Report and Financial Statements

For the year ended 31 July 2017

Registered Charity No: SC021188

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The financial statements on pages 30 to 58 were approved and authorised for issue by the Board of Management on 12 December 2017.

Performance Report

OVERVIEW

Overview summary

The purpose of the overview section is to provide information on the purpose and objectives of Dundee and Angus College, the main issues and risks that it faces, and a high level assessment of its performance over the year.

The overview should provide sufficient information to most readers on the above matters without the need to look at the rest of the financial statements, unless they are interested in further detail or have specific accountability requirements to be met.

Statement from Principal

2016/17 has again been a very successful year for the College.

Our academic performance remains strong, with the College returning the most successful record in attainment for young people up to the age of 18. Our learners from the 10% most deprived post codes achieved significantly higher than the Scottish average for learners from all socio-economic backgrounds, and we continue to expand the numbers of learners moving into advanced places at University year on year.

We are a key player within the Dundee and Angus education group, working alongside Dundee City and Angus Councils, and the Universities of Abertay and Dundee, to look at efficiencies in the learner journey and in our use of resources. This collaboration supports the Tay Cities Deal.

We are leading on the development of the school/college infrastructure to deliver Developing the Young Workforce in our region and have more than doubled our activity with schools. With our Future Skills College, we are pioneering a novel approach to delivering vocational education to senior phase pupils, with a blended curriculum which includes classroom study, vocational training and a carefully chosen work placement.

Through our Future Talent initiative, we are moving away from traditional thinking and are focusing much more on *“careers* not *courses”*. We want the people of the Dundee & Angus region to be better informed and prepared for the career options available to them, no matter what stage they are at. This is tied closely into up-to-date detailed labour market analysis, so that learners can identify job opportunities and employers can benefit from a pipeline of new talent.

We are excited to be embarking on a two-year transformation project under the banner “Good to Great” and are very fortunate to be supported in this by a generous revenue grant from the Dundee and Angus Foundation. There will be a root and branch curriculum review, building on the above initiatives, looking at all aspects of learning, from the range of programmes, the content of teaching, to how we deliver - with a particular focus on digital. We will also be reviewing our support services to ensure they are customer-friendly and are as efficient as possible, releasing resource to the “front line”.

To facilitate this transformational change, the College is embracing Service Design methodology as a way of making sure that the end user is at the heart of designing new products and processes. Building on this enthusiasm, a pioneering Service Design Academy has been established in the College, to meet the growing demand for professionals with these skill sets.

I have restructured our senior teams in order to ensure we are best placed to meet the challenges ahead and also to drive forward the transformational change to which we are all committed. Through the year, we have been very grateful for all the support we have received from our Board, both new members and those who have been with us for longer. We are excited to be working with a rejuvenated Students' Association under dynamic new leadership, which will ensure that learners are at the centre of everything we do.

We continue to invest in our infrastructure where we can, within the limited funding available to us. Dundee and Angus Foundation supported the purchase of new data storage capability, which should see the College "future-proofed" in this regard. We were able to mobilise quickly in autumn 2016 when the Scottish Government announced stimulus capital funding, which had to be fully committed by the end of March 2017. Among other projects, this enabled us to continue our low carbon journey with the installation of a biomass boiler at our Arbroath campus and the fitting of energy-efficient replacement windows in a listed building on the Arbroath Campus and another building on the Gardyne Campus. We successfully bid for environmental funding to allow us to add a number of electric vehicles to our fleet and install charging points on all campuses.

We have been working hard this year on a funding bid to transform the Kingsway Campus. An Outline Business Case setting out the College's ambition for the transformation of the Campus has been submitted to the Scottish Funding Council and we look forward to being able to progress this as soon as possible to Full Business Case and final approval.

The year has again been one of stellar success on the awards front, with a number of students, staff, teams and projects being recognised nationally:

- The Cashback Academy won in the Promoting Inclusion category at the Star Awards
- Enterprise@D&A, the Employer Advisory Boards and the Code Academy each won the relevant section at the Colleges Development Network Awards.
- The People Team was recognised for Tremendous Training at the CHeRries Awards and for Excellence in Public Sector HR at the Personnel Today Awards, where Abi Mawhirt also won the "HR Rising Star" category.

In addition to the above, we were short-listed for a number of awards, receiving silver, bronze and highly commended honours. We have already been short-listed a number of times in the current year and look forward again to celebrating national recognition of our journey from "Good to Great".

Purpose and Activities of the College

Dundee and Angus College is a public body constituted under statute and a Scottish charity (SC021188). It was designated a Regional College in November 2013 under the Post-16 Education (Scotland) Act 2013. The constitution and proceedings of the Board of Management are determined by the Further and Higher Education (Scotland) Act 1992, as amended.

The core purpose of the College is the provision of further and higher education in the Dundee and Angus region. It delivers education programmes on a full-time and part-time basis to over 11,000 students annually across three main campuses, one in Arbroath and two in Dundee (Kingsway and Gardyne).

The College's mission is to generate regional economic growth and social well-being through the provision of skills and education for individuals, employers and the wider community. The College has an excellent reputation locally, nationally and internationally. Maintaining a quality brand is essential to its on-going success, ensuring it continues to attract students and grow external partnerships. By 2020 its vision is to be seen as a vibrant, dynamic and confident college that inspires success in its students and staff, and delivers outstanding performance. In achieving this vision, it aims to:

- Develop confident, successful learners who are inspired by their learning experience, achieve their full potential and are actively sought by employers.
- Have a major impact on regional and national economic success.
- Be highly valued and trusted by all who work with us.
- Have staff who are excellent at what they do and are proud and happy to work here.
- Create learning spaces and facilities that are dynamic, inviting and inspire success.
- Deliver innovative and exciting technology solutions that widen access, transform learning and enhance work.
- Ensure financial sustainability and generate significant funds for future investment.

In order to ensure that it provides educational opportunities that meet the social and economic needs of the region, the College works closely with a number of regional partners, including Dundee City Council, Angus Council, NHS Tayside, Community Planning Partnerships in Dundee and Angus, Abertay University and the University of Dundee. We have a number of other key stakeholders, including national agencies, for instance the Scottish Funding Council, Scottish Enterprise and Skills Development Scotland, as well as local schools, employers, other colleges, and the local community. We also engage with a range of international partners in the spheres of education and business.

The primary source of funding for the College is its teaching grant from the Scottish Funding Council. Under the terms of the most recent Regional Outcome Agreement, the College has committed to delivering the following priority outcomes by the end of 2017-18:

1. Remain one of the highest performing colleges nationally in the recruitment, retention, attainment and progression of our learners regardless of their backgrounds or entry levels.

2. Be a key contributor to the economic growth opportunities created by the Tay Waterfront, Tay Cities Deal and other developments by providing a skilled workforce to support anticipated jobs growth in areas such as hospitality, cultural tourism, the energy and care sectors in partnership with employers, local authorities, and economic development agencies.

3. Contribute to a fair and just society by ensuring equal access and inclusive learning opportunities and services for all members of our community and contribute fully to the achievement of the recommendations contained within A Blueprint for Fairness: The Final Report of the Commission on Widening Access.

4. Deliver the outcomes of Developing the Young Workforce – Scotland's Youth Employment Strategy, through working in close partnership with employers, schools and the university sector to deliver streamlined learning and skills opportunities that shorten learner journeys and enhance employment and progression opportunities.

5. Fully engage with Education Scotland and the Scottish Funding Council in the introduction and development of the new quality arrangements for colleges and commit to produce an evaluation report and enhancement plan for October 2017.

6. Remain a sustainable regional college through sound governance and effective financial management that directs the maximum level of resource towards learners and their learning environment.

The College seeks to achieve the objectives set down in the Equality Act 2010 and celebrates the diversity of all people who are directly and indirectly involved in the College.

The College aims to ensure that all staff, students and other stakeholders are treated equally, regardless of age, disability, family responsibility, marital status, race, colour, ethnicity, nationality, religion or belief, gender, sexual orientation, trade union activity, or unrelated criminal convictions. In addition to tackling discrimination, the College also supports and fosters good relations between individuals with different characteristics and undertakes a significant amount of work in this area through its RESPECT brand and campaigns.

Key Risks and Issues

The College identifies risks within its Strategic Risk Register, categorised in three areas: strategic and structural, financial, and organisational. For all key risks, the consequences, impact, likelihood, mitigating controls, residual risk and lead manager or team are identified.

The highest scoring areas in the Strategic Risk Register are as follows:

- failure to achieve financial sustainability, including a new threat of loss of funding following the outcome of the EU referendum;
- increasing pay cost pressures;
- industrial relations problems.

The College's strategic planning is significantly impacted by the degree of uncertainty around future funding. It receives annual funding allocations, which are usually finalised around three months before the start of the new financial year. This uncertainty is exacerbated by lack of clarity around the UK's departure from the European Union. The College currently receives £1.2m of its teaching grant from the European Social Fund (via SFC) and, as stated above, this has been identified as one of the highest risks.

As well as uncertainty over funding, the College has less flexibility around managing its cost base than in the past. Most elements of pay costs are now negotiated nationally, with harmonisation of pay scales across Scotland estimated to cost the sector £115m by 2020. Cost of living awards and any changes to pension contributions or National Insurance are additional to this.

While in the past colleges were able to generate modest surpluses in order to invest in infrastructure, following reclassification as public bodies colleges are now reliant on external grant funding to meet backlog maintenance requirements, invest in IT and other equipment, and carry out improvements to the estate.

With tight funding settlements and mounting cost pressures, the financial outlook for the College is certain to be a challenging one. This means that the College must continually find efficiencies and grow the contribution from non-SFC income in order to achieve a balanced financial position. While the extent of required cost savings will continue to be reviewed as assumptions around costs and funding change, the financial strategy approved by the Board of Management in March 2017 included an assumption that a reduction in posts will be required over the next 3 years, facilitated by voluntary severance.

Going Concern

As set out in the Accountability Report which follows this Performance Report, the Board of Management considers that the College has adequate resources and arrangements to ensure the continuation of its functions within the public sector for the foreseeable future.

Performance Summary

The Statement of Comprehensive Income shows a deficit for 2016-17 of £2.5m. However, this includes non-cash items such as depreciation and pension adjustments and, if these are excluded, there was a surplus of £0.4m.

After working capital movements, this resulted in a net cash inflow from operating activities of £0.2m, along with investing and financing cash outflows totalling £1.1m. The total net cash outflow of £0.9m resulted in a closing position of £2.3m.

The College successfully delivered its student activity targets of 103,232 core credits and 5,101 ESF credits.

The College's academic performance was once again outstanding and it is amongst the highest performing colleges in the sector. Its Further Education pass rates were amongst the best in Scotland and Higher Education pass rates were in the top band of colleges, well above the national average, Student retention rates are a key metric for the College and, at 84%, were markedly better than the national average of 80%.

PERFORMANCE ANALYSIS

Methodology

Following a recent review of how the Board of Management monitors performance, the following metrics are produced for consideration at each Board meeting:

1. Successful Completion
2. Early Withdrawal
3. Withdrawal rate (to date)
4. Post Course Success rate
5. Overall satisfaction score from most recent student survey
6. Overall satisfaction score from SFC national student survey
7. Forecast credit out-turn to date
8. Student Recruitment figures, FT and PT
9. Employee Engagement and Happiness Indices
10. Employee Absence Rate (Lost time rate)
11. Staff Headcount and FTE data
12. Cash-backed surplus/deficit: year-end forecast v annual budget
13. RIDDOR reportable accidents
14. Audits completed vs Planned

These metrics draw on the balanced scorecard methodology and link together a number of data sources into a single high level Board report. Where appropriate, they include comparison with benchmarks, for instance previous year or ROA target.

They are intended to provide high level indications of College performance, with the detail resting with the relevant Board Committee: Audit; Finance & Property; Learning, Teaching & Quality; Human Resources & Development.

Financial Performance

The following table summarises the key performance metrics contained in the financial statements for the year to July 2017, along with comparatives for the previous year.

Metric	**2016-17**	**2015-16**
	£'000	**£'000**
Total comprehensive income	(1,458)	(11,153)
Consolidated surplus/(deficit)	(2,536)	(2,426)
Consolidated surplus/(deficit) - adjusted	402	(45)
Total net cash inflow/(outflow)	(893)	245
Cash balances	2,313	3,206
Accumulated reserves	2,655	4,113
Long-term loan outstanding	6,249	6,817
Pension liability	20,621	20,523
Tangible fixed assets	64,380	68,043

The consolidated result for the year is a deficit of £2,536k, little changed from the previous year. As explained below, this is effectively a "paper" loss, a consequence of the reclassification of colleges in Scotland as central government bodies. It reflects non-cash expenditure items as well as the cash expenditure supported by the funding related to these non-cash items. If the result is adjusted for non-cash and non-recurring items, the adjusted result shows a surplus of £402k for the year, compared with a deficit of £45k the previous year.

The College requires to generate an adjusted surplus of £571k in order to meet annual capital loan repayments and so, although this is an improving position, a balanced cash position has not yet been achieved. As can be seen from the table, after loan repayment and working capital adjustments, there was a net cash outflow of £893k. With a loan balance of £6,249k at 31 July 2017, there remain 11 annual repayments due before this liability is discharged.

Reserves are sitting at the year end at £2,655k, having fallen by £1,458k, the value of Total Comprehensive Income. Given the expectation of a similar "paper" loss in 2017-18, the College may move into a negative reserves position. This will depend on pension adjustments, which are volatile and difficult to predict. The net pension liability remained at a similar high level as the previous year.

The net book value of fixed assets fell during the year, as depreciation of £4,561k was significantly higher than the modest level of capital investment which the College was able to commit.

Student Outcomes

The College has actively engaged with the revised Education Scotland and SFC Quality arrangements. The College has produced an Annual Quality Evaluation Report and an Annual Quality Enhancement Plan. As this is a transitional year, there is no formal grading of the College. However, the notional positive grading by the College of its performance against the three Quality themes has been accepted by Education Scotland.

We place a high level of importance on our annual student survey as an indicator of the quality of our curriculum and related support, and of satisfaction levels amongst our learners. The 2016-17 survey achieved an impressive 56% participation rate, compared with 42% the previous year. The overall satisfaction score was 8.2, out of a possible 10, compared with 8.0 in 2015-16 and 7.8 in 2014-15. As in previous years, we carried out a thorough analysis of the results, by individual question and subject, and reviewed all the comments submitted. This allowed us to identify any particular "hot spots" and to draw up action plans to address areas of concern. The Scottish Funding Council also carries out a survey across all colleges which shows that a significantly higher proportion of participating students from Dundee and Angus College were either satisfied or very satisfied with their overall experience, compared with a sector averages.

The primary set of student outcome data is drawn from our Further Education Statistics (FES) return to the Scottish Funding Council. See a comparison below of 2016-17 with the previous year. Although there has been a slight increase in withdrawal rates, with a corresponding reduction in successful completion, we expect that these statistics will maintain the College's position in the top quartile across the country.

Outcome	**2016-17(draft)**	**2015-16**
Completed successful	75%	77%
Completed partial success	10%	10%
Further withdrawal	10%	9%
Early withdrawal	5%	4%

Climate Change (Scotland) Act 2009

The College is fully aware of its obligations and is compliant with the Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009.

Cash Budget for Priorities

One consequence of reclassification of colleges as central government bodies is that, from 1 April 2014, while colleges continued to prepare accounts under the FE/HE Statement of Recommended Practice, they are now also required to comply with Central Government budgeting rules. This affects, amongst other things, the way in which non-cash depreciation charges are treated for budgeting purposes and how the colleges spend the cash funds (cash budget for priorities) which were previously earmarked for depreciation.

Spend of the College's cash budget for priorities, and impact on the operating position, is detailed below. Additionally, increased costs arising in previous years which are recurrent and not directly funded, contribute to the college deficit

Table of cash budget for priorities spend		
	2016/17 £'000	**2015/16 £'000**
Revenue		
Student Support	327	-
2015-16 Pay award	473	473
Increased national insurance and academic pension contributions	-	322
Other	69	198
Total impact on operating position	**869**	**993**

Capital		
Loan repayments	571	571
Total Capital	**571**	**571**
Total cash budget for priorities spend	**1,440**	**1,564**

Underlying Operating Position

To enable a clearer understanding of the College's financial performance, the consolidated deficit is adjusted below for certain specified items. These adjustments are prescriptive, and include non-cash charges, capital grants recognised as income, and other commitments funded from revenue but which are excluded from the Consolidated Statement of Comprehensive Income.

Underlying operating position		
Revenue	**2016/17 £'000**	**2015/16 £'000**
Surplus/(deficit) before other gains and losses	(2,502)	(2,426)
Add back:		
Depreciation (net of deferred capital grant release)	1,727	1,794
Non-cash pension adjustments	1,177	587
Deduct:		
Non-Government capital grants	(291)	-
Revenue funding allocated to loan repayments	(571)	(571)
Underlying operating surplus/(deficit)	**(460)**	**(616)**

Review of Resource outturn for year ended 31 March 2017

Following the reclassification of colleges as public bodies on 1 April 2014, the College has been required to comply with government accounting and budgeting rules on a financial year basis (i.e. to the end of March). The college is given a revenue resource budget (RDEL) and a capital resource budget (CDEL) and must account for this budget on a financial year basis. The resource budgets and final outturn for 2016-17 are outlined below:

	RDEL £'000	CDEL £'000
Final Resource budget for year ended 31 March 2017	33,678	564
Expenditure against resource budget	33,167	564
Net underspend/(overspend) against budget	511	-

An RDEL underspend is permissible, and necessary, to meet balance sheet liabilities.
In addition, the college received a non-cash budget from the government to cover depreciation costs.

Creditor Payment Policy

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires the College, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. During the financial year to 31 July 2017, the College incurred no interest charges in respect of late payment for this period.

Grant Ritchie
Principal

ACCOUNTABILITY REPORT

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

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report comprises the following sections:

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

Directors' Report

Dundee and Angus College's Board of Management is constituted in accordance with the requirements of the Further and Higher Education (Scotland) Act, 1992 and complies with further requirements as set out in the Further and Higher Education (Scotland) Act 2005 and the Post-16 Education (Scotland) Act 2013.

The Board comprises lay members, employees and two student representatives. The roles of the Board Chair and Vice Chair are separated from the role of the College Principal, who, as Chief Executive, holds the only executive role on the Board. A list of Board Members for 2016/17 is included on the following page.

A short biography of each Board Member together with their Register of Interests can be accessed on our website. The following link can be used https://dundeeandangus.ac.uk/about-us/governance/

The Executive Team is responsible for the day-to-day management of Dundee and Angus College's activities and operations. A list of Executive Team members is included below:

Name	Designation	Note
Grant Ritchie	Principal	
Simon Hewitt	Vice Principal Curriculum and Attainment	
Steve Taylor	Vice Principal People and Performance	
Ray Mudie	Vice Principal Planning and Learner Services	Retired 08/09/17
Catriona Blake	Vice Principal Corporate Services	
Julie Grace	Director of Curriculum and Attainment	From 01/09/17
Kevin Murphy	Director of Curriculum and Attainment	From 01/09/17
Veronica Lynch	Director of External Relations	From 01/09/17

DUNDEE AND ANGUS COLLEGE - Board of Management Membership

Member's Name	Appointed	Term Ends	Status of Appointment	Profession/Specialism	Chairs
Angela McCusker Regional Chair	July 2014	03/07/18	Scottish Government Appointment	Business, Management, Finance	Board of Management Chairs Committee
George Robertson Vice Chair	March 2015	31/03/19	Ordinary Member	Finance, Management	Finance & Property Committee
Grant Ritchie	August 2015	–	Principal		
Gary Bissett	June 2014	31/05/21	Ordinary Member	HR, Management, Manufacturing	
Sonja Cargill	November 2013	31/10/17	Non-Teaching Staff Member		
Martin Ellins	January 2016	31/12/20	Ordinary Member	Energy / Engineering Management	Audit Committee
Donna Fordyce	April 2017	31/04/21	Ordinary Member	Economic Development, Enterprise, Fisheries, Retail Management	
Mike Galloway	March 2015	31/05/21	Ordinary Member	Management, Planning	
Paul Grant	March 2015	30/09/16	Ordinary Member	Business, Manufacturing, HR	Audit Committee
Joshua Gregory	August 2017	31/07/18	Student Member		
Gary Langlands	June 2014	27/09/16	Ordinary Member	Business, Marketing, ICT	
Wendy Loudon	June 2014	31/05/21	Ordinary Member	Management, HR, Transformation	
Steven Mill	June 2014	31/05/21	Ordinary Member	Finance, Management	
Pamela Milne	March 2015	31/03/19	Ordinary Member	HR, Management	Human Resources Committee
Shazz Muhammad	August 2015	31/07/17	Student Member		
Alan O'Neill	April 2015	31/03/19	Teaching Staff Member		
Trisha Pirie	April 2017	31/04/21	Ordinary Member	Economic Development, Commercial Management, Enterprise	
Jane Richardson	January 2016	31/12/20	Ordinary Member	Marketing & Brand Management, Management	
Reece Walker	August 2017	31/07/18	Student Member		
Steven Watt	March 2015	31/03/19	Ordinary Member	ICT, Management	
Margo Williamson	June 2014	31/05/21	Ordinary Member	Management, Education	Learning, Teaching & Quality Committee

Statement of the Board of Management's Responsibilities

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 to enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Acts (1992 and 2005), the Statement of Recommended Practice on Accounting for Further and Higher Education, the 2016-17 Government Financial Reporting Model (FReM) issued by HM Treasury and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the College and the Scottish Funding Council the Board of Management, through its designated office holder, the Principal, 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.

As Accountable Officer for the college sector, the Scottish Funding Council Chief Executive is required to provide a governance certificate of assurance covering all colleges to the Principal Accountable Officer of the Scottish Government. This is based upon certificates of assurance from each college, which confirm that the Principal has undertaken a review of the internal control arrangements of the College and that these controls have been, and are, working well.

In causing the financial statements to be prepared, 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
- 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 Finance & Property Committee
- the College has appointed Internal Auditors 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 misstatements or loss.

Governance Statement

Introduction

Dundee and Angus College is committed to exhibiting good practice in all aspects of corporate governance. This summary is written to assist the reader of the financial statements understand how the principles have been applied.

This governance statement is designed to supplement the information provided in the financial statements. It sets out the governance structures, risk management and internal control processes that have been operating in the College in the year to 31 July 2017 and reports the Board's assessment of the effectiveness of these arrangements.

Statement of Compliance

In the opinion of the Board of Management, corporate governance of the College has been exercised throughout the period in accordance with the principles of the 2016 Code of Good Governance for Scotland's Colleges, the Scottish Public Finance Manual (SPFM) and the Financial Memorandum.

One exception to this is in relation to the role of the Secretary to the Board. The Code of Good Governance states: "The board secretary may be a member of the senior management team in their board secretary capacity, but they cannot hold any other senior management team position at the same time." The Board of Management have appointed the Vice Principal People and Performance as Secretary to the Board, who reports directly to the Chair in relation to their Board Secretary duties, in order to prevent any conflicts of interest. The Board is satisfied with this arrangement, noting that it is not unusual in either the public or private sectors.

Governance Structure

The Board of Management meets formally at least four times each year. The Board actively evaluates its own contribution to the College through a series of indicators that reflect its impact on the College as a whole. This Board evaluation was supplemented in 2016/17 by a comprehensive externally facilitated evaluation of Board effectiveness. Both of these reports have identified clear strengths in Board operations alongside actions for future improvement.

The Board has established the undernoted Standing Committees, all of which are formally constituted with Terms of Reference, as delegated by the Board of Management. All the committees are chaired by a lay member of the Board. The committees are:

- Chairs' Committee
- Audit Committee
- Finance and Property Committee
- Human Resources and Development Committee
- Learning, Teaching and Quality Committee

A list of Committee Members for 2016/17 is included on page 18.

The Chairs' Committee makes recommendations to the Board with regard to membership issues – the filling of vacancies, periods of office and re-election (in accordance with agreed procedures and in line with requirements of Further and Higher Education (Scotland) Act, 1992 and relevant ministerial guidance). The Chairs' Committee has fully delegated authority from the Board to consider and determine salaries and conditions of service for members of the College Senior Leadership Team. When operating as Remuneration Committee the Board Chair steps aside and the meeting is chaired by the Vice Chair.

The Audit Committee meets four times each year, with the College's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Scottish Funding Council as they affect the College's business and monitors adherence to the regulatory requirements. Whilst members of senior management attend Audit Committee meetings, they are not members of the Committee.

The Finance and Property Committee meets five times each year. It oversees the preparation of a multi-year financial strategy for approval by the Board and approves action required to ensure financial sustainability. In consultation with other Standing Committees, it recommends to the Board of Management the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It reviews the effectiveness of financial management and monitors financial controls, ensuring appropriateness of and compliance with the Financial Regulations. It considers the Estates Strategy and ensures that the College's buildings are fit for purpose and maintained to an appropriate standard.

The Human Resources and Development Committee meets four times each year. It has overall responsibility for the direction and oversight of all Human Resources matters relating to the function of the Board of Management as employer of the College's staff. It oversees the development and implementation of the Human Resources Strategy, ensures compliance with employment legislation, considers a suite of staff-related metrics, and oversees Health & Safety matters on behalf of the Board.

The Learning, Teaching and Quality Committee meets four times each year. It has overall responsibility for monitoring the direction and performance of learning and teaching, and the quality of the learners' experience at the College. It oversees the relationship with the Students' Association, in order to promote the student voice, and ensures that the Board's legal responsibilities with regard to the Students Association are complied with.

DUNDEE & ANGUS COLLEGE - BOM & Committee Attendance Record – 1 August 2016 – 31 July 2017

Member's Name	Board of Management	Audit Committee	Finance & Property Committee	HR & Development Committee	Learning, Teaching & Quality Committee
Angela McCusker	4/4		5/5		3/4
Paul Grant	1/1	1/1		1/1	
Mike Galloway	2/4		4/5	2/4	
Margo Williamson	2/4	3/4			4/4
Gary Bissett	4/4		5/5	4/4	
Steven Mill	4/4		4/5		4/4
Wendy Loudon	3/4		4/5	4/4	
Pamela Milne	3/4	4/4		3/4	
George Robertson	4/4		5/5		3/4
Steven Watt	2/4	2/4			1/4
Sonja Cargill	0/4		0/5	1/4	1/4
Alan O'Neil	4/4		4/5	2/4	4/4
Jane Richardson	3/4	3/4			2/4
Grant Ritchie	4/4		5/5	3/4	3/4
Shazz Muhammad	3/4				3/4
Martin Ellins	4/4	4/4			3/4
Donna Fordyce	1/1			1/1	
Trisha Pirie	1/1	1/1		1/1	
Gary Langlands	0/1				

Corporate Strategy

The Board of Management has responsibility for the on-going strategic direction of the College, for the approval of major developments and for the receipt of regular reports from members of the College Executive on the day-to-day operations of its business.

In respect of its strategic and development responsibilities, each year the Board of Management holds strategic development events jointly with the College Executive. The timing of events is arranged to facilitate Board Members' input to the College's Regional Outcome Agreement.

Board's Statement on Internal Control

The Board of Management is responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board of Management has responsibility to provide leadership within a framework of effective controls which enable risk to be assessed and managed. The Board of Management has responsibility through the operation of the Board and each Board Committee to monitor, challenge and overseeing risk management within the College as a whole. Within all of these arrangements it is the responsibility of the Board of Management to:

- Establish the overall culture and ethos in respect of risk and opportunity management within the College.
- Determine the appropriate risk appetite (the level of exposure with which the Board is comfortable) for the College that balances risk with opportunity.
- Approve major decisions affecting the College risk profile or exposure in accordance with appropriate financial strategy and procedures and agreed delegation limits.
- Ensure that risk management is integrated in strategic planning activities and outcome agreements.
- Monitor the management of key risks (those rated in excess of the risk appetite) to reduce their probability and impact.
- Satisfy itself that the less significant risks are managed, and that risk controls are in place and working effectively.
- Annually review the College approach to risk management and approve changes or improvements as necessary.

The Board of Management receives reports on risk from the Executive and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting on exception.

The Executive receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms which are embedded within the operational planning process. The Executive and the Audit Committee also receive regular reports from the College's Internal and External Auditors and the appropriate health, safety and environmental monitoring functions which include recommendations for improvement.

The College operates a Strategic Risk Register, which identifies the most significant risks to the College. This register is taken to every meeting of the Audit Committee for comment and challenge and is provided bi-annually to the Board of Management.

The following table sets out the six strategic risks for which the underlying risk has been scored as "major". It records the residual risk, with no risks shown as "major" and only three as "significant", following the mitigating actions which have been taken.

Risk	Before mitigation	After mitigation
Failure to achieve institutional sustainability	Major	Significant
College disadvantaged by changes arising from UK leaving European Union	Major	Significant
Industrial Relations Problems	Major	Significant
Legal actions; serious accident; incident or civil/criminal breach	Major	Minor
Disasters – e.g. Fire, MIS Failure, Failure of Emergency Procedures	Major	Minor
Breach of data security / data protection*	Major	Minor

*There have been no personal data-related incidents reported to the Information Commissioner's Office during the reporting period.

Regular Risk reports are prepared for the Board of Management and reported via the Audit Committee. For all the major corporate risks that were identified, action plans to address the risks are in place, with monitoring and the reporting arrangements in place (as outlined above).

Going Concern

The Board of Management considers that the College has adequate resources and arrangements to ensure the continuation of its functions within the public sector for the foreseeable future.

Conclusion

The Board of Management is of the view that there is an ongoing process for identifying, evaluating and managing the institution's significant risks that have been in place for the period ended 31 July 2017 up to the date of approval of the annual reports and accounts. This process is regularly reviewed by the Board of Management and accords with the internal control guidance as applicable to the further education sector.

REMUNERATION AND STAFF REPORT

The sections marked * in this Remuneration Report have been audited by Audit Scotland. The other sections of the Remuneration Report were reviewed by Audit Scotland to ensure that they were consistent with the financial statements.

Remuneration Policy

Annually the remuneration of the Principal and Executive Team is the subject of a discussion at the Chairs' Committee – which serves as a Remuneration Committee. The award for April 2016 to March 2017 was a flat rate of £540 on all senior leadership salary points with the exception of the Principal where an award was made of £5000 to move the postholder onto the full agreed and advertised salary for the role following satisfactory performance through the first year of this new appointment. No award has yet been decided for April 2017 to March 2018.

*Remuneration including salary and pension entitlements

The following tables provide detail of the remuneration and pension interests of senior management.

	year ended 31 July 2017			year ended 31 July 2016		
Name	**Salary Band £'000**	**Pension Benefit £'000**	**Band Total £'000**	**Salary Band £'000**	**Pension Benefit £'000**	**Band Total £'000**
Ms A McCusker	15-20	-	15-20	15-20	-	15-20
Mr G J Ritchie	130-135	55-60	185-190	125-130	285-290	410-415
Mr R Mudie	80-85	5-10	90-95	80-85	20-25	105-110
Mr G Westwater	-	-	-	50-55	5-10	60-65
Mrs H D Archibald	-	-	-	30-35	5-10	40-45
Mr S Taylor	80-85	20-25	105-110	80-85	20-25	105-110
Ms C Blake	80-85	20-25	100-105	25-30	5-10	30-35
Mr S Hewitt	80-85	75-80	160-165	55-60	15-20	75-80

*Median Remuneration

Colleges are required by the FReM to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce. The banded remuneration of the highest paid official in the organisation in the financial year 2016-17 was £130,000-£135,000 (2015-16 £125,000-£130,000). This was 3.7 times (2015-16: 3.7 times) the median remuneration of the workforce which was £35,866 (2015-16 £34,377).

Accrued Pension Benefits

Pension benefits for teaching staff are provided through the Scottish Teacher's Superannuation Scheme (STSS), a defined benefit scheme, which is notionally funded and contracted out of State Earnings-Related Pension Scheme. The Pension Benefit in the above tables does not represent the cash value of pension contributions made in the year. It is calculated as the real increase in pension multiplied by 20, plus the real increase in any lump sum, less contributions made by the member, as required by The Financial Reporting Manual 2015-16 issued by HM Treasury.

STSS is provided by the Scottish Public Pensions Agency. It remains a final salary pension scheme for protected members only and, since 1 April 2015, is now a Career Average Revalued Earnings (CARE) scheme for the majority of members.

Non-teaching staff are enrolled into the Local Government Pension Scheme (LGPS). Benefits for all members of this scheme are now provided under CARE arrangements since transition on 1 April 2016.

Contribution rates for both schemes are set annually for all employees and can be found in Note 14.

There is no longer any automatic entitlement to a lump sum. STSS members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. LGPS members can access pension under new pension release rules introduced in April 2015.

*Senior Officials Pension

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

Name	Accrued pension at pension age at 31 July 2017	Accrued lump sum at pension age at 31 July 2017	Real increase in pension 1 August 2016 to 31 July 2017	Real increase in lump sum 1 August 2016 to 31 July 2017	CETV at 31 July 2017	CETV at 31 July 2016	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Ms A McCusker	-	-	-	-	-	-	-
Mr G J Ritchie	50 - 55	155 - 160	0 - 5	5 - 10	1,196	1,104	86
Mr R Mudie	40 - 45	120 - 125	0 - 5	0 - 5	958	923	14
Mr G Westwater	-	-	-	-	-	360	-
Mrs H D Archibald	-	-	-	-	-	103	-
Mr S Taylor	40 - 45	-	0 - 5	-	536	476	25
Ms C Blake	0 - 5	-	0 - 5	-	31	7	14
Mr S Hewitt	10 - 15	-	0 - 5	-	107	52	31

Cash Equivalent Transfer Value (CETV)

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 Local Government service and not just their current appointment.

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

(i) 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.

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

Real Increase in CETV

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

Staff Report

During the year to 31 July 2017 the College employed 694 full-time equivalent staff. At 31 July 2017 the staff headcount was 1,103 comprising of 694 females and 409 males.

Full disclosure of staff costs of £28,276,000 is given in Note 9 to the Accounts.

Disclosure of Agency staff costs, of £117,000, is given in Note 11. Other than one individual engaged under a shared service agreement, with Advanced Procurement for Universities and Colleges, all amounts are paid for temporary staff on an ad hoc basis to cover staff absence or to obtain specialisms not available from permanent staff.

Working days lost through sickness was 2.8%, which remains consistent with trends in previous years.

Dundee and Angus College has taken the opportunity to review and update its People Strategy and maintains and regularly reviews a full suite of HR policies and related operating processes. This includes the agreed policies in areas including: Recruitment and Selection; Equality and Diversity; Dignity at Work; Staff Induction and Continuing Professional Development.

All HR and related policies are developed in line with up to date HR practices and all are developed and finalised through our Policy Review Group comprising HR team members and representatives from our recognised trades unions.

Monitoring, reporting and action planning in respect of equality related metrics is outlined within our biennial Equalities Mainstreaming Report and feedback on inclusiveness is considered on a regular basis through our Cross-College Equality and Diversity Strategy Group and regular Employee Engagement Surveys. The College published its Gender Pay report in April 2017, highlighting a reduction in the gender pay gap to 6.3%.

*Compensation for loss of office

The table below summarises the exit packages by cost band.

	2017	2017	2017	2016
Exit package cost band	**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	-	2	2	-
£10,000 - £25,000	-	4	4	1
£25,000 - £50,000	-	6	6	-
£50,000 - £100,000	-	1	1	-
Total number of exit packages	-	13	13	1
Total cost (£)	**-**	**311,249**	**311,249**	**20,500**

***Salaries and Related costs**

	2017	2017	2017	2016
	Directly employed staff £'000s	**Seconded and agency staff £'000s**	**Total**	**Total**
Wages and salaries	21,504	113	21,617	21,291
Social security costs	2,006	-	2,006	1,638
Other pension costs	4,449	-	4,449	3,872
Total	**27,959**	**113**	**28,072**	**26,801**
Average number of FTE	694	3	697	693

Senior Staff

	2017	**2016**
£15,000 - £20,000	1	1
£25,000 - £30,000	-	1
£30,000 - £35,000	-	1
£50,000 - £55,000	-	1
£55,000 - £60,000	-	1
£80,000 - £85,000	4	2
£125,000 - £130,000	-	1
£130,000- £135,000	1	-
	6	8

The college employed 694 females and 409 males as at 31 July 2017 on a headcount basis.

Signed on Behalf of the Board of Management on 12 December 2017.

Angela McCusker
Chair

Grant Ritchie
Principal

Independent Auditor's Report

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Dundee and Angus College and its group for the year ended 31 July 2017 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated and College Statement of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheet, the Consolidated Statement of Cash Flows and Notes to the Accounts, including a Statement of Principal 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 my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the College and its group as at 31 July 2017 and of the deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the College and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

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

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

Responsibilities of the Board of Management for the financial statements

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

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

Auditor’s responsibilities for the audit of the financial statements

My objectives are to achieve 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other information in the annual report and accounts

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and my auditor’s report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

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

REPORT ON REGULARITY OF EXPENDITURE AND INCOME

Opinion on regularity

In my 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. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

REPORT ON OTHER REQUIREMENTS

Opinions on other prescribed matters

I am required by the Auditor General for Scotland to express an opinion on the following matters.

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

In my 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 I am required to report by exception

In the light of the knowledge and understanding of the College and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report or Governance Statement.

I am required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Gordon Smail
Assistant Director
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

13 December 2017

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

Professional Advisers

External Auditor
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Internal Auditor
Henderson Loggie
20 Greenmarket
Dundee
DD1 4QB

Banking
The Royal Bank of Scotland
277 Strathmartine Road
Dundee
DD3 8NS

Santander UK PLC
301 St Vincent St
Glasgow
G2 5HN

Solicitors
Thorntons Law LLP
Whitehall House,
33 Yeaman Shore
Dundee
DD1 4BJ

Consolidated & College Statement of Comprehensive Income
For the year ended 31 July 2017

		Consolidated		College	
	Note	**2017 £000**	**2016 £000**	**2017 £000**	**2016 £000**
Income					
Funding council grants	3	30,727	30,327	30,727	30,327
Tuition fees and education contracts	4	5,840	5,824	5,840	5,824
Other grants and contracts	5	1,365	1,198	1,333	1,155
Other income	6	1,938	1,904	1,687	1,632
Investment income	7	4	9	8	14
Donations and endowments	8	380	-	380	-
Total income		**40,254**	**39,262**	**39,975**	**38,952**
Expenditure					
Staff costs	9	27,959	26,598	27,885	26,528
Fundamental restructuring costs	9	317	-	317	-
Other operating expenses	11	9,191	9,623	8,997	9,518
Depreciation	12	4,561	4,834	4,561	4,834
Interest and other finance costs	11	728	633	728	633
Total expenditure		**42,756**	**41,688**	**42,488**	**41,513**
(Deficit)/Surplus before other gains losses and share of operating surplus or deficit of associates		**(2,502)**	**(2,426)**	**(2,513)**	**(2,561)**
Loss on disposal of fixed assets		(34)	-	(34)	-
Share of operating surplus/(deficit) in associate	25	-	-	-	-
(Deficit)/Surplus before taxation		**(2,536)**	**(2,426)**	**(2,547)**	**(2,561)**
Actuarial (loss)/gain in respect of pension scheme		1,078	(8,727)	1,078	(8,727)
Unrealised (deficit) on revaluation of tangible fixed assets		-	-	-	-
Total comprehensive income for the year		**(1,458)**	**(11,153)**	**(1,469)**	**(11,288)**

For the year ended 31 July 2017

		Consolidated		College	
	Note	**2017 £000**	**2016 £000**	**2017 £000**	**2016 £000**
Represented by:					
Endowment comprehensive income for the year		-	-	-	-
Restricted comprehensive income for the year		-	-	-	-
Unrestricted comprehensive income for the year		(1,458)	(11,153)	(1,469)	(11,288)
		(1,458)	**(11,153)**	**(1,469)**	**(11,288)**
(Deficit)/Surplus for the year attributable to:					
College		(2,536)	(2,426)	(2,547)	(2,561)
		(2,536)	**(2,426)**	**(2,547)**	**(2,561)**
Total comprehensive (expenditure)/income for the year attributable to:					
College		(1,458)	(11,153)	(1,469)	(11,288)
		(1,458)	**(11,153)**	**(1,469)**	**(11,288)**

The income and expenditure account is in respect of continuing activities.

The Statement of Comprehensive Income is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 2 provides details of the adjusted operating position on a Central Government accounting basis.

The accompanying notes form part of these financial statements.

Consolidated & College Statement of Changes in Reserves
For the year ended 31 July 2017

	Income expenditure reserves			Revaluation	Total
	Endowment	Restricted	Unrestricted	reserve	
Consolidated	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 August 2015	**-**	**308**	**1,370**	**13,588**	**15,266**
Surplus/(Deficit) from the income and expenditure statement	-	-	(2,426)	-	(2,426)
Other comprehensive income	-	-	(8,727)	-	(8,727)
Transfers between revaluation and income and expenditure reserve	-	-	918	(918)	-
Release of restricted funds spent in year	-	(308)	308	-	-
Total comprehensive income for the year		-	(9,927)	(918)	(11,153)
Balance at 1 August 2016	**-**	**-**	**(8,557)**	**12,670**	**4,113**
Surplus/(Deficit) from the income and expenditure statement	-	-	(2,536)	-	(2,536)
Other comprehensive income	-	-	1,078	-	1,078
Transfers between revaluation and income and expenditure reserve	-	-	918	(918)	-
Release of restricted funds spent in year	-	-	-	-	-
Total comprehensive income for the year	-	-	(540)	(918)	(1,458)
Balance at 31 July 2017	**-**	**-**	**(9,097)**	**11,752**	**2,655**

College					
Balance at 1 August 2015		**308**	**1,471**	**13,588**	**15,367**
Surplus/(Deficit) from the income and expenditure statement	-	-	(2,561)	-	(2561)
Other comprehensive income	-	-	(8,727)	-	(8,727)
Transfers between revaluation and income and expenditure reserve	-	-	918	(918)	-
Release of restricted funds spent in year	-	(308)	308	-	-
Total comprehensive income for the year	-	(308)	(10,062)	(918)	(11,288)
Balance at 1 August 2016	**-**	**-**	**(8,591)**	**12,670**	**4,079**
Surplus/(Deficit) from the income and expenditure statement	-	-	(2,547)	-	(2,547)
Other comprehensive income	-	-	1,078	-	1,078
Transfers between revaluation and income and expenditure reserve	-	-	918	(918)	-
Release of restricted capital spent in year	-	-	-	-	-
Total comprehensive income for the year	-	-	(551)	(918)	(1,469)
Balance at 31 July 2017	**-**	**-**	**(9,142)**	**11,752**	**2,610**

Consolidated & College Balance Sheet
As at 31 July 2017

		Consolidated		College	
	Note	2017 £000	2016 £000	2017 £000	2016 £000
Non-current assets					
Fixed assets	**12**	64,380	68,043	64,380	68,043
Investment in associate		-	-	-	-
		64,380	**68,043**	**64,380**	**68,043**
Current assets					
Stocks		20	17	17	14
Trade & other receivables	**13**	2,052	1,584	2,031	1,573
Cash and cash equivalents		2,313	3,206	2,228	3,160
		4,385	4,807	4,276	4,747
Creditors: amounts falling due within one year	**14**	6,800	6,803	6,736	6,777
Net current liabilities		**(2,415)**	**(1,996)**	**(2,460)**	**(2,030)**
Total assets less current liabilities		**61,965**	**66,047**	**61,920**	**66,013**
Less: Creditors falling due after more than one year	**15**	38,689	41,411	38,689	41,411
Net assets excluding pension liability		**23,276**	**24,636**	**23,231**	**24,602**
Net pension liability	**16**	20,621	20,523	20,621	20,523
Total net assets		**2,655**	**4,113**	**2,610**	**4,079**
Restricted reserves					
Income and expenditure reserve – restricted reserve			**-**	-	
Unrestricted reserves					
Income and expenditure reserve – unrestricted		**(9,097)**	**(8,557)**	(9,142)	(8,591)
Revaluation reserve		**11,752**	**12,670**	11,752	12,670
Total reserves		**2,655**	**4,113**	**2,610**	**4,079**

The financial statements on pages 30-58 were approved and authorised for issue by the Board of Management on 12 December 2017 and signed on its behalf by:

Angela McCusker– Chair

Catriona Blake – Vice Principal

Grant Ritchie - Principal

Consolidated Statement of Cash Flows
For the year ended 31 July 2017

	Note	2017 £000	2016 £000
Cash flow from operating activities			
(Deficit) for the year		(2,536)	(2,426)
Adjustment for non-cash items			
Depreciation	12	4,561	4,834
(Increase) in stocks		(3)	(2)
(Increase)/Decrease in debtors		(469)	2,112
Increase/(Decrease) in creditors		28	(943)
Pension costs less contributions payable		1,177	587
Share of operating surplus/(deficit) in associate		-	-
Adjustment for investing or financing activities			
Investment income	7	(4)	(9)
Interest payable	11	216	238
Gain on the sale of fixed assets		34	-
Release of deferred capital grants		(2,834)	(3,041)
Net cash inflow from operating activities		**170**	**1,350**
Cash flow from investing activities			
Proceeds from sale of fixed assets		7	-
Proceeds from sale of assets held for disposal		-	-
Investment income		4	9
Deferred capital grants received		648	797
Non-government capital grants		-	-
Payments made to acquire fixed assets		(939)	(1,106)
Net cash outflow from investing activities		**(280)**	**(300)**
Cash flow from financing activities			
Interest paid		(216)	(234)
Repayments of amounts borrowed		(567)	(571)
Net cash outflow from financing activities		**(783)**	**(805)**
(Decrease)/Increase in cash and cash equivalents in the period		**(893)**	**245**
Cash and cash equivalents at beginning of the period		**3,206**	**2,961**
Cash and cash equivalents at end of the period		**2,313**	**3,206**

Notes to the Accounts

1 Statement of Principal Accounting Policies

Charity Information The College was established under the Further and Higher Education Act 1992. The College is a registered charity (Scottish charity Number: SC021188) for the purposes of the Law Reform (Miscellaneous Provision) (Scotland) Act 2005. The registered office is Old Glamis Road, Dundee, DD3 8LE.

Basis of Preparation The financial statements are prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992, the Statement of Recommended Practice (SORP) 2015: Accounting in Further and Higher Education, and the The Financial Reporting Manual 2016-17 issued by HM Treasury and in accordance with applicable Accounting Standards, including Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006. 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.

Basis of Accounting The financial statements are prepared in accordance with 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 purpose 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.

The financial statements are presented in Sterling (£).

Significant judgements and estimates In the application of the Group's accounting policies, the Board of Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Board of Management rely on external professionals for certain assumptions;
- Independent Actuarial services for pension assumptions
- Independent Chartered Surveyors for Non-Current Asset valuations

Basis of Consolidation The consolidated financial statements for the Group bring together the financial statements of the College and its wholly owned subsidiary 'Gardyne Theatre Limited'.

Notes to the Accounts (continued)

<u>Investment in Subsidiaries</u> The consolidated financial statements incorporate the financial statements of the college and entities controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

<u>Investment in Associates</u> Investments in associates are recognised initially in the consolidated statement of financial position at the transaction price and subsequently adjusted to reflect the group's share of the profit or loss, total comprehensive income and equity of the associate, less any impairment.

Where the group's cost of acquisition is equal to the share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition, no goodwill will be recognised (as part of the investment in the associate) or amortised. Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the college has incurred legal or constructive obligations or has made payments on behalf of the associate.

<u>Recognition of Income</u> Income from the sale of goods or services is credited to the Consolidated 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 Consolidated Statement of Income and Comprehensive 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 investments is credited to the statement of income and expenditure on a receivable basis.

Funds the College receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure account

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

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

Notes to the Accounts (continued)

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

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

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

There are four main types of donations and endowments 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. The funds will be held in deferred income under creditors until conditions are met.

European Funded Projects Advances received in respect of European Funded projects, along with any relevant provisions against non-payment of claims or claw back of claims paid, are offset against the total European funding debtor in the Balance Sheet.

Maintenance of Premises Property maintenance is carried out as a result of surveys, ongoing inspections and in accordance with the College Estates Strategy. The cost of the maintenance is charged to the income and expenditure account in the year in which it is incurred.

Pension Schemes The College participates in two multi-employer defined benefit pension schemes.

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency. The College is unable to identify its share of the underlying assets and liabilities of the STSS and therefore, as required by FRS 102, accounts for its participation in the STSS as if it were a defined contribution scheme. Contributions are charged to the income and expenditure account as they arise. This is expected to result in the pension cost being a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit basis.

Non-teaching staff may join the Tayside Superannuation Scheme which is administered by Dundee City Council and which requires contributions to be made to its number 1 fund. The Fund is a defined benefit pension scheme, contracted out of the State Earnings-Related Pension Fund. Benefits are provided based on length of service, together with final pensionable pay to 31 March 2015 and Career Average Revalued Earnings thereafter. Assets and Liabilities of the Fund are held separately from those of the College. Fund assets are measured using market values. Fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Contributions to the Fund are calculated so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary on the basis of triennial valuations using the Age Attained Method. The actuaries also review the progress of the scheme in each of the intervening years. Variations from regular costs are spread over the expected average remaining working lifetime of members of the Fund, after making allowances for future withdrawals. The expected cost of providing staff pensions to employees contributing to the Fund is recognised in the Income and Expenditure Account on a systematic basis over the expected average remaining lives of members of the Fund in accordance with FRS 102 and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

<u>Employment Benefits</u> 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.

<u>Tangible Fixed Assets</u>

(a) <u>Land and Buildings</u>

Land and buildings inherited from the local education authority, inherited but not in use for education purposes and other acquired land and buildings since incorporation are stated in the balance sheet at valuation. Land is not depreciated.

Buildings are depreciated over their expected useful economic life within the following major components:

Buildings and main sub-structure	50 years
Internal structure/Mechanical & Electrical	25 years
Internal Fixtures & Property Improvements	10 years
Information & Communications Infrastructure	5 years

Property improvements are depreciated on a straight line basis over ten years.

Depreciation is revised to amortise building components over remaining economic life when this has been identified as part of the revaluation process described below.

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

Where land and buildings are acquired with the aid of specific Government grants, the related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July 2017. They are not depreciated until they are brought into use.

(b) Property Revaluation

In accordance with the 2016-17 Government Financial Reporting Model (FReM) issued by the Scottish Government, the tangible fixed assets are required to be valued on the current value basis.

(c) Subsequent Expenditure on Existing Fixed Assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or the reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

(d) Equipment

Equipment costing less than £25,000 (inclusive of VAT) per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

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

Heavy plant	10 years
Light plant and equipment	5 years
Motor vehicles	4 years
Computer equipment	3 years

Where equipment is acquired with the aid of specific Government grants, the related grant is credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Equipment acquired by Non-Government Grants is carried at depreciated historical cost, which is used as a proxy for fair value. Depreciated historical cost is deemed to be more appropriate than revaluing for equipment as it is common for such assets to reduce in value, rather than increase, as they are utilised by the College.

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. Assets held under finance leases are depreciated over their useful life.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The lease rentals are treated as consisting of capital and interest. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the income & expenditure account in proportion to the reducing capital element outstanding.

Leases not meeting the criteria of a finance lease are treated as an operating lease. Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Debtors Debtors are measured at transaction price, less any impairment, unless the arrangement represents a financing transaction. If the arrangement constitutes a financing transaction, the college measures the financial asset at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Loan receivables are measured initially at the present value of cash receivable, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Financial assets identified as non-basic will be measured at fair value.

Creditors Short Term Creditors are measured at transaction price.

Other financial liabilities, including bank loans are measured initially at the present value of cash payable, and are measured subsequently at amortised cost using the effective interest method.

Financial liabilities identified as non-basic will be measured at fair value.

Agency Arrangements The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the College Income and Expenditure Account, and movements have been disclosed in the notes to the accounts. 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, the income and expenditure related to those funds are shown in the College Income and Expenditure Account.

Taxation The College is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable organisation for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt from VAT.

The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation, although where profits are transferred by gift aid corporation tax will not be liable.

Provisions are recognised when the College has a present, legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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.

		Consolidated		**College**	
2	**Government Non-cash allocation for depreciation**	**2017 £000**	**2016 £000**	**2017 £000**	**2016 £000**
	Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	(2,502)	(2,426)	(2,513)	(2,561)
	Add back: Non-cash allocation for depreciation (net of deferred capital grant)	1,440	1,564	1,440	1,564
	Operating surplus/(deficit) on Central Government accounting basis	**(1,062)**	**(862)**	**(1,073)**	**(997)**

Following reclassification, colleges received additional non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. As a result, colleges show a deficit equivalent to net depreciation (where funds are spent on revenue items) in order to meet Government accounting rules and the requirement to spend the entire cash allocation.

Under the FE/HE SORP, the college recorded a consolidated operating deficit of £2,502,000 for the year ended 31 July 2017. After taking account of the Government non-cash budget, the college shows an “adjusted” consolidated deficit of £1,062,000 on a Central Government accounting basis.

Note		Consolidated		College	
3	**Scottish Funding Council grants**	**2017 £000**	**2016 £000**	**2017 £000**	**2016 £000**
	SFC recurrent grant	24,285	23,368	24,285	23,368
	SFC childcare funds	1,216	1,179	1,216	1,179
	Release of deferred capital grants	2,622	2,829	2,622	2,829
	Other SFC grants	2,604	2,951	2,604	2,951
		30,727	**30,327**	**30,727**	**30,327**

		Consolidated		College	
4	**Tuition Fees and Education Contracts**	**2017 £000**	**2016 £000**	**2017 £000**	**2016 £000**
	FE fees - UK & EU	898	1,021	898	1,021
	FE fees – non EU	84	103	84	103
	HE fees	3,043	3,010	3,043	3,010
	Education contracts	1,784	1,673	1,784	1,673
	Other contracts	31	17	31	17
		5,840	**5,824**	**5,840**	**5,824**

		Consolidated		College	
5	**Other Grants and Contracts**	**2017 £000**	**2016 £000**	**2017 £000**	**2016 £000**
	European funds	207	111	207	111
	Releases of deferred capital grants (non SFC)	212	211	212	211
	Other grant income	946	876	914	833
		1,365	**1,198**	**1,333**	**1,155**

Note

		Consolidated		College	
		2017	2016	2017	2016
6	**Other Income**	**£000**	**£000**	**£000**	**£000**
	Residences, catering and conferences	1,135	1,231	1,100	1,184
	Other income-generating activities	783	650	567	425
	Other income	20	23	20	23
		1,938	**1,904**	**1,687**	**1,632**

		Consolidated		College	
		2017	2016	2017	2016
7	**Investment Income**	**£000**	**£000**	**£000**	**£000**
	Interest receivable	4	9	8	14
		4	**9**	**8**	**14**

		Consolidated		College	
8	**Donations and Endowment**	**2017**	**2016**	**2017**	**2016**
		£000	**£000**	**£000**	**£000**
	Donations	380	-	380	-
		380	**-**	**380**	**-**

A donation of £380,000 was received from Dundee and Angus Foundation, following a successful bid by the College to support a significant ICT project.

		Consolidated		College	
		2017	2016	2017	2016
9	**Staff Costs**	**£000**	**£000**	**£000**	**£000**
	Wages and salaries	21,504	21,088	21,437	21,024
	Social security costs	2,006	1,638	2,003	1,636
	Other pension costs	4,449	3,872	4,445	3,868
	Fundamental restructuring costs	317	-	317	-
		28,276	**26,598**	**28,202**	**26,528**

Staff Costs (continued)	Consolidated 2017 £000	Consolidated 2016 £000	College 2017 £000	College 2016 £000
Academic/teaching departments	16,848	16,475	16,848	16,475
Academic/teaching services	442	427	442	427
Administrative and central services	8,469	7,519	8,395	7,449
Premises	1,516	1,529	1,516	1,529
Catering and residences	684	648	684	648
Sub-total	27,959	26,598	27,885	26,528
Fundamental restructuring costs	317	-	317	-
	28,276	**26,598**	**28,202**	**26,528**

Pension liabilities to present and former staff of £1,068,000 (2016: £604,000) and the Apprenticeship Levy of £31,000 (2016: £nil) have been included within the category of Administrative and central services.

The average number of full-time equivalent employees (including higher paid employees) during the period was:

	Consolidated		College	
	2017 Number	2016 Number	2017 Number	2016 Number
Academic/teaching departments	381	367	381	367
Academic/teaching services	16	16	16	16
Administrative and central services	208	211	206	209
Premises	59	62	59	62
Catering and residences	30	31	30	31
Total	**694**	**687**	**692**	**685**

The introduction of National Pay Bargaining last year has resulted in pay awards being determined for each fiscal year, rather than the financial year. Consequently, there were two awards which impacted upon the year, the first being effective from 1 April 2016, when staff received the greater of 1% or £450 consolidated. £100 was also paid to both Academic and Support Staff retrospectively during 2016/17 fiscal year, and this £100 was consolidated from 1 April 2017. From 1 April 2017, unpromoted Academic Staff have moved in line with the salary scales to be reached by April'19 agreed through the National Pay Bargaining Equalisation process. The promoted Academic Staff pay award is still under negotiation and a provision has been made for the final four months of this year. From 1 April'17 Support Staff received the greater of 1% or £425.

Members of the College Executive and Senior Leadership Team also received the greater of 1% or £450 from 1 April 2016. The pay award from 1 April 2017 has yet to be determined.

The number of staff, including the Principal, who received emoluments in the following ranges (above a threshold of £60,000) was:

	Senior Staff		Other Staff	
	2017	2016	2017	2016
£60,001 - £70,000	-	-	4	3
£80,001 - £90,000	4	3	-	-
£120,001- £130,000	-	-	-	-
£130,001- £140,000	1	1	-	-
	5	4	4	3

10	Senior Post-Holders' Emoluments	Year to 31 July 2017 Number	Year to 31 July 2016 Number
	The number of senior post-holders including the Principal was:	12	15
	Senior post-holders' emoluments are made up as follows:		
		£000	£000
	Salaries	882	916
	Pension contributions	151	152
	Total emoluments	1,033	1,068

The above emoluments are for Key Management Personnel and include amounts payable to the Principal (who was the highest paid senior post-holders) of:

	Year to 31 July 2017 £000	Year to 31 July 2016 £000
Salary	130	125
Pension contributions	22	21
	152	146

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Scottish Teachers' Superannuation Scheme or Local Government Superannuation Scheme, and are paid at the same rate as for other employees.

Other than as stated above, no member of staff received any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Compensation for the loss of office paid to senior post holders:

	Year to 31 July 2017 £000	Year to 31 July 2016 £000
Compensation for the loss of office paid to senior post holders	56	21

Note		Consolidated		College	
		2017	2016	2017	2016
11	**Other Operating Expenses**	£000	£000	£000	£000
	Academic/teaching departments	1,153	1,257	1,153	1,257
	Academic/teaching services	92	144	92	144
	Administration and central services	3,512	3,336	3,513	3,475
	Premises costs	2,391	2,663	2,391	2,663
	Catering and residence operations	525	593	515	576
	Other Income Generating Activities	185	227	-	-
	SFC Childcare funds	1,216	1,179	1,216	1,179
	Agency staff costs	117	224	117	224
	Total	**9,191**	**9,623**	**8,997**	**9,518**

	Consolidated		College	
	2017	2016	2017	2016
	£000	£000	£000	£000
Other operating expenses include:				
External Auditor's remuneration				
- In respect of these financial statements	25	31	23	29
Internal Auditor's remuneration				
- internal audit	8	8	8	8
- other services	4	11	4	11

Interest and Other Finance Costs	**2017 £000**	**2016 £000**	**2017 £000**	**2016 £000**
Loan	216	238	216	238
Pension	512	395	512	395
	728	**633**	**728**	**633**

12 Tangible Assets — Consolidated & College

	Land and Buildings			
	Feuhold £000	**Assets in the course of construction £000**	**Equipment £000**	**Total £000**
Valuation/Cost				
At 31 July 2016	94,355	16	6,809	101,180
Additions	123	-	816	939
Transfers	-	(16)	16	-
Disposals	-	-	(439)	(439)
At 31 July 2017	**94,478**	**-**	**7,202**	**101,680**
Depreciation				
At 31 July 2016	28,201	-	4,936	33,137
Charge for year	3,959	-	602	4,561
Disposals	-	-	(398)	(398)
At 31 July 2017	**32,160**	**-**	**5,140**	**37,300**
Net Book Value				
At 31 July 2016	66,154	16	1,873	68,043
At 31 July 2017	**62,318**	**-**	**2,062**	**64,380**

Feuhold Land and Buildings with a net book value of £27,733,000 have been financed by exchequer funds. These assets can only be sold in accordance with the terms of the Procedure Notes for the Disposal of Exchequer-Funded Assets and the Retention of Proceeds by FE Colleges.

Land and Buildings were revalued at 31 July 2015 at depreciated replacement cost by a firm of independent chartered surveyors.

The carrying value of the revalued assets, had they not been revalued, would have been:

	Feuhold 2017 £000	**Feuhold 2016 £000**
Cost	79,435	79,312
Aggregate depreciation based upon cost	(29,009)	(25,968)
Net book value	50,426	53,344

13 Debtors

	Consolidated		College	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade Debtors	273	305	260	300
Prepayments / Accrued Income	1,779	1,279	1,771	1,273
	2,052	**1,584**	**2,031**	**1,573**

Debtors include £15,000 (2016: £16,000) due from the Funding Council.
College Debtors includes £48,000 (2016: £nil) due from subsidiary.

14 Creditors: amounts falling due within 1 year

	Consolidated		College	
	2017 £000	2016 £000	2017 £000	2016 £000
Deferred income and payments received in advance	1,055	1,181	1,054	1,179
Trade creditors	591	521	580	515
Other creditors	133	112	132	110
Other tax and Social Security	571	536	571	530
Accruals	1,200	941	1,149	931
Bursaries and Access Funds for future disbursement	2	233	2	233
Bank Term Loan	567	567	567	567
Deferred Capital Grant	2,681	2,712	2,681	2,712
	6,800	**6,803**	**6,736**	**6,777**

Creditors includes £346,000 (2016: £567,000) relating to Funding Council grants.

15 Creditors: amounts falling due after 1 year

	Consolidated		College	
	2017 £000	2016 £000	2017 £000	2016 £000
Deferred Capital Grant	33,007	35,162	33,007	35,162
Bank Term Loan	5,682	6,249	5,682	6,249
	38,689	**41,411**	**38,689**	**41,411**

		Consolidated		College	
15	**Creditors: amounts falling due after 1 year (continued)**	**2017 £000**	**2016 £000**	**2017 £000**	**2016 £000**
	Analysis of borrowings				
	Bank loans are repayable as follows:				
	Between one and two years	567	567	567	567
	Between two and five years	1,703	1,703	1,703	1,703
	In five years or more	3,412	3,979	3,412	3,979

Initially borrowed as a revolving credit facility, on 29th June 2012 this sum transferred to a term loan repayable over 15 years commencing July 2014 at £571,428 per annum. Amount repayable within one year is shown within Creditors: amounts falling due within one year.

16 Pension and Similar Obligations

The College's employees belong to two principal pension schemes; the Scottish Teachers' Superannuation Scheme (STSS) and the Local Government Pension Scheme (LGPS).

The total pension contributions paid for the period was £3,378,000 (2016: £3,262,000).

	2017 £000	2016 £000
STSS: contributions paid	2,075	2,017
LGPS: contributions paid	1,303	1,245
Total pension contributions paid for the year	**3,378**	**3,262**

Scottish Teachers' Superannuation Scheme - The STSS scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purposes of determining contribution rates.

Under the definitions set out under FRS 102, the STSS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has accounted for its contributions as if it were a defined contribution scheme.

The employer contribution increased to 17.2% on 1 September 2015.

Local Government Pension Scheme - The LGPS is a defined benefit statutory scheme, with the assets held in separate trustee administered funds. It currently provides benefits based on career average revalued earnings. The scheme is subject to triennial valuations by independent actuaries, with the most recent valuation being carried out as at 31 March 2014. The employer contribution was set at 17% on 1 April 2017.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2017 £000	**%**	**2016 £000**	**%**
Equities	35,005	71	28,992	69
Gilts	3,293	7	2,214	5
Other Bonds	5,229	11	5,458	13
Property	4,973	10	4,822	12
Cash	616	1	475	1
Total	**49,116**	**100**	**41,961**	**100**

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2017	**2016**
Discount rate at 31 July	2.7%	2.6%
Future salary increases	3.7%	4.0%
Future pension increases	2.7%	2.2%
Life expectancy from age 65 years:		
Non-pensioners:		
Male	21.5	21.3
Female	23.5	23.3
Pensioners (retiring in 20 years):		
Male	23.7	23.5
Female	25.8	25.6

Balance Sheet position Net Pension Asset as at:	**2017** **£000**	**2016** **£000**
Present value of the defined benefit obligation	(64,245)	(56,901)
Fair value of Fund assets (bid value)	49,116	41,961
Deficit	(15,129)	(14,940)
Present value of unfunded obligation	(5,492)	(5,583)
Unrecognised past service cost	-	-
Impact of asset ceiling	-	-
Net defined benefit liability	(20,621)	(20,523)

Amounts recognised in the Income and Expenditure Account	**2017** **£000**	**2016** **£000**
Service cost	2,364	1,847
Net interest on the defined (liability) / asset	512	395
Administration expenses	22	21
Total cost	**2,898**	**2,263**

Asset and benefit obligation reconciliation

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2017 **£000**	**2016** **£000**
Opening defined benefit obligation	62,484	49,211
Current service cost	2,314	1,847
Interest cost	1,611	1,843
Change in financial assumptions	4,362	11,055
Change in demographic assumptions	-	-
Experience loss/(gain) on defined benefit obligation	(14)	(13)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(1,119)	(1,485)
Past service cost, including curtailments	50	-
Contributions by scheme participants and other employers	453	438
Unfunded pension payments	(404)	(412)
Closing defined benefit obligation	**69,737**	**62,484**

Changes in the fair value of scheme assets

Reconciliation of opening and closing balances of the fair value of scheme assets	**2017 £000**	**2016 £000**
Opening fair value of scheme Assets	41,961	38,002
Interest on assets	1,099	1,448
Return on assets less interest	5,426	2,315
Other actuarial (losses)	-	-
Administration expenses	(22)	(21)
Contributions by employer included unfunded	1,722	1,676
Contributions by scheme participants and other employers	453	438
Estimated benefits paid unfunded net of transfers in	(1,523)	(1,897)
Fair value of scheme assets at end of period	**49,116**	**41,961**

The total return on the fund assets for the year to 31 July 2017 is £6,525,000

Re-measurements in other comprehensive income

Re-measurement of the net assets / (defined liability):

	2017 £000	**2016 £000**
Return on Fund assets in excess of interest	5,426	2,315
Other actuarial gains/(losses) on assets	-	-
Change in financial assumptions	(4,362)	(11,055)
Change in demographic assumptions	-	-
Experience gain/(loss) on defined benefit obligation	14	13
Changes in effect of asset ceiling	-	-
Re-measurement of the (defined liability)/net assets	**1,078**	**(8,727)**

17	Capital Commitments	2017 £000	2016 £000
	Commitments contracted for at period end	-	19
	Commitments entered into but not yet contracted for at period end	-	285

18	Financial Commitments	2017 £000	2016 £000
	At period end the College had annual commitments		**Restated**
	under operating leases as follows:		
	Payable During the year		
	Land and Buildings	77	72
	Plant and Machinery	3	5
	Others	71	106
		151	**183**
	Land and Buildings		
	Not later than 1 year	75	74
	Later than 1 year and not later than 5 years	246	245
	Later than 5 years	404	465
		725	**784**
	Plant and Machinery		
	Not later than 1 year	-	3
	Later than 1 year and not later than 5 years	-	-
	Later than 5 years	-	-
		-	**3**
	Others		
	No later than 1 year	69	101
	Later than 1 year and not later than 5 years	247	46
	Later than 5 years	-	-
		316	**147**

The Forfar Lease within Land & Buildings is restated to the correct number of years remaining.

19 Post Balance Sheet Events

No Post Balance Sheet Events have had a material effect on the Annual Accounts.

20 Contingent Liability

Full provision has been made for all known liabilities. There were no contingent liabilities at 31 July 2017.

21 Related Party Transactions

The Board of Management of Dundee and Angus College is a body incorporated under the Further and Higher Education (Scotland) Act 1992 sponsored by the Scottish Funding Council (SFC), who in turn are sponsored by the Scottish Government Employability, Skills and Lifelong Learning Directorate (SGESLLD).

SGESLLD is regarded as a related party. During the period the College had various material transactions with other entities for which SGESLLD is regarded as the sponsor Department, viz; Students Awards Agency for Scotland and Scottish Enterprise Tayside and SFC.

In addition Dundee and Angus College has had a number of material transactions with other Government Departments and other central government bodies.

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

Member	Organisation
Mike Galloway	Dundee City Council
Steven Watt	University of St Andrews
Pamela Milne	University of Dundee
Margo Williamson	Angus Council
Steven Mill	Angus Council
Wendy Loudon	NHS Tayside
Trisha Pirie	Scottish Enterprise
Donna Fordyce	Scottish Enterprise

Due to the nature of the College's operations and the composition of the 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 College's Board of Management or key Managers of the College may have an interest. All transactions involving organisations in which a member of the Board of Management or a key Manager of the College may have a material interest are conducted at arm's length in accordance with normal project and procurement procedures, and their involvement is recorded in the published Register of Members' Interests.

There were no transactions during the year ended 31 July 2017 with non-public bodies in which any member of the Board of Management or key Manager of the College has an interest and which in aggregate exceeded £5,000.

The following transactions were between the college wholly owned subsidiary, Gardyne Theatre Ltd, and Gardyne Theatre Ltd.'s associate, Johmci 1 Ltd.

Volume of Activity: £672
Balance at 31 July: £0

College Board Member George Robertson is a director of Johmci 1 Ltd.

22 Bursaries and other student support funds		**Year ended 31 July 2017**			**Year ended 31 July 2016**
	FE Bursary £000	**EMA's £000**	**Other £000**	**Total £000**	**Total £000**
Balance b/fwd	147	41	27	**215**	**272**
Allocation received	5,662	411	530	**6603**	**6,721**
Expenditure	(6,036)	(457)	(399)	**(6,892)**	**(6,506)**
Repaid to Funding body as Clawback	(145)	-	(27)	**(172)**	**(272)**
College Contribution to Funds	327	-	-	**327**	**-**
Virements	45	-	(129)	**(84)**	**-**
Balance c/fwd	**-**	(5)	2	**(3)**	**215**
Represented by :					
Repayable to Funding body as clawback	-	(5)	2	**(3)**	**215**
Retained by College for students	-	-	-	-	-

Repayments to Funding body as clawback within the year relate to a surplus of funds available from the prior year. College Contribution to Funds was necessary to meet a shortfall of funding available for the current year.

Grants and bursary funds received from both SFC and the Students Award Agency for Scotland are available solely for students; the College acts only as paying agent. The funds and related disbursements are therefore excluded from the Income and Expenditure Account, with the exception noted below.

In accordance with Accounts Direction for 2016/17 issued by the SFC, Further Education Childcare Funds have been included in the Income and Expenditure Account. The Childcare funds reported in Note 22 below now incorporate both Higher and Further Education funds.

23 FE & HE Childcare Funds

	Year Ended 31 July 2017 £000	Year Ended 31 July 2016 £000
Balance b/fwd	8	13
Allocation received	1,132	1,187
Expenditure	(1,216)	(1,179)
Repaid to Funding body as clawback	(8)	(13)
Virements	84	-
Balance c/fwd	**-**	**8**
Represented by:		
Repayable to Funding body as clawback		**8**
Retained by College for students	-	-

24 Subsidiary Undertakings

Details of the subsidiary company, which is registered in Scotland and 100% owned by the College, is as follows:

Company	Principal Activity
Gardyne Theatre Limited	Promotion of performing arts

The company has no share capital, but is limited by guarantee. The ultimate controlling party is Dundee and Angus College, the only member, and control is exercised by virtue of the provisions of the Memorandum and Articles of Association.

The trading results of the subsidiary have been included in the consolidated results.

25 Associate Undertakings

Details of the associate company, which is registered in Scotland and 48% owned by the wholly owned subsidiary (Note23) of the College, are as follows:

Company	**Principal Activity**
Johmci 1 Limited	Promotion of performing arts

Year End	**Capital & Reserves**	**Profit/Loss**
31 July 2017	Not Available	Not Available

The Associate Company prepared dormant accounts to 31st July 2015 but has not prepared the accounts to 31st July 2016 or 31st July 2017. The Directors are satisfied from the management accounts provided that a loss has been incurred. The College is not liable for any portion of this loss.

FRS102 allows the College to use the cost model for accounting for investments in associates, but does require disclosure of the impact on the College should the equity method be applied. With losses predicted for the Associate Company; under the equity method, the College would recognise the loss only to the extent that the cost of investment is written down to zero; being £48.

During the year, the Associate Company changed its name from Jackie The Musical Limited.

Details of balances and transactions between Johmci 1 Limited and the rest of the group have been disclosed in Note 21.

Appendix - 1

2016-17 Accounts direction for Scotland's colleges

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

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

3 Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2016-17 (FReM) where applicable.

4 Incorporated colleges are also reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2017.

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

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

Scottish Funding Council
30 June 2017