | <b>(178)</b>                  |
|  | <b>0</b>                      | <b>(178)</b>                  |
| <b>(Decrease)/ increase in cash and cash equivalents in the period</b> | <b>(116)</b>                  | <b>246</b>                    |
| Cash and cash equivalents at beginning of the period                   | <b>2,169</b>                  | 1,923                         |
| Cash and cash equivalents at end of the period                         | <b>2,053</b>                  | 2,169                         |



**Notes to the Financial Statements****1. Statement of Accounting Policies**

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

**1.1 Basis of preparation**

These financial statements have been prepared in accordance with the 2019 Statement of Recommended Accounting Practice (SORP): 'Accounting in Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2022-23 Government Financial Reporting Manual (FReM) issued by the Scottish Government and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

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

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

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

**1.2 Basis of accounting**

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

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

**Estimate****Basis of Estimation**

Valuation of buildings

College buildings are of a specialist nature and are valued on the depreciated replacement cost basis.

Useful economic lives of buildings and equipment

Buildings are depreciated over their useful economic lives as assessed by an independent, qualified valuer. The useful life of each item of equipment is assessed by appropriately experienced senior College staff, and is based on previous experience, taking into account changes in how the asset will be used and technological advancement where relevant.

Recoverable amount of trade debtors

Trade debtors are reviewed by appropriately experienced senior College staff, with appropriate provision for potential irrecoverable balances being charged to the financial statements as required.

Obligations under the Local Government Pension Scheme

The College has relied on the assumptions made by suitably qualified Pension Scheme Actuaries, which have been reviewed and are considered to be reasonable and appropriate.

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

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

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

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

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

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

**Grant funding**

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

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

**Donations and endowments**

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

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

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

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

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

**Capital grants**

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

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

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

**Land and buildings**

Land and buildings are of a specialist nature and are valued on the depreciated replacement cost basis, using the revaluation model. The College has a policy of ensuring a full revaluation takes place at least every 5 years such that the 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 2023. 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, unless it is part of a group of items purchased as part of a discrete project, 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 Leased assets****New accounting standards**

The College adopted IFRS 16 'leases' during 2021-22. IFRS 16 'Leases' replaces IAS 17 'Leases' and its interpretations. The adoption of this new standard had resulted in the College recognising right-of-use assets which have been acquired from 2021-22 under lease agreements.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low value assets the College applied the optional exemptions to not recognise right-of-use assets but to account for the lease on a straight line over the remaining lease term.

Total operating lease commitments are disclosed at Note 18 to the financial statements.

For any new contracts entered into on or after 1 August 2021, the College considers whether a contract is, or contains a lease. A lease is defined as 'a contract for, or part of a contract, that conveys a right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the College assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the College
- the College has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the College has the right to direct the use of the identified asset throughout the period of use.

**Measurement and recognition of leases as a lessee**

At lease commencement date, the College recognises a right-of-use asset and a lease liability on the Balance Sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The College depreciates the right-of-use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The College also assesses the right-of-use asset for impairment when such indicators exist.

At lease commencement date, the College measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the College's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or gain / loss if the right-of-use asset is already reduced to zero.

The College has elected to account for short term leases and leases of low value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the Income and Expenditure account on a straight line basis over the lease term.

In the Balance Sheet, right-of-use assets have been included in Fittings and Equipment and Motor Vehicles and lease liabilities have been included in Creditors.

**1.6 Cash and cash equivalents**

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

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

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

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

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

**1.8 Accounting for retirement benefits**

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

**Scottish Teachers' Superannuation Scheme**

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

**Dumfries and Galloway Council Pension Fund**

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

**Defined Contribution Plan**

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

**Defined Benefit Plan**

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

**1.9 Employment benefits**

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

**1.10 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.

**Notes to the Financial Statements (continued)****1. Statement of Accounting Policies (continued)****1.10 Provisions, contingent liabilities and contingent assets (continued)**

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

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

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

**1.11 Reserves**

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

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

|   | Year ended 31<br>July<br>2023<br>£000 | Year ended<br>31 July<br>2022<br>£000 |
|---|---------------------------------------|---------------------------------------|
| <b>2 SFC Grants</b>                           |                                       |                                       |
| SFC FE recurrent grant (including fee waiver) | 11,023                                | 10,850                                |
| FE childcare funds                            | 124                                   | 122                                   |
| SFC Capital grants received                   | 190                                   | 0                                     |
| Release of deferred capital grants            | 685                                   | 660                                   |
| Digital capacity grant                        | 52                                    | 89                                    |
| Foundation Apprenticeship grants              | 274                                   | 130                                   |
| Other SFC grants - FE provision               | 454                                   | 588                                   |
| <b>Total</b>                                  | <b>12,802</b>                         | <b>12,439</b>                         |
| <b>3 Tuition Fees and education contracts</b> |                                       |                                       |
| FE fees - UK                                  | 447                                   | 339                                   |
| HE fees                                       | 547                                   | 568                                   |
| SDS contracts                                 | 441                                   | 393                                   |
| Education contracts                           | 383                                   | 115                                   |
| Other contracts                               | 0                                     | 0                                     |
| <b>Total</b>                                  | <b>1,818</b>                          | <b>1,415</b>                          |
| <b>4 Other grant income</b>                   |                                       |                                       |
| Release of deferred capital grants            | 61                                    | 61                                    |
| Other grants                                  | 70                                    | 86                                    |
| <b>Total</b>                                  | <b>131</b>                            | <b>147</b>                            |

## Notes to the Financial Statements (continued)

|  | Year ended 31<br>July<br>2023 | Year ended<br>31 July<br>2022 |
|--|-------------------------------|-------------------------------|
|  | £000                          | £000                          |
| <b>5 Other operating income</b>  |                               |                               |
| Residences and catering  | 364                           | 241                           |
| Other income-generating activities   | 15                            | 10                            |
| Other income   | 107                           | 32                            |
| <b>Total</b>   | <b>486</b>                    | <b>283</b>                    |
| <b>6 Endowment and investment income</b>   | <b>£000</b>                   | <b>£000</b>                   |
| Net interest income on pension liability (note 18)                                   | 38                            | 0                             |
|  | <b>£000</b>                   | <b>£000</b>                   |
| <b>7 Staff costs</b>   |                               |                               |
| Wages and salaries   | 8,151                         | 7,728                         |
| Social security costs  | 736                           | 720                           |
| Other pension costs (including IAS 19 adjustments of £377k (2022 - £1,295k) note 20) | 2,053                         | 2,948                         |
| Total pay costs  | 10,940                        | 11,396                        |
| Other employee related non-pay costs   | 118                           | 109                           |
| Total staff costs excluding exceptional costs  | 11,058                        | 11,505                        |
| Exceptional costs - severance costs  | 189                           | 214                           |
| <b>Staff costs including exceptional costs</b>                                       | <b>11,247</b>                 | <b>11,719</b>                 |
| Academic/ Teaching departments   | 5,507                         | 6,196                         |
| Academic/ Teaching services  | 1,997                         | 1,917                         |
| Administration and central services  | 2,536                         | 2,520                         |
| Premises   | 663                           | 565                           |
| Other expenditure  | 237                           | 198                           |
| Catering and residences  | 0                             | 0                             |
|  | 10,940                        | 11,396                        |
| Exceptional costs - severance costs  | 189                           | 214                           |
| Other employee related non-pay costs   | 118                           | 109                           |
| <b>Total</b>   | <b>11,247</b>                 | <b>11,719</b>                 |

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

|                                     | No.        | No.        |
|-------------------------------------|------------|------------|
| Academic/ Teaching departments      | 82         | 80         |
| Academic/ Teaching services         | 13         | 9          |
| Administration and central services | 87         | 94         |
| Premises                            | 16         | 14         |
| Other expenditure                   | 4          | 4          |
| Catering and residences             | 0          | 0          |
| <b>Total</b>                        | <b>202</b> | <b>201</b> |

## Notes to the Financial Statements (continued)

## 7 Staff costs (continued)

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

|                                | Year ended 31<br>July 2023 | Year ended 31<br>July 2022 |
|--------------------------------|----------------------------|----------------------------|
|                                | senior post-<br>holders    | senior post-<br>holders    |
| £60,001 to £70,000 per annum   | 1                          | 0                          |
| £70,001 to £80,000 per annum   | 1                          | 2                          |
| £80,001 to £90,000 per annum   | 1                          | 1                          |
| £90,001 to £100,000 per annum  | 0                          | 0                          |
| £100,001 to £110,000 per annum | 1                          | 1                          |
|                                | <b>4</b>                   | <b>4</b>                   |

## 8 Senior post-holders' emoluments

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

| 2023<br>No. | 2022<br>No. |
|-------------|-------------|
| <b>3</b>    | <b>4</b>    |

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

|                       | Year ended 31<br>July<br>2023<br>£ | Year ended<br>31 July<br>2022<br>£ |
|-----------------------|------------------------------------|------------------------------------|
| Salaries              | <b>271,133</b>                     | 315,973                            |
| Pension contributions | <b>62,137</b>                      | 72,299                             |
| Total emoluments      | <b>333,270</b>                     | 388,272                            |

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

|                                | £              | £       |
|--------------------------------|----------------|---------|
| Salary (including holiday pay) | <b>109,070</b> | 104,223 |
| Pension contributions          | <b>25,735</b>  | 23,971  |

The Principal and one other senior post-holder were members of the Scottish Teachers' Superannuation Scheme. One senior post-holder was a member of the Local Government Pension 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 six members of the Board of Management during the year amounted to £1,078.



## Notes to the Financial Statements (continued)

|  | Year ended 31<br>July<br>2023 | Year ended<br>31 July<br>2022 |
|--|-------------------------------|-------------------------------|
|  | £000                          | £000                          |
| <b>9 Other operating expenses</b>                        |                               |                               |
| Teaching departments                                     | 681                           | 538                           |
| Administration and central services                      | 1,259                         | 1,233                         |
| Premises costs   | 1,056                         | 673                           |
| Planned maintenance                                      | 123                           | 69                            |
| Agency Staff Costs                                       | 81                            | 286                           |
| Residences and catering                                  | 413                           | 349                           |
|  | <u>3,613</u>                  | <u>3,148</u>                  |
| Transfer to Arms Length Foundation                       | 0                             | 0                             |
| <b>Total</b>   | <u><u>3,613</u></u>           | <u><u>3,148</u></u>           |
| Other operating costs include:                           |                               |                               |
| Auditors' remuneration                                   |                               |                               |
| - external audit of these financial statements           | 29                            | 18                            |
| - internal audit services *                              | 47                            | 33                            |
| - other services   | 5                             | 5                             |
| Hire of plant and machinery - operating leases (note 18) | 9                             | 5                             |
|  | <u><u>9</u></u>               | <u><u>5</u></u>               |

\* External and Internal Audit services are provided by different professional firms.

**10 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 £2,137,000 for the year ended 31 July 2022. After taking account of the Government non-cash budget and non-cash pension adjustments, the College shows an 'adjusted' deficit of £70,000 on a Central Government accounting basis.

|   | Year ended 31<br>July<br>2023 | Year ended<br>31 July<br>2022 |
|---|-------------------------------|-------------------------------|
|   | £000                          | £000                          |
| (Deficit) before other gains and losses (FE/ HE SORP basis) for academic year                           | (999)                         | (2,137)                       |
| 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                            | <u><u>(609)</u></u>           | <u><u>(1,747)</u></u>         |

**11 Adjusted Operating Position**

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

## Notes to the Financial Statements (continued)

## 11 Adjusted Operating Position (continued)

|  | Year ended 31<br>July<br>2023 | Year ended<br>31 July<br>2022 |
|--|-------------------------------|-------------------------------|
|  | £000                          | £000                          |
| <b>(Deficit) before other gains and losses (FE/ HE SORP basis)</b>                                       | <b>(999)</b>                  | <b>(2,137)</b>                |
| <b>Add Back:</b>   |                               |                               |
| - Depreciation (net of deferred grant release) on both government funded and privately funded assets (1) | <b>668</b>                    | 655                           |
| - Non-cash pension adjustments - Net service cost (2)  | <b>377</b>                    | 1295                          |
| - Non-cash pension adjustments - Net interest cost (3)   | <b>(38)</b>                   | 178                           |
| - Non-cash pension adjustments - early retirement provision (4)  | <b>(1)</b>                    | (61)                          |
| <b>Deduct:</b>   |                               |                               |
| - Non-government capital grant (5)   | <b>0</b>                      | 0                             |
| <b>Adjusted operating (deficit)/ surplus</b>   | <b>7</b>                      | <b>(70)</b>                   |

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

|  | Year ended 31<br>July<br>2023 | Year ended<br>31 July<br>2022 |
|--|-------------------------------|-------------------------------|
|  | £000                          | £000                          |
| <b>12 Interest payable</b>                       |                               |                               |
| Net interest cost on pension liability (note 18) | <b>0</b>                      | 178                           |

## Notes to the Financial Statements (continued)

## 13 Tangible Fixed Assets

|                                 | Land and<br>Buildings<br>£000 | Fittings and<br>Equipment<br>£000 | Motor<br>Vehicles<br>£000 | Assets in the<br>Course of<br>Construction<br>£000 | Total<br>£000 |
|---------------------------------|-------------------------------|-----------------------------------|---------------------------|--|---------------|
| <b>Cost or valuation</b>        |                               |                                   |                           |  |               |
| At 1 August 2022                | 40,279                        | 1,194                             | 26                        | 0  | 41,499        |
| Additions                       | 0                             | 98                                | 57                        | 0  | 155           |
| Disposals                       | 0                             |                                   | 0                         | 0  | 0             |
| Transfers                       | 0                             | 0                                 | 0                         | 0  | 0             |
| Gain / (Deficit) on revaluation | 4,514                         |                                   | 0                         | 0  | 4,514         |
| <b>At 31 July 2023</b>          | <b>44,793</b>                 | <b>1,292</b>                      | <b>83</b>                 | <b>0</b>   | <b>46,168</b> |
| <b>Depreciation</b>             |                               |                                   |                           |  |               |
| At 1 August 2022                | 3,125                         | 556                               | 9                         | 0  | 3,690         |
| Provided during period          | 1,281                         | 119                               | 14                        | 0  | 1,414         |
| On disposals                    | 0                             | 0                                 | 0                         | 0  | 0             |
| Written-back on revaluation     | (3,745)                       | 0                                 | 0                         | 0  | (3,745)       |
| <b>At 31 July 2023</b>          | <b>661</b>                    | <b>675</b>                        | <b>23</b>                 | <b>0</b>   | <b>1,359</b>  |
| NBV at 1 August 2022            | 37,154                        | 638                               | 17                        | 0  | 37,809        |
| <b>NBV at 31 July 2023</b>      | <b>44,132</b>                 | <b>617</b>                        | <b>60</b>                 | <b>0</b>   | <b>44,809</b> |
| Inherited                       | 3,639                         | 0                                 | 0                         | 0  | 3,639         |
| Financed by capital grant       | 40,493                        | 564                               | 0                         | 0  | 41,057        |
| Other - Right of use assets     | 0                             | 53                                | 60                        | 0  | 113           |
| <b>At 31 July 2023</b>          | <b>44,132</b>                 | <b>617</b>                        | <b>60</b>                 | <b>0</b>   | <b>44,809</b> |

Land and buildings were revalued at 31st July 2023 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 £3,639,000 have been partially financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Council, to surrender the proceeds.

## Notes to the Financial Statements (continued)

**14 Debtors: Amounts falling due within one year**

|   | <b>Year ended 31<br/>July<br/>2023</b> | Year ended<br>31 July<br>2022 |
|---|--|-------------------------------|
|   | <b>£000</b>                            | £000                          |
| Trade debtors - net of provision for doubtful debts | <b>60</b>                              | 44                            |
| Prepayments and accrued income                      | <b>1,577</b>                           | 1,080                         |
|   | <b>1,637</b>                           | 1,124                         |

**15 Cash and cash equivalents**

|                           | <b>31 July<br/>2023</b> | 31 July<br>2022 |
|---------------------------|-------------------------|-----------------|
|                           | <b>£000</b>             | £000            |
| Cash and cash equivalents | <b>2,053</b>            | 2,169           |

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 relating to student support of £685,000 are included in the cash and cash equivalents at the year end.

**16 Creditors: Amounts falling due within one year**

|  | <b>Year ended 31<br/>July<br/>2023</b> | Year ended<br>31 July<br>2022 |
|--|--|-------------------------------|
|  | <b>£000</b>                            | £000                          |
| Trade creditors  | <b>228</b>                             | 166                           |
| VAT  | <b>1</b>                               | 7                             |
| Other taxation and social security                           | <b>153</b>                             | 204                           |
| Pension  | <b>168</b>                             | 198                           |
| Accruals and deferred income                                 | <b>3,418</b>                           | 2,935                         |
| Lease liabilities  | <b>42</b>                              | 23                            |
| Deferred capital grants                                      | <b>740</b>                             | 721                           |
| Bursaries and Access funds for future disbursement (note 15) | <b>685</b>                             | 665                           |
|  | <b>5,435</b>                           | 4,919                         |

## Notes to the Financial Statements (continued)

## 17 Creditors: Amounts falling due after more than one year

|                         | Year ended 31<br>July<br>2023 | Year ended<br>31 July<br>2022 |
|-------------------------|-------------------------------|-------------------------------|
|                         | £000                          | £000                          |
| Lease liabilities       | 71                            | 61                            |
| Deferred capital grants | 22,810                        | 23,492                        |
|                         | <b>22,881</b>                 | <b>23,553</b>                 |

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.

## 18 Provisions for liabilities and charges

|   | Early<br>Retirement<br>pension costs<br>£000 | Defined<br>Pension<br>obligations<br>£000 | 2022-23<br>Total<br>£000 | 2021-22<br>Total<br>£000 |
|---|--|---|--------------------------|--------------------------|
| At 1 August 2022                        | 459  | (1,702)                                   | <b>(1,243)</b>           | 10,493                   |
| Expenditure in the period               | (48)   | (840)                                     | <b>(888)</b>             | (934)                    |
| Additional provision required in period | 0  | 1,217                                     | <b>1,217</b>             | 2,183                    |
| Revaluation adjustment                  | (1)  | (3,628)                                   | <b>(3,629)</b>           | (13,163)                 |
| Interest charged/ (income)              | 15   | (53)                                      | <b>(38)</b>              | 178                      |
| Asset celling adjustment                | 0  | 5,006                                     | <b>5,006</b>             | 0                        |
| <b>At 31 July 2023</b>                  | <b>425</b>                                   | <b>0</b>                                  | <b>425</b>               | <b>(1,243)</b>           |

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

Hymans Robertson LLP have provided the College with guidance and professional support in understanding the net asset position for the financial statements. In accordance with Audit Scotland guidance, and based on the actuary's assessment, an Asset Ceiling Adjustment has been applied to the pension obligations as at 31 July 2023 but no adjustment is required at July 2022 as detailed at Note 20.

## 19 Leases

The College has leases for some vehicles and equipment. With the exception of short term leases and leases of low value underlying assets, each asset is reflected on the balance sheet as a right-of-use asset and a lease liability. The College classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Leases of vehicles are for 3 years and equipment 5 years, and lease payments are fixed.

Additional information on the right-of-use assets is as follows:

| <b>Assets:</b>              | Fittings and<br>Equipment<br>£000 | Motor Vehicles<br>£000 | <b>Total<br/>£000</b> |
|-----------------------------|-----------------------------------|------------------------|-----------------------|
| At 1 August 2022            | 67                                | 17                     | <b>84</b>             |
| Additions                   | 0                                 | 56                     | <b>56</b>             |
| Depreciation charge in year | (17)                              | (10)                   | <b>(27)</b>           |
| At 31 July 2023             | <b>50</b>                         | <b>63</b>              | <b>113</b>            |

|  | Year ended 31<br>July<br>2023 | Year ended<br>31 July<br>2022 |
|--|-------------------------------|-------------------------------|
|  | £000                          | £000                          |
| <b>Lease liabilities:</b>  |                               |                               |
| <b>Maturity analysis - contractual undiscounted cash flows</b>                       |                               |                               |
| Less than one year   | 42                            | 23                            |
| One to five years  | 71                            | 61                            |
| More than five years   | 0                             | 0                             |
| <b>Total undiscounted lease liabilities at 31 July included in the balance sheet</b> | <b>113</b>                    | <b>84</b>                     |

## Notes to the Financial Statements (continued)

## 19 Leases (continued)

|   | Year ended 31<br>July<br>2022<br>£000 | Year ended<br>31 July<br>2021<br>£000 |
|---|---------------------------------------|---------------------------------------|
| <b>Amounts recognised in Income and Expenditure account</b> |                                       |                                       |
| Expenses relating to short-term leases                      | 9                                     | 5                                     |
| <b>Amounts recognised in the statement of cash flows</b>    |                                       |                                       |
| Total cash outflow for leases                               | 36                                    | 29                                    |

## 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<br>July 2023<br>£000 | 12 months to<br>July 2022<br>£000 |
|---|-----------------------------------|-----------------------------------|
| Contribution to STSS                              | 867                               | 874                               |
| Contribution to LGPS                              | 809                               | 787                               |
| Pension costs as a result of implementing FRS 102 | (324)                             | (1,464)                           |
| Total pension cost                                | 1,352                             | 197                               |

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

(a) 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% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees contributions.

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

(c) 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.

(d)

(i) The scheme is an unfunded multi-employer defined benefit scheme.

(ii) 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.

(iii) The employer contribution rate for the period from 1 April 2022 is 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

**Notes to the Financial Statements (continued)****20 Pensions and similar obligations (continued)****The Scottish Teachers Superannuation Scheme (continued)**

(iv) 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. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

(v) Dumfries and Galloway College's level of participation in the scheme is 0.13% based on the proportion of employers' contributions paid in 2021-22.

Further information on the Scottish teachers' Pension Scheme is available on the relevant section of the SPPA website: <https://pensions.gov.scot/teachers>

**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 main 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 that fund updated by Hymans Robertson as at 31 July 2020.

Following the revaluation of the whole Dumfries and Galloway Council Pension Fund at 31 March 2020, the actuary determined that the funding level for Dumfries and Galloway College's element of the fund has increased from 102% as at 31 March 2017 to 103% as at 31 March 2020. 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 the years ending 31 March 2021 to 31 March 2024 the actuary has proposed an employer contribution rate for Dumfries and Galloway College of 22.7% of pensionable pay.

Employer contribution rates applied previously were as follows:

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

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

2018-19 to 2020-21 - 21.2% of pensionable pay

And from 2021-22 - 22.7% as noted above.

**Assumptions**

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

|                                  | <b>As at 31/07/23</b> | As at<br>31/07/22 |
|----------------------------------|-----------------------|-------------------|
|                                  | %                     | %                 |
| Discount rate                    | <b>5.05%</b>          | 3.50%             |
| Future salary increases          | <b>4.80%</b>          | 3.55%             |
| Inflation/ pension rate increase | <b>3.00%</b>          | 2.75%             |

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25%, and a long term improvement of 1.5% p.a. for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below.

- Current pensioner aged 65: 20.1 years (male), 22.7 years (female).

- Future pensioners \*: 20.9 years (male), 24.5 years (female).

\* Figures assume members aged 45 at the last formal valuation date.

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.

## Notes to the Financial Statements (continued)

## 20 Pensions and similar obligations (continued)

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

|                              | Year ended<br>31 July<br>2023<br>Fair value<br>£000 | Year ended 31<br>July<br>2022<br>Fair value<br>£000 | Year ended<br>31 July<br>2021<br>Fair value<br>£000 |
|------------------------------|---|---|---|
| Equities                     | 16,141  | 20,207  | 19,240  |
| Corporate bonds              | 7,236   | 3,649   | 4,878   |
| Property                     | 4,453   | 4,210   | 2,981   |
| Other                        | 0   | 0   | 0   |
|                              | <b>27,830</b>                                       | <b>28,066</b>                                       | <b>27,099</b>                                       |
| Actual return on plan assets | <b>(1,644)</b>                                      | 61  | 3,973   |

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

|  | Year ended 31<br>July<br>2023<br>£000 | Year ended<br>31 July<br>2022<br>£000 |
|--|---------------------------------------|---------------------------------------|
| <b>Charged to staff costs:</b>   |                                       |                                       |
| Current service cost   | (1,177)                               | (2,060)                               |
| Past service costs   | (40)                                  | (123)                                 |
| <b>Total charged to staff costs</b>                                      | <b>(1,217)</b>                        | <b>(2,183)</b>                        |
| <b>Credit/ charge for net return on pension scheme:</b>                  |                                       |                                       |
| Interest income  | 989                                   | 437                                   |
| Interest cost  | (936)                                 | (606)                                 |
| <b>Net interest charged</b>  | <b>53</b>                             | <b>(169)</b>                          |
| <b>Credit/ charge to other comprehensive income:</b>                     |                                       |                                       |
| Return on assets   | (1,644)                               | 61                                    |
| Other experience   | (1,531)                               | (72)                                  |
| Gains and losses on changes in financial assumptions                     | 6,453                                 | 12,979                                |
| Changes in demographic assumptions                                       | 350                                   | 134                                   |
| <b>Actuarial Gain/ (Loss)</b>  | <b>3,628</b>                          | <b>13,102</b>                         |
| <b>Total charge to the SOI</b>   | <b>2,464</b>                          | <b>10,750</b>                         |
| <b>Analysis of the movement in deficit during the year:</b>              |                                       |                                       |
| Surplus/ (Deficit) in scheme at start of year                            | 1,702                                 | (9,936)                               |
| Service costs  | (1,217)                               | (2,183)                               |
| Employers contributions  | 840                                   | 888                                   |
| Net interest costs   | 53                                    | (169)                                 |
| Actuarial gain/ (loss)   | 3,628                                 | 13,102                                |
| <b>Surplus/ (Deficit) in scheme at end of year</b>                       | <b>5,006</b>                          | <b>1,702</b>                          |
| <b>Asset capping cap applied to valuation at 31.07.23</b>                | <b>(5,006)</b>                        | <b>0</b>                              |
| <b>Surplus/ (Deficit) in scheme as disclosed in financial statements</b> | <b>0</b>                              | <b>1,702</b>                          |

Hymans Robertson LLP have provided the College with guidance and professional support in understanding the net asset position for the financial statements. In accordance with Audit Scotland guidance, and based on the actuary's assessment, an Asset Ceiling Adjustment has been applied to the pension obligations as at 31 July 2023 but no adjustment is required at July 2022.



**Notes to the Financial Statements (continued)****21 Related Party Transactions**

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

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

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.

| <b>Member</b> | <b>Organisation</b>           | <b>Position</b>                         |
|---------------|-------------------------------|---|
| G. Brydson    | Dumfries and Galloway Council | Director, Skills Education and Learning |
| S. Irving     | Loreburn Housing Group        | Director of Housing Services            |
| C. McLean     | Realise HR Ltd                | Director                                |
| J Campbell    | Jisc                          | Board Member                            |

The College provided training for and had some staff secondments to Dumfries and Galloway Council during the year ended 31 July 2023. Invoices to Dumfries and Galloway Council amounted to £10,000. No balances were due to the College from Dumfries and Galloway Council at 31 July 2023.

The College purchased goods and services amounting to £54,800 from Dumfries and Galloway Council during the year ended 31 July 2023 in addition to rates payments of £106,711. No balances were due to Dumfries and Galloway Council from the College at 31 July 2023.

Payments to the Dumfries and Galloway Council Pension Fund are detailed in note 20, and amount to £809,688 for the year ended 31 July 2023. In addition, strain on funds for the VS leavers amounted to £28,920.

The College provided training for Loreburn Housing Group during the year ended 31 July 2023. Invoices to Loreburn Housing Group amounted to £7,380. No balances were due to the College from Loreburn Housing Group at 31 July 2023.

The College used recruitment services amounting to £16,200 from Realise HR during the year ended 31 July 2023, which was outstanding and include in creditors at 31 July 2023.

The College purchased services amounting to £1,380 from Jisc during the year ended 31 July 2023. No balances were due by the College to Jisc at 31 July 2023. Sales invoices amounting to £947 were issued to Jisc during the year ended 31 July 2023, and £319 was outstanding to the College from Jisc at 31 July 2023.

## Notes to the Financial Statements (continued)

## 21 Related Party Transactions (continued)

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 six members of the Board of Management during the year amounted to £1,078.

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

## 22 FE Bursaries and other Student Support Funds

|                                  | FE         |          |          | Year ended 31  | Year ended   |
|----------------------------------|------------|----------|----------|----------------|--------------|
|                                  | Bursary    | EMA's    | Other    | July 2023      | 31 July 2022 |
|                                  | £000       | £000     | £000     | £000           | £000         |
| <b>Balance brought forward</b>   | 434        | 0        | 45       | <b>479</b>     | 667          |
| Allocation received in year      | 2,247      | 129      | 283      | <b>2,659</b>   | 2,924        |
|                                  | 2,681      | 129      | 328      | <b>3,138</b>   | 3,591        |
| Expenditure                      | (1,598)    | (129)    | (502)    | <b>(2,229)</b> | (2,517)      |
| Repaid to SFC as clawback        | (420)      | 0        | (45)     | <b>(465)</b>   | (595)        |
| College Contribution to funds    | 0          | 0        | 0        | <b>0</b>       | 0            |
| Virements                        | (200)      | 0        | 225      | <b>25</b>      | 0            |
| <b>Balance Carried forward</b>   | <b>463</b> | <b>0</b> | <b>6</b> | <b>469</b>     | 479          |
| <b>Represented by:</b>           |            |          |          |                |              |
| Repayable to SFC as clawback     | 463        | 0        | 0        | <b>463</b>     | 368          |
| Retained by College for Students |            | 0        | 6        | <b>6</b>       | 111          |
|                                  | <b>463</b> | <b>0</b> | <b>6</b> | <b>469</b>     | 479          |

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 | Year ended   |
|--------------------------------|---------------|--------------|
|                                | July 2023     | 31 July 2022 |
|                                | £000          | £000         |
| <b>Balance brought forward</b> | <b>0</b>      | 0            |
| Allocation received in year    | <b>200</b>    | 200          |
|                                | <b>200</b>    | 200          |
| Expenditure                    | <b>(124)</b>  | (122)        |
| Repaid to SFC as clawback      | <b>0</b>      | (78)         |
| Virements                      | <b>(27)</b>   | 0            |
| <b>Balance Carried forward</b> | <b>49</b>     | 0            |

23 FE and HE Childcare Funds (continued)

|                                  | <b>Year ended 31<br/>July<br/>2023</b> | Year ended<br>31 July<br>2022 |
|----------------------------------|--|-------------------------------|
|                                  | <b>£000</b>                            | £000                          |
| <b>Represented by:</b>           |  |                               |
| Repayable to SFC as clawback     | <b>49</b>                              | 78                            |
| Retained by College for Students | <b>0</b>                               | 0                             |
|                                  | <u><b>49</b></u>                       | <u>78</u>                     |

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 2023:

|                            | <b>Year ended 31<br/>July<br/>2023</b> | Year ended<br>31 July<br>2022 |
|----------------------------|--|-------------------------------|
|                            | <b>£000</b>                            | £000                          |
| Commitments contracted for | <b>0</b>                               | 0                             |
|                            | <u><b>0</b></u>                        | <u>0</u>                      |

**Accounts direction for Scotland's colleges 2022-23**

- 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. 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 and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2022-23 (FRM) where applicable. In cases where there is a conflict between the FRM and the SORP, the latter will take
- 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 2023.
- 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  
20 July 2023