

# **Report and Financial Statements**

For the year ended 31 July 2019

Registered Charity No: SC021188



# Index

## CONTENTS

	<b>Page</b>
Performance Report	
Overview	3 – 10
Performance Analysis	10 – 14
Accountability Report:	
Corporate Governance Report	
Directors' Report	15 – 17
Statement of the Board of Management's Responsibilities	18 – 19
Governance Statement	20 – 28
Remuneration and Staff Report	29 – 33
Independent Auditor's Report	34 – 37
Professional Advisers	38
Consolidated & College Statement of Comprehensive Income	39 – 40
Consolidated & College Statement of Changes in Reserves	41
Consolidated & College Balance Sheet	42
Consolidated Statement of Cash Flows	43
Notes to the Accounts	44 – 67
Appendix 1 – 2018-19 Accounts Direction for Scotland's colleges	68

The financial statements were approved and authorised for issue by the Board of Management on 11 December 2019.

# Performance Report

## OVERVIEW

### Overview summary

This section of our financial statements is designed to give an overview of high level College performance and development during 2018/19. This information should be considered alongside other sections of these statements in understanding how our financial management and performance supports the College in achieving its high level outcomes.

### Statement from Principal

Dundee and Angus College is recognised as a top performing college in Scotland and has delivered sector leading outcomes for our learners on a consistent annual basis since merger in 2013. It is these performance outcomes that underpin the D&A College [#moresuccessfulstudents](#) social media activity.

The College produces an annual Regional Outcome Agreement (ROA) which summarises the planned activities of the College in return for the public funds that it receives from the Scottish Funding Council. This work is measured through a common national measurement plan that links together the key priorities of the College with overall national priorities and expresses these through a range of specific targets, measures and outputs. Progress in respect of all of this activity is summarised within the agreement document and is [published by the Scottish Funding Council](#).

Our academic performance remains strong for all ages and groups, and is particularly strong for younger learners and those from the most deprived communities.

To put this in context, our learners who come from the 10% most deprived postcode areas in Scotland (around 30% of our Dundee resident learners) achieved significantly higher than the Scottish average for learners from all socio-economic backgrounds. It is a similar picture for our younger learners, with those aged 18 and under performing at the highest level for any college in Scotland. In both cases, this performance helps to address the attainment gap within our communities, and supports more of our learners to progress and develop meaningful future careers.

The post course success of our learners is also strong, with over 95% moving on to a positive destination (employment or further study) following completion of their course. This performance is supported by our excellent links with local schools and universities and our extensive network of links and partnerships with business.

During 2018/19 the College has established active Stakeholder Advisory Boards for each area of the curriculum, with each Board contributing knowledge and expertise to support the future design and delivery of our curriculum, and expanding employment opportunities for our learners and adding value to our regional economy. Fourteen Stakeholder Advisory Boards are in place and meeting regularly, bringing together College staff with representatives from major local and national employers, specialist agencies and (where appropriate) university partners.

Dundee and Angus College plays a key role within our communities, and is integrated fully within our local Community Planning Partnerships (CPPs) and economic development forums. This includes direct engagement and input into the developing opportunities arising through the Tay Cities Deal.

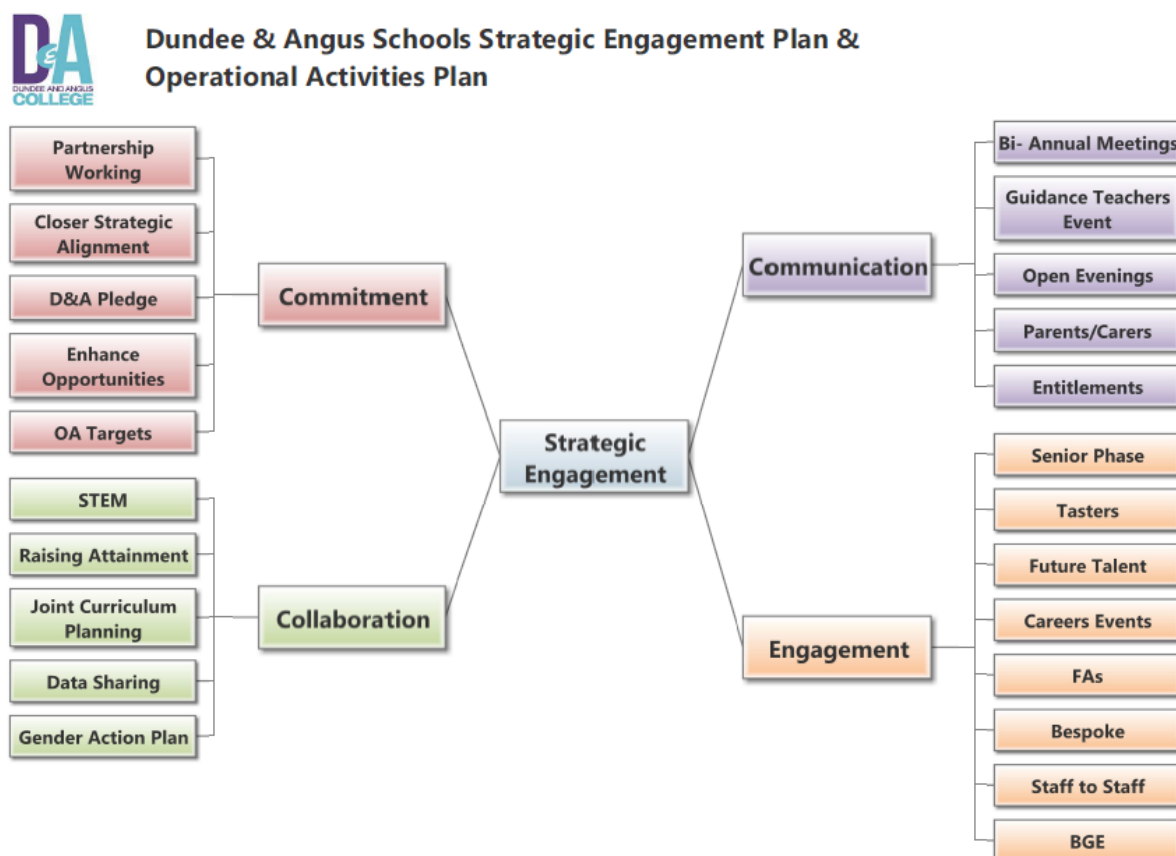
We lead on the development of the school/college curriculum and infrastructure to deliver on the Developing the Young Workforce strategy in our region and grew our activity with schools during

## Performance Report (continued)

2018/19 by around 30%. These developments have expanded the opportunities available to our young people and increased school leaver applications into College courses by c27%.

A particular success within this has been the growth in Foundation Apprenticeship opportunities by a staggering 550% from August 2018 to August 2019 (from a base of 40 to 260 in one year). This growth has resulted from increased successful bid for Foundation Apprenticeship places through Skills Development Scotland (SDS) for the Angus and Dundee local authority areas and has supported creation of opportunities within subject areas including: Civil Engineering; Engineering; Health & Social Care; Early Learning & Childcare; Food & Drink; Science & Technology; Accounting; Business; Creative & Digital Media; Networking & Cyber Security; and Software & Application Development.

This success has been driven by changes in the way we work with our schools and local authority partners, and during 2017/18 we revised our partnership approaches, using the innovation of service design to create our new Schools Engagement Plan.



This plan is supported by the creation of our new Academic Partnership Team (which has brought together College staff with specific responsibilities for the development and growth of school links, foundation apprenticeships and university articulation into a single team). This work is designed to maximise the partnership working and opportunities available from school to college, and runs in parallel with similar developments that are expanding the routes and opportunities that College learners have for University progression and articulation.

Work on our hugely innovative 'Good to Great' strategy and project has progressed throughout 2018/19, and has had a very significant and positive impact on the operation and performance of the College.

## Performance Report (continued)

'Good to Great' has impacted on almost every area of the College, resulting in new curriculum offers, revised services, systems and ways of working, and investment in staff skills and innovative approaches to learning.

Underpinning 'Good to Great' is a series of measures, metrics and outcomes, and I am pleased to report that through 2018/19 positive improvements have been achieved across all of these. Significant performance improvements achieved over the two years of the 'Good to Great' project include:

- Improvement in learner retention from 84.6% to 93.2%;
- Financial savings of c£1.5m, with a 15.2% increase in income per FTE;
- 3.7% improvement in student satisfaction;
- 17.6% improvement in staff engagement;
- 85% of College courses modernised;
- 50% reduction in processing time for student bursaries at peak times.

Details of overall performance on the 'Good to Great' project and the range of metrics underpinning this work are outlined within the detailed 'Good to Great' progress reports provided to each meeting of the Board of Management, <http://papers.dundeeandangus.ac.uk/>.

All of the outcomes reported through these financial statements are down to the commitment and hard work of our staff. This is not without its challenges, and through 2018/19 there have been a number of barriers impacting on the work that we do. This has included the national dispute and industrial action over academic staff pay and conditions, and the extensive time commitment required from support staff to progress with national job evaluation arrangements.

Work has progressed well to create and implement a new academic management structure across the College, with the final appointments in this structure being confirmed in August/September 2019. Any major structural change of this type is challenging, and it is recognised that it will take time for the new structure and ways of working to settle. To support this work, the College is embarking on an 18-month staff Continuing Professional Development (CPD) plan to support new promoted postholders and underpin the change process.

The College continues to invest in our infrastructure, prioritising investment in backlog maintenance whilst continuing to pursue options to regenerate the Kingsway campus.

At the end of 2017, the Scottish Funding Council published a condition survey of college estates which sets out the current levels of backlog maintenance and the potential cost of bringing estates up to an acceptable condition. The total cost identified for the three main campuses was £11.8m, excluding VAT and a range of costs including professional fees. If these are taken into account, the total would be expected to be in the region of £26m, just over 7% of the sector total of £363m.

Through the prudent utilisation of £2m of capital funds allocated for fiscal year 2018/19 we have progressed a range of priority projects, such as the fitting of energy-efficient replacement windows in the Kingsway Tower, extensive refurbishment of electrical infrastructure, and works to address significant issues with cladding in our Arbroath campus.

During 2018/19 the Board of Management approved a new Estates Strategy for the College and we continue to work closely with the Scottish Funding Council on our developing plans for the transformation of the Kingsway Campus. Following an exceptionally positive meeting in August 2019, SFC has provided very encouraging indications of the likelihood of being able to support the implementation of our Estates Strategy, including:

## **Performance Report (continued)**

- New build STEM Centre on the Kingsway Campus
- Kingsway Tower refurbishment
- Backlog maintenance of Arbroath, Gardyne and the Kingsway Campus
- Potential impact of the development of the centre of excellence on the Michelin site.

The Board has approved the expenditures required to complete the initial design work for the Kingsway Tower refurbishment, and a clear timeline is now in place to progress with this and the work necessary to develop outline business cases and funding bids for these major campus developments.

Work has also progressed through 2018/19 to further develop our environmental sustainability practices and address concerns in respect of the climate emergency. We are pleased to report that the College broke through the 50% reduction target in carbon usage during 2018/19, recording a 53% reduction since 2008.

During the year we also introduced a radical policy to reduce plastic waste, banning the use of disposable cups, introducing reverse vending machines, providing water dispensers and significantly reducing the availability of bottled water. Through this work c140,000 disposable cups have been removed from our waste stream alongside a further 20,000 plastic bottles in just one academic year. These reductions will continue into the future, significantly reducing our carbon usage and removing plastic waste from landfill and our oceans.

The College has secured funding via Transport Scotland's Switched on Towns and Cities Project for the outright purchase of 5 electric cars and 5 electric van. This equates to over £250k of funding over 2 years and will allow us to significantly increase our green fleet at the same time as removing the grey fleet from our vehicle stock. Our environmental sustainability work has been recognised nationally in awards submissions and shortlists.

Dundee and Angus College enjoys significant success across a wide range of activities and has been recognised nationally through a number of prestigious awards. During 2018/19 these have included:

- Our environmental sustainability work picked up a first place at the Scottish Resources Awards, recognising work undertaken to turn food waste into compost – work that has drawn the attention of colleges and universities from across the globe.
- College Development Network Awards - first prizes in the Digital Learning category for our Memory Media Dementia Project, and in the Essential Skills category for the D&A Attributes, and commendations in the Colleague of the Year, Employer Connections and Sustainability categories.
- College Development Network Awards - College of the Year Judges Award for the D&A Attributes.
- Scottish Qualifications Authority Awards - Highly Commended places in the SQA Champion and Partnership categories, and a first place for the Digital Mile in the Partnership category.
- Scottish Public Services Awards – The Campbell Christie Award for Reform in Public Services for the 'Good to Great' project and commended places in the Partnerships and Rising Star categories.
- UK Association of Colleges Beacon Awards - Commended award for partnership learning.

## Performance Report (continued)

- COSLA Community Sustainability Award along with Angus Council for the Angus Shared Apprenticeship Scheme.
- UK Lord Cullen Award for Innovation in Health and Safety – LOcHER Project.

## **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 15,000 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 2019-20:

1. To embed outcomes from our 'Good to Great' transformation, cementing the position of the College as one of the highest performing colleges nationally in the recruitment, retention, attainment and progression of our learners regardless of their backgrounds or entry point.

## **Performance Report (continued)**

2. To be a key contributor to the economic growth opportunities created by the Dundee Waterfront, Tay Cities Deal and other developments, providing a positive response to regional challenges in manufacturing and providing a skilled and work ready workforce to support jobs growth in areas such as hospitality, cultural tourism, energy and care sectors in partnership with employers, local authorities, and economic development agencies.
3. To deliver a comprehensive, innovative and forward looking curriculum that meets learner and economic needs, improves learner attainment, progression and employability, and embeds essential learner attributes in enterprise, digital skills and career management practice.
4. Contribute to a fair and just society by ensuring equal access and inclusive learning opportunities and services for all members of our community, meeting national ambitions for Care Experienced and other disadvantaged/under-represented groups and contributing fully to the achievement of the recommendations contained within A Blueprint for Fairness: The Final Report of the Commission on Widening Access.
5. Deliver the outcomes of Developing the Young Workforce – Scotland’s Youth Employment Strategy, working in close partnership with our local DYW Group, employers, schools and the university sector to deliver streamlined learning and skills opportunities that shorten learner journeys and enhance employment and progression opportunities.
6. Maintain a sustainable regional college through sound governance and effective environmental and financial management approaches that direct 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.

## **Social Matters**

As detailed above, one of the priority outcomes of Dundee and Angus College is to contribute to a fair and just society through the services we provide and through the way in which the College operates. The College operates a wide range of strategies, policies and approaches to underpin this commitment, including extensive work to address issues such as gender inequality within the curriculum. The College has clear strategies and targets to improve outcomes for carers, care experienced and estranged students. Developments during 2018/19 include the commencement of a significant Scottish Government funded project aimed at reducing child poverty within our communities.

Our governance codes, leadership excellence framework and fraud policy have strong anti-corruption and anti-bribery provisions and detailed operating procedures provide the checks and controls necessary to ensure that these commitments are met and evidenced in day-to-day operations.

## **Performance Report (continued)**

The College is a Living Wage Employer, and provides a wide range of support and benefits for staff.



During 2018/19 the College refreshed its Modern Slavery statement and procedures and has well established checks in place to avoid engaging with any organisation with serious organised crime connections. Guidance has been issued to staff on spotting and responding to human trafficking.

## Key Risks and Issues

The College identifies risks within its Strategic Risk Register as detailed below on page 26.

Critical within these risks is on-going financial sustainability. The College has reported concerns with regard to the anticipated future 'flat cash' settlements and the impact that this has on the ability of the College to meet its priority outcomes and aspirations.

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 remains challenging. 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 Forecast Return (FFR) submitted to the Scottish Funding Council in September 2019 projects the following cash position.

£000s	2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
Opening cash	1,172	2,149	1,886	1,814	1,316	573
Net cash flow/(outflow)	2,544	224	389	(37)	(283)	(627)
Loan repayment	(1,567)	(486)	(461)	(461)	(461)	(461)
Closing cash	2,149	1,886	1,814	1,316	573	<b>(515)</b>

As can be seen from this, even allowing for the anticipated reductions in staffing and other income and costs measures outlined within the FFR, the College is forecast to run out of cash in 2024. Mitigating the risk of this will include rationalisation of provision, further reductions in discretionary and non-discretionary spending, and the pursuit of new income streams.

## 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 Report (continued)

### Performance Summary

The Statement of Comprehensive Income shows a deficit for 2018-19 of £2.3m. However, this includes non-cash items such as depreciation and pension adjustments and, if these are excluded, there was a surplus of £2.8m.

After working capital movements, this resulted in a net cash inflow from operating activities of £2.7m, along with investing and financing cash outflows totalling £1.7m. The total net cash inflow of £1m resulted in a closing position of £2.1m.

Student credits are the measure of activity upon which College funding is based, with each credit representing 40 hours of learning for a student (irrespective of subject area, mode of delivery etc). Each College in Scotland has an annual credit target that must be achieved relative to the funding it receives. During 2018/19 the College successfully delivered student activity of 109,345 credits, exceeding the target of 109,308 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.

## PERFORMANCE ANALYSIS

### Methodology

Over recent years the Board of Management has developed and refined a series of Board and Committee metrics that it uses to monitor performance, the following metrics are produced for consideration at each Board meeting. These metrics draw on the balanced scorecard methodology and link together a number of data sources into a single high level report which is submitted to each Board meeting. Board papers can be accessed here: <http://papers.dundeeandangus.ac.uk/>. Where appropriate, this report includes comparison with benchmarks, for instance previous year or Regional Outcome Agreement target. A summary of performance on these measures is detailed below.

Measure	Comment on 2018/19 Performance
1. Student Successful Completion Rate (pass rates)	See Summary below
2. Early Withdrawal Rate	+ 1% improvement
3. Further Withdrawal Rate (to date)	+ 1.8% improvement
4. Post Course Destination Success rate	Static at 95%
5. Overall satisfaction score from most recent student survey	+2% improvement
6. Overall satisfaction score from SFC national student survey	-1.9% but above Scottish average
7. Forecast credit out-turn	Target achieved
8. Student Recruitment figures, FT and PT	Targets achieved
9. Employee Engagement and Happiness Indices	Engagement +12%, Happiness +1%
10. Employee Absence Rate (Lost time rate)	3.1%
11. Staff Headcount and FTE data	On target
12. Cash-backed surplus/deficit: year-end forecast v annual budget	See financial performance section
13. RIDDOR reportable accidents	Static at 3
14. Audits completed vs Planned	All completed on target

### Performance Report (continued)

The measures are intended to provide high level indications of College performance, with the detail resting with the relevant Board Committee: Audit and Risk; Finance & Property; Learning, Teaching & Quality; Human Resources & Development. At these individual

Committees further metrics are reviewed to provide a robust overview of real-time College performance and to alert Board members to any potential areas of concern.

## Financial Performance

The following table summarises the key performance metrics contained in the financial statements for the year to July 2019, along with comparatives for the previous year.

Metric	2018-19	2017-18
		£'000
Total comprehensive income	(5,524)	30,790
Consolidated surplus/(deficit)	(2,344)	(1,976)
Underlying operating surplus/(deficit), before loan repayment	2,820	698
Total net cash inflow/(outflow)	978	(1,141)
Cash balances	2,150	1,172
Accumulated reserves	27,921	33,445
Long-term loan outstanding	4,114	5,681
Pension liability	13,641	8,707
Tangible fixed assets	74,450	80,165

The consolidated result for the year is a deficit of £2,344k. 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 £2,820k for the year, compared with a surplus of £698k the previous year.

The College requires to generate an adjusted surplus of £567k in order to meet annual capital loan repayments. As can be seen from the table, after loan repayment and working capital adjustments, there was a net cash inflow of £978k. With a loan balance of £4,114k at 31 July 2019, there remain 9 annual repayments due before this liability is discharged.

Reserves are sitting at the year end at £27,921k, a reduction of £5,524k, being the value of Total Comprehensive Income. The net pension liability has increased by £4,934k as a result of changed assumptions on life expectancy, investment returns, and pension increases.

The net book value of fixed assets decreased during the year by £5,715k. There were no additions or disposals during the year.

## Student Outcomes

The College has works closely and positively with Education Scotland (EdS) and SFC under the national [‘How Good is Our College’](#) quality arrangements. This includes the development and publication of biennial quality reports and enhancement plans that are validated and published by SFC and EdS. Copies of these documents are available through the Education Scotland website. [Evaluative Report for 2017-18 and Enhancement Plan for 2018-2019.](#)

## Performance Report (continued)

College performance is graded within these reports on a six-point scale (Unsatisfactory – Excellent) and the most recent published grades for Dundee and Angus College are:

**Quality Principle**

Outcomes and Impact

Delivery of Learning and Services to Support Learning

Leadership and Quality Culture

**Grade****Very Good****Very Good****Excellent**

We place a high level of importance on learner satisfaction and engagement in improving and enhancing our services and outcomes. This includes the direct involvement of hundreds of learners each year (over 500 in 2018/19) through a series of service design events and engagement opportunities designed to inform future service and curriculum approaches.

We undertake two major learner satisfaction surveys each year, receiving c6,000 responses to these annually. We survey learners during October each year to generate feedback on recruitment, induction and early experiences of learning. We conduct a further survey in March to gain a fuller picture of learners' experience and feedback in respect of learning and teaching. Survey outcomes are strongly positive, with an overall satisfaction rate of 84% achieved in 2018/19.

All survey outcomes are broken down by individual class groups, and Course Teams review and reflect on this feedback and identify and implement outcomes as a core part of our quality arrangements.

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 the sector averages.

The Dundee and Angus Students' Association (DASA) support a range of feedback and quality improvement mechanisms directly through c300 trained class and lead representatives, and operate a highly innovative 'Feedback Friday' system to generate qualitative data to inform their work and improve student life.

The key student outcomes for all colleges are drawn from our [Further Education Statistics](#) (FES) data that is developed and shared nationally with the Scottish Funding Council. This data provides a clear outline of the proportion of learners that achieve a successful outcome based on all of those learners enrolling in college on 'day one'. This approach ensures that the outcomes for every learner is captured on a consistent and transparent basis across the sector.

Day One successful outcome data is published nationally by SFC in January/February of each year. Previous years data and the pre-published outcome data for the College for 2018/19 is as follows.

Mode	Day One Successful Outcome		
	16/17	17/18	18/19
All Modes	74.4%	76.5%	74.7%
Full Time – All	71.7%	74.9%	71.4%
Full Time – FE	70.8%	75.4%	71.3%
Full Time – HE	73.2%	76.2%	71.7%
Part Time – All	77.4%	79.0%	79.7%
Part Time – FE	78.4%	78.4%	80.3%
Part Time – HE	71.1%	76.9%	76.0%

**Performance Report (continued)**

Student outcomes fluctuate year-to-year, and as a result on-going trend analysis is used nationally to assess progress. Overall outcomes remain strongly positive and the three-year trend on what were already sector leading outcomes is predominantly improving.

## Climate Change (Scotland) Act 2009

The Climate Change (Scotland) Act 2009 set out measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. In 2015, an Order was introduced requiring all designated Major Players (of which Dundee and Angus College is one) to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act. The information returned by the College is compiled into a national analysis report, published annually and superseding the prior requirement for public bodies to publish individual sustainability reports.

Further information on the Act, along with copies of prior year national reports, can be found at the following resource:

<http://www.keepsotlandbeautiful.org/sustainability-climate-change/sustainable-scotland-network/climate-change-reporting/>

## 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

<b>Table of cash budget for priorities spend</b>		
	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
<b>Revenue</b>		
2015-16 Pay award	473	473
Other	11	11
<b>Total impact on operating position</b>	<b>484</b>	<b>484</b>

<b>Capital</b>		
Loan repayments	571	571
<b>Total Capital</b>	<b>571</b>	<b>571</b>
<b>Total cash budget for priorities spend</b>	<b>1,055</b>	<b>1,055</b>

## Performance Report (continued)

### 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.

<b>Underlying operating position</b>		
<b>Revenue</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
<b>Surplus/(deficit) before other gains and losses</b>	(2,344)	(1,976)
<b>Add back:</b>		
Depreciation (Note12) (net of Deferred Capital Grant release(Note3+5))	3,012	1,712
Exceptional non-restructuring costs – Impairment	-	(962)
Non-cash pension adjustment – Net service cost (Note9)	1,945	1,389
Non-cash pension adjustment – Net interest cost (Note16)	92	392
Non-cash pension adjustment – Early retirement provision(Note17)	115	143
<b>Deduct:</b>		
Non-Government capital grants	-	-
Revenue funding allocated to loan repayments (Note15)	(571)	(571)
<b>Underlying operating surplus/(deficit)</b>	<b>2,249</b>	<b>127</b>

### 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 2019, the College incurred no interest charges in respect of late payment for this period.

The Scottish Government is committed to supporting business by paying bills more quickly, with the intention to achieve payment of all undisputed invoices within 10 working days.

The College is committed to the principles of The Better Payment Practice Code by processing suppliers' invoices for payment without unnecessary delay and by settling them in a timely manner. Consequently, in the absence of any alternative arrangements, all suppliers are placed on immediate payment terms. In 2018/19 the average credit taken was 8 days.

**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. In line with good governance practice, the Board has also appointed one of its members as 'senior independent member' to whom any member of the board can refer to seek advice or to raise any matters of concern.

A list of Board Members for 2018/19 is included on the following page 17.

A short biography of each Board Member together with their Register of Interests is available via the [enclosed link on our website](#).

The Board has five standing committees, the roles of which are explained at page 21;

Board of Management				
Audit and Risk	Finance and Property	Human Resources and Development	Learning, Teaching and Quality	Chairs

The Executive Leadership 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:

## Accountability Report (continued)

<b>Name</b>	<b>Designation</b>	<b>Note</b>
Grant Ritchie	Principal	
Simon Hewitt	Vice Principal Curriculum and Attainment	
Steve Taylor	Vice Principal People and Performance	
Catriona Blake	Vice Principal Corporate Services	Retired 30/04/19
Jaki Carnegie	Vice Principal Corporate Services	Started 07/05/19
Julie Grace	Director of Curriculum and Attainment	
Kevin Murphy	Director of Curriculum and Attainment	



# DUNDEE AND ANGUS COLLEGE - Board of Management Membership – 1 August 2018 – 31 July 2019

	Appointed	Term Ends	Status of Appointment	Profession/Specialism	Chairs
<b>Angela McCusker</b> Regional Chair	July 2014	03/07/22	Scottish Government Appointment	Business, Management, Finance	Board of Management Chairs Committee
<b>George Robertson</b> Vice Chair	March 2015	31/03/23	Ordinary Member	Finance, Management	Audit and Risk Committee
<b>Grant Ritchie</b>	August 2015	–	Principal		
<b>Gary Bissett</b>	June 2014	31/05/21	Ordinary Member	HR, Management, Manufacturing	
<b>Donna Fordyce</b>	April 2017	30/04/21	Ordinary Member	Economic Development, Enterprise, Fisheries, Retail Management	
<b>Mike Galloway</b>	March 2015	30/09/18	Ordinary Member	Management, Planning	
<b>Steven Mill</b>	June 2014	31/05/21	Ordinary Member	Finance, Management	Finance and Property Committee
<b>Pamela Milne</b>	March 2015	31/03/23	Ordinary Member	HR, Management	Human Resources and Development Committee
<b>Alan O'Neill</b>	April 2015	31/03/19	Teaching Staff Member	Teaching Staff	
<b>Trisha Pirie</b>	April 2017	30/04/21	Ordinary Member	Economic Development, Commercial Management, Enterprise	
<b>Reece Walker</b>	August 2017	31/07/19	Student Member	Student	
<b>Steven Watt</b>	March 2015	09/09/19	Ordinary Member	ICT, Management	
<b>Margo Williamson</b>	June 2014	31/05/21	Ordinary Member	Management, Education	Learning, Teaching and Quality Committee
<b>Liz Addison</b>	October 2017	06/08/18	Non-Teaching Staff Member	Non-Teaching Staff	
<b>Diane Humphries</b>	August 2018	01/07/19	Student Member	Student	
<b>Chrissie Clinkscale</b>	August 2018	21/05/19	Non- Teaching Staff Member	Non-Teaching Staff	
<b>Kirsty Keay</b>	January 2019	31/12/22	Ordinary Member	Commercial, Governance, Third Sector Management	
<b>Helen Honeyman</b>	January 2019	31/12/22	Ordinary Member	Risk, Governance, HR Management	
<b>Donald Mackenzie</b>	January 2019	31/12/22	Ordinary Member	HR & OD, Corporate Communications Management	
<b>Neil Lowden</b>	January 2019	31/12/22	Ordinary Member	Educational Management, Learning & Teaching, Educational Policy	
<b>Barry Carmichael</b>	April 2019	31/03/23	Teaching Staff Member	Teaching staff	

## 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 development and operational oversight of College strategy and outcomes. This includes the creation of future strategy, the educational character of the College and administration and management of the College's affairs, including approving the Regional Outcome Agreement (Priority Outcomes are referenced on pages 7&8) and ensuring an effective system of internal control in respect of activities, expenditures and outcomes. As a part of these requirements, the Board of Management is required to present audited financial statements for each financial year.

In understanding these financial statements, the following Board of Management responsibilities in respect of the proper use of College funds is important.

The Board of Management maintains a rolling five-year financial strategy that aids decision making and oversight in respect of financial sustainability, whilst informing short and medium term financial planning and control. The Board of Management is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the College. This ensures that financial statements are fully accurate and meet the requirements of the Further and Higher Education (Scotland) Acts (1992 and 2005), the Statement of Recommended Practice on Accounting for Further and Higher Education, the 2018-19 Government Financial Reporting Model (FReM) issued by HM Treasury and other relevant accounting standards.

Within the terms and conditions of the Financial Memorandum agreed between the College and the Scottish Funding Council, the Board of Management approves financial statements for each financial year that 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.

The Principal provides a signed Certificate of Assurance each year, confirming that a review of the internal control arrangements of the College has been undertaken and that these controls have been, and are, working well. This Certificate of Assurance supports the Accountable Officer for the college sector (the Scottish Funding Council Chief Executive) to provide a governance certificate of assurance covering all colleges to the Principal Accountable Officer of the Scottish Government.

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

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

## Accountability Report (continued)

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
- Establish that the auditors are aware of all relevant information, and that there is no relevant audit information of which the auditors are unaware
- 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 that discharge the responsibilities set out above include the following:

- a comprehensive medium and short-term financial planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets, reviewed and approved annually by the Board of Management and monitored regularly by the Finance and Property Committee
- a suite of reporting that involves regular reviews of key performance indicators monitored by the appropriate Board Committee
- a Strategic Risk Register that is monitored and reviewed regularly by the Board and the Audit and Risk Committee (more detail on the Risk Register is provided on page 26)
- clear definitions of the responsibilities of, and the authority delegated to senior staff which is reviewed periodically by the Board of Management
- 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 and Risk Committee and Finance and 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 (more detail on the work and opinion of the Internal Auditors is provided on page 34)

## Governance Statement

### Introduction

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

This governance statement supplements 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 2019 and reports the Board's assessment of the effectiveness of these arrangements.

### Statement of Compliance

The College complies in full with all the principles and requirements of the 2016 Code of Governance for Scottish Colleges with the exception of 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, and the independence and appropriateness of the governance role fulfilled by the Board Secretary. The Board of Management have no current plans to change this arrangement.

### Governing Body and Governance Structure

The Board of Management operates a formal structure of Board and Committee meetings (referenced on page 23), supported by clear agendas, minutes and supporting papers, reports and information, all of which supports good planning, decision making and governance. Agendas and cycles of reporting have been developed over time to ensure that the Board and Committees can review and monitor the College's effectiveness, progress and performance against key priorities.

The Board actively evaluates its own effectiveness and contribution to the College through a series of indicators that reflect its impact on the College as a whole. Each evaluation is supported by a development plan of improvement actions that are recorded and closed out on an annual rolling basis.

In accordance with the requirements of the 2016 Code of Good Governance for Scottish Colleges, Board evaluation arrangements are supplemented every three years by a comprehensive externally facilitated evaluation of Board effectiveness with a resulting development plan. An external evaluation was last undertaken in 2017 and is scheduled as part of the board work plan to be completed again for June 2020.

During 2018/19 the Board of Management has led work on the creation of a new vision and strategy designed to provide clear direction and leadership for the period 2020 – 2025

As referenced on page 15 the Board has five Standing Committees, all of which are formally constituted with Terms of Reference, as delegated by the Board of Management.

A lay member of the Board chairs all the Committees, with each also appointing a Vice Chair to support in the effective operation of Committee business.

## Accountability Report (continued)

The Board and most Committees meet four times per annum. The Finance and Property Committee meets five times per annum whilst the Chairs Committee meets a minimum of two times per annum, but will meet more often dependent upon business need. A list of Committee Members for 2018/19 is included on page 17.

The **Chairs' Committee** met two times in 2018/19 to inform the future work and development of the Board and to undertake its role as Remuneration Committee. As a part of its remit, this Committee also operates as 'Nominations Committee' undertaking all steps necessary to identify high quality candidates to fill board vacancies in line with the Ministerial Code for Appointments. The Chairs' Committee has delegated authority from the Board to consider and determine salaries and conditions of service for members of the College Executive and Senior Leadership Team, and has an agreed remuneration strategy in place for the consideration of senior post holder salaries. When operating as Remuneration Committee the Committee is chaired by the Vice Chair or other Committee chair.

The **Audit and Risk Committee** meets 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. During 2018/19 the Committee has reviewed arrangements around the ownership and oversight of key strategic risks to improve visibility and ensure that effective risk management is embedded in the operation of each Committee.

The **Finance and Property Committee** oversees the preparation of a multi-year financial strategy for approval by the Board, and informs and approves actions required to ensure financial sustainability. In consultation with other 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. Significant work has been undertaken during 2018/19 to develop and approve a new multi-year estates Strategy and to progress planning for the redevelopment of the Kingsway campus.

The **Human Resources and Development Committee** 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. This includes input to major changes in the academic management structure completed during 2018/19 and on-going oversight and input into developments arising through national bargaining.

The **Learning, Teaching and Quality Committee** 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 significant developments in the College curriculum and plays a key role in promoting the student voice, ensuring that the Board's legal responsibilities with regard to the Students Association are met.

In line with good governance practice, details of discussions held, alongside feedback from the relevant Committee Chair on the activities of each Committee are shared with all Board members and are discussed as a standing item at each full meeting of the Board of Management.

## Accountability Report (continued)

All current Board members have received clear induction into their roles from the Chair and Board Secretary and have attended comprehensive Board member induction development session provided by the College. In addition, three Board members have attended Board member induction and/or specialist training provided on a sector basis by College Development Network.

All Board members engage in an annual appraisal process conducted by the Chair of the Board. The Chair receives two appraisals, one conducted by the Vice Chair and one conducted by a senior official from the Scottish Government. Board member feedback questionnaires provide clear information to inform individual and collective evaluation and action planning.

In addition to the structured meetings of the Board of Management, two comprehensive Board strategic development sessions were held during 2018/19. These sessions included input from senior Scottish Government officials and were used to provide the board with opportunities to consider and reflect on future strategic needs and consider key developments – such as future curriculum, service and estates needs – relative to these.

To support the effectiveness of Board operations, the Board is one of a select number of colleges participating in a four nations study. “Processes and practices of governing in further education colleges in the UK: How do governing boards realise the strategic aims of the organisation?” is a University of Stirling Economic & Social Research Council funded research project. The main focus of the study is to observe and video meetings of the College Board of Management held between January and December 2019 and report thereafter.

**DUNDEE & ANGUS COLLEGE - BOM & Committee Attendance Record – 1 August 2018 – 31 July 2019**

<b>Member's Name</b>	<b>Board of Management</b>	<b>Audit &amp; Risk Committee</b>	<b>Finance &amp; Property Committee</b>	<b>HR &amp; Development Committee</b>	<b>Learning, Teaching &amp; Quality Committee</b>
Angela McCusker	4 / 4		5 / 5		4 / 4
Mike Galloway	0 / 1		0 / 1	0 / 1	
Margo Williamson	2 / 4	3 / 4			4 / 4
Gary Bissett	4 / 4		5 / 5	3 / 4	
Steven Mill	3 / 4		5 / 5		3 / 4
Pamela Milne	3 / 4	2 / 4		3 / 4	
George Robertson	4 / 4	4 / 4			4 / 4
Steven Watt	2 / 4	1 / 4			1 / 4
Alan O'Neil	2 / 3		4 / 4	2 / 3	3 / 3
Grant Ritchie	4 / 4		5 / 5	4 / 4	4 / 4
Donna Fordyce	3 / 4		2 / 5	2 / 4	
Trisha Pirie	3 / 4	4 / 4		4 / 4	
Reece Walker	0 / 2				1 / 1
Diane Humphries	3 / 4				3 / 4
Chrissie Clinkscale	1 / 3		0 / 3	2 / 3	0 / 2
Kirsty Keay	2 / 2	1 / 2		2 / 3	
Helen Honeyman	1 / 2	2 / 2			1 / 1
Donald Mackenzie	2 / 2		0 / 3	1 / 3	
Neil Lowden	1 / 2		0 / 3		2 / 2
Barry Carmichael	1 / 1				

## Accountability Report (continued)

### 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 Leadership and Senior Leadership teams. These events also draw regularly on senior input from Scottish Government, educational and economic development agencies and other expertise. The timing of events is arranged to facilitate Board Members' input to the College's Regional Outcome Agreement.

During 2018/19 the Board has been actively supporting the College's 'Good to Great' strategy, whilst also working on a new vision and strategy to take the College through to 2025.

### Board's Statement on Internal Control

The Board of Management takes its responsibilities for internal control and for reviewing its effectiveness very seriously. These systems are 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 provides strong leadership within a framework of effective controls that enable risk to be assessed and managed. Through the operation of the Board and each Board Committee, Board members monitor, challenge and oversee 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 has delegated day-to-day responsibility to the Principal (Chief Executive) for maintaining a sound system of internal control that reflects the needs of good risk management and supports the achievement of the Colleges policies, aims and objectives.



## Accountability Report (continued)

The Board operates a clear scheme of delegation and financial procedures that strengthen and inform internal control arrangements. These are reviewed annually, and work has been undertaken during 2019 to improve Board visibility and oversight of major contracts in areas such as IT maintenance and utilities.

The Board of Management actively monitors key areas of risk, seeking updates through the Executive Leadership Team and the Audit and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting on exceptions or issues.

The Executive Leadership team and the Audit and Risk Committee also receive regular reports from the College's Internal and External Auditors. During 2018/19 the Internal Auditors undertook the following reviews:

		Number of Priority Action Grades **		
Audit Area	Report Grades *	1	2	3
Cyber Security	Satisfactory	-	-	-
Equality and Diversity	Good	-	-	-
Duty of Care	Satisfactory	-	1	2
Catering (Business Process Review)	n/a	-	-	-
Risk Management / Business Continuity	Satisfactory	-	-	4
Student Engagement / Students' Association	Good	-	-	1
Student Activity Data	Audit opinion unqualified	-	-	2
Student Support Funds	Audit opinion unqualified	-	-	-
Follow-up	"The College has made very good progress in implementing the recommendations"	-	4 fully implemented	9 fully implemented 5 partially implemented 1 considered but not implemented

### \*Report Grades

- Good - System meets control objectives.
- Satisfactory - System meets control objectives with some weaknesses present.
- Requires improvement - System has weaknesses that could prevent it achieving control objectives.
- Unacceptable - System cannot meet control objectives.

### \*\*Action Grades

Priority 1 = Issue subjecting the College to material risk and which requires to be brought to the attention of management and the Audit and Risk Committee.

Priority 2 = Issue subjecting the College to significant risk and which should be addressed by management.

Priority 3 = Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.

## Accountability Report (continued)

The Internal Audit opinion for the work undertaken in 2018/19 is that the College has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money.

The College operates a Strategic Risk Register, which identifies the most significant risks to the College. This register is discussed and approved at every meeting of the Audit and Risk Committee, and is discussed bi-annually at the Board of Management.

To embed awareness and consideration of risk, each Board Committee has a set of strategic risks delegated to it by the Board. It is the responsibility of each Committee to assure itself that appropriate consideration, oversight and assurance is provided in respect of the risks delegated to it.

The following table sets out the strategic risks for which the underlying risk has been scored as “major”. It records the residual risk, with no risks shown as “major” and five as “significant”, following the mitigating actions that have been taken.

<b>Risk</b>	<b>Before mitigation</b>	<b>After mitigation</b>
Failure of College strategy to meet the needs of the D&A Region and/or national priorities	Major	Minor
College disadvantaged by changes arising from UK leaving European Union	Major	Significant
Failure to achieve institutional sustainability	Major	Significant
National outcomes on salaries and conditions of service outstrip ability to pay	Major	Significant
Legal actions; serious accident; incident or civil/criminal breach	Major	Minor
National bargaining outcomes impact adversely on College operations, activity and flexibility	Major	Significant
Industrial Relations Problems	Major	Significant
Breach of data security / data protection*	Major	Minor
Disasters – e.g. Fire, MIS Failure, Failure of Emergency Procedures	Major	Minor

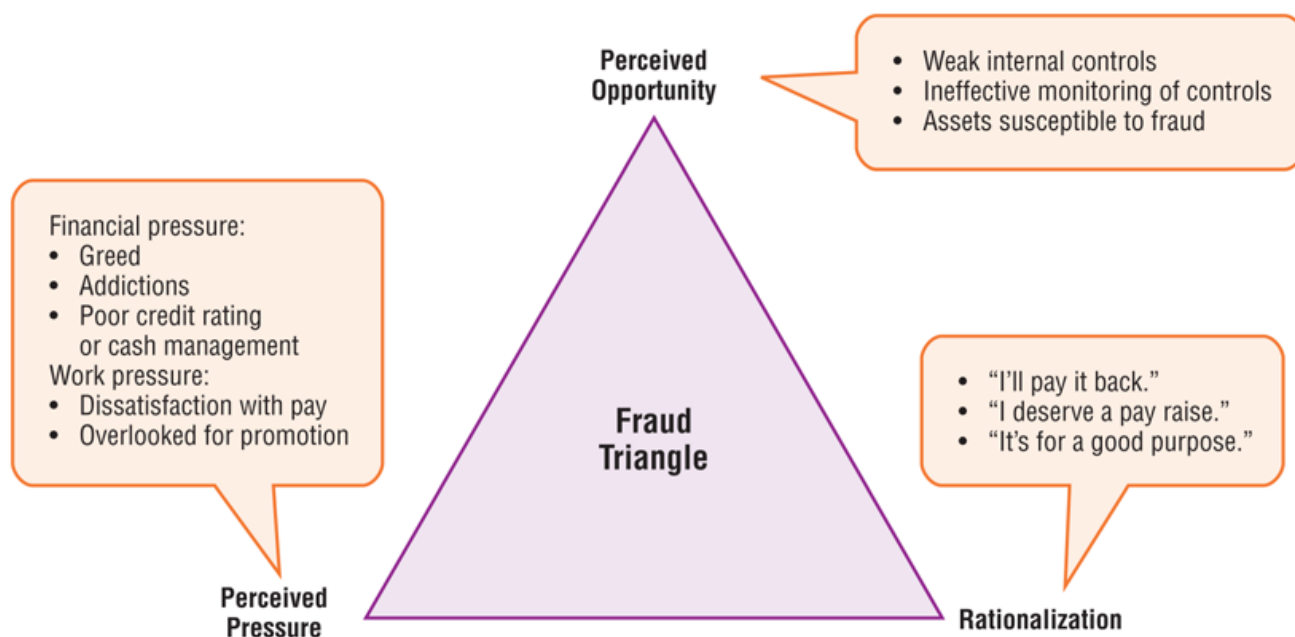
\*There have been no significant lapses of data security and no personal data-related incidents reported to the Information Commissioner’s Office during the reporting period.

In the Autumn of 2018 the College was invited to participate in the National Fraud Initiative (NFI) which is a data-matching exercise led by Audit Scotland to aid the detection of fraudulent payments. NFI allows public bodies to investigate matches and, if fraud or error has taken place, to stop payments and attempt to recover the amounts involved. It also allows auditors to assess the arrangements that bodies have put in place to prevent and detect fraud, including how they approach the NFI exercise itself.

The exercise identified 199 matches which, following investigation, did not identify any frauds. The matching identified the duplicate payment of two invoices (£1,998) which was recovered from regular suppliers. No system weaknesses were identified as a consequence but the College is emphasising the requirement to raise purchase orders. The matching also identified where there was more than one account established for a creditor. Where these duplicate accounts were not required, they have been closed. Working through the matching process has provided the opportunity to reinforce the importance of checking the existing creditor records before establishing a new account.

## Accountability Report (continued)

As a result of the College's engagement in the NFI, the College's Fraud Policy will be reviewed and updated during 2019/20, with a particular focus on using the Fraud Triangle to engage staff with regards to the environment in which frauds are more likely to be prevalent.



The requirements of the Scottish Government's cyber resilience Public Sector Action Plan are being met, for instance achievement of Cyber Essentials certification. The College is pursuing assessment for achievement of Cyber Essential Plus accreditation before the end of 2019.

As a key step in assuring the appropriate oversight of College systems and risks, the Audit and Risk Committee produces a draft annual report that is discussed and approved by the Audit Committee prior to further discussion and approval by full Board. This report summarises work reviewed by the Committee and confirms internal and external audit assurances in respect of the adequacy and effectiveness of internal control, the effectiveness of financial controls and the delivery of internal audit plans in line with relevant internal audit standards. In line with all Board papers, this report is publically available on the College website.

Internal and external audit representatives meet annually with members of the Audit Committee without senior members of College staff present. This allows an opportunity for any concerns or issues to be raised and for Audit Committee members to seek appropriate assurances.

### Significant Control Issues/Weaknesses

In completing this governance statement there have been no exceptions or issues raised for inclusion by internal or external auditors in respect of significant control issues/weaknesses.

Two specific issues have, however, been highlighted by senior managers as follows.

The College suffered two cyber fraud incidents in April and May 2019. In one case, two individual staff were targeted, their bank account details changed, and in the other a genuine invoice was intercepted and changed resulting in money being directed to a fraudulent bank account.

**Accountability Report (continued)**

Immediate steps were taken to address the specific issues and contain the potential impact. Internal systems were updated, and improvements made to security protocols to make a recurrence less likely.

### **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 2019 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. A pay award from 1 April 2018 has been approved at the Board Chairs' Committee meeting held on 1 October 2019 based on 2% capped at £1,600 for 2018/19, and 2% capped at £1,500 for 2019/20.

### \*Remuneration including salary and pension entitlements

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

	year ended 31 July 2019			year ended 31 July 2018		
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	(5)-(10)	120-125	130-135	(10)-(15)	115-120
Mr S Taylor	85-90	(5)-0	80-85	80-85	0-(5)	80-85
Ms C Blake	60-65(FYE80-85)*	20-25	80-85	80-85	15-20	100-105
Mr S Hewitt	85-90	10-15	95-100	80-85	10-15	95-100
Ms J Carnegie	20-25(FYE80-85)*	0-5	20-25	-	-	-
Mrs J Grace	60-65	5-10	70-75	-	-	-
Mr K Murphy	60-65	0-5	65-70	-	-	-

\* C Blake left on 30/04/2019 and J Carnegie started on 07/05/2019.

Post titles are provided on pages 16 and 17.

### 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 and the range of staff remuneration. The banded remuneration of the highest paid official in the organisation in the financial year 2018-19 was £130,000-£135,000 (2017-18 £130,000-£135,000). This was 3.3 times (2017-18: 3.7 times) the median remuneration of the workforce which in the financial year 2018-19 was £39,520 (2017-18 £35,632). The lowest paid employee salary was £16,380.

### 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 2018-19 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.

## Accountability Report (continued)

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 16.

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 2019	Accrued lump sum at pension age at 31 July 2019	Real increase in pension 1 August 2018 to 31 July 2019	Real increase in lump sum 1 August 2018 to 31 July 2019	CETV at 31 July 2019	CETV at 31 July 2018	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Mr G J Ritchie	55-60	165-170	0-2.5	0-2.5	1,336	1,328	(7)
Mr S Taylor	40-45	0-5	0-2.5	0-2.5	636	617	8
Ms C Blake	5-10	0-5	0-2.5	0-2.5	82	58	16
Mr S Hewitt	15-20	0-5	0-2.5	0-2.5	146	134	3
Ms J Carnegie	0-5	0-5	0-2.5	0-2.5	4	-	2
Mrs J Grace	30-35	0-5	0-2.5	0-2.5	371	355	9
Mr K Murphy	20-25	45-50	0-2.5	(2.5)-0	356	344	5

### 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.

## Accountability Report (continued)

### Real Increase in CETV

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

### Staff Report

During the year to 31 July 2019 the College employed 676 full-time equivalent staff. At 31 July 2019 the staff headcount was 1,130 comprising of 717 females and 413 males.

Full disclosure of staff costs of £30,355,000 is given in Note 9 to the Accounts.

Disclosure of Agency staff costs, of £221,000, 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 3.06%, which remains consistent with trends in previous years.

During 2018/19 Dundee and Angus College has implemented a new People Strategy, supported by a workforce planning policy and framework. The College continues to work in partnership with our trade unions through a Policy Review group to maintain and regularly review 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.

During 2018/19 the College has adopted a revised statement on Modern Slavery and has implemented new or updated policies in areas including Sickness Absence, Family Matters and Carers policies along with introducing a Network Account Access Protocol and Assistance Dogs Policy.

A major restructure of the promoted academic leadership structure has been completed, alongside the introduction of revised terms and conditions for both academic and support staff. Work has been completed on stage 1 of a national job evaluation project for non-teaching staff.

Our biennial Employee Engagement Survey provided the College with useful information on improved levels of staff engagement and wellbeing, alongside areas for further review and improvement.

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 2019, highlighting a reduction in the gender pay gap to 6.0%.

The College is recognised as a [Disability Confident](#) employer and supports application and interview for roles across the College irrespective of disability. Through the use of up-to-date Equalities and Absence policies, the College supports a number of staff with both declared and hidden disabilities. This includes supporting reasonable adjustment and amended working arrangements where needed for staff with long-term conditions and a range of occupational health inputs to support the reintegration of staff that may become disabled during the course of their employment.

## Accountability Report (continued)

### \*Compensation for loss of office

The table below summarises the exit packages by cost band.

	2019	2019	2019	2018
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	-	1	1	4
£10,000 - £25,000	-	3	3	9
£25,000 - £50,000	-	5	5	7
£50,000 - £100,000	-	-	-	-
Total number of exit packages	-	9	9	20
<b>Total cost (£)</b>	<b>-</b>	<b>213,574</b>	<b>213,574</b>	<b>390,971</b>

### \*Salaries and Related costs

	2019	2019	2019	2018
	Directly employed staff on permanent UK contracts £'000s	Other staff including short-term contract, seconded and agency staff £'000s	Total	Total
Wages and salaries	18,797	4,041	22,838	22,257
Social security costs	1,820	236	2,056	2,067
Other pension costs	4,949	457	5,406	4,892
<b>Total</b>	<b>25,566</b>	<b>4,734</b>	<b>30,300</b>	<b>29,216</b>
Average number of FTE	<b>539</b>	<b>141</b>	<b>680</b>	<b>696</b>

The total number of higher paid staff, including senior post-holders, above a threshold of total emoluments of £60,000, are tabled in Note 9. The total remuneration of the Principal is given in Note 10 along with the total emoluments of all senior post holders.



## Accountability Report (continued)

### Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements: Regulations 2017, the College provided the following support through paid facility time for union officials working at the College during the year ended 31 July 2019.

#### Relevant Union Officials

Number of Employees who were relevant union officials during the relevant period:	Full-time equivalent employee number:
15	14

#### Percentage of time spent on facility time

Percentage:	Number of Employees:
0%	1
1%-50%	14
51%-99%	0
100%	0

#### Percentage of pay bill spent on facility time

Total cost of facility time:	£45,737
Total bill pay:	£28,191,000
Percentage of the total pay bill spent on facility time:	0.16%

#### Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	12%
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**Signed on Behalf of the Board of Management on 11 December 2019.**

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**Angela McCusker**  
Chair

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**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

### Report on the audit of the financial statements

#### Opinion on financial statements

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

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

#### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. 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 was appointed by the Auditor General on 17 June 2019. This is the first year of my appointment. 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. Non-audit services prohibited by the Ethical Standard were not provided to the board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Independent Auditor's Report (continued)

### Conclusions relating to going concern basis of accounting

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

### Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

### Responsibilities of the Board of Management for the financial statements

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

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

### Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

## Independent Auditor's Report (continued)

### Other information in the annual report and financial statements

The Board of Management is responsible for the other information in the annual report and financial statements. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my independent auditor's report. 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, my responsibility is to read all the other information in the annual report and financial statements 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

#### 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.

#### 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.

### Report on other requirements

#### Opinions on matters prescribed by the Auditor General for Scotland

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.

## Independent Auditor's Report (continued)

### Matters on which I am required to report by exception

I am required by the Auditor General for Scotland 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.

### Conclusions on wider scope responsibilities

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

### Use of my report

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

Richard Smith CPFA  
Senior Audit Manager  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Richard Smith 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  
4<sup>th</sup> Floor, South Suite  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

### **Internal Auditor**

MHA 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 2019**

		<b>Consolidated</b>		<b>College</b>	
	<b>Note</b>	<b>2019 £000</b>	<b>2018 £000</b>	<b>2019 £000</b>	<b>2018 £000</b>
<b>Income</b>					
Funding council grants	3	34,749	31,964	34,749	31,964
Tuition fees and education contracts	4	5,558	5,467	5,558	5,467
Other grants and contracts	5	1,539	1,429	1,509	1,426
Other income	6	1,922	2,058	1,698	1,764
Investment income	7	8	3	8	3
Donations and endowments	8	454	140	454	140
<b>Total income</b>		<b>44,230</b>	<b>41,061</b>	<b>43,976</b>	<b>40,764</b>
<b>Expenditure</b>					
Staff costs	9	30,136	29,030	30,005	28,943
Exceptional restructuring costs	9	219	390	219	390
Other operating expenses	11a	10,115	9,338	9,996	9,124
Depreciation	12	5,715	4,507	5,715	4,507
Reversal of previous impairment charges	12	-	(962)	-	(962)
Interest and other finance costs	11b	389	734	389	734
<b>Total expenditure</b>		<b>46,574</b>	<b>43,037</b>	<b>46,324</b>	<b>42,736</b>
<b>(Deficit)/Surplus before other gains losses and share of operating surplus or deficit of associates</b>		<b>(2,344)</b>	<b>(1,976)</b>	<b>(2,348)</b>	<b>(1,972)</b>
<b>Surplus/(Deficit) for the year</b>		<b>(2,344)</b>	<b>(1,976)</b>	<b>(2,348)</b>	<b>(1,972)</b>
Actuarial (loss)/gain in respect of pension scheme		(3,180)	13,436	(3,180)	13,436
Unrealised surplus on revaluation of tangible fixed assets		-	19,330	-	19,330
<b>Total comprehensive income for the year</b>		<b>(5,524)</b>	<b>30,790</b>	<b>(5,528)</b>	<b>30,794</b>

## Consolidated & College Statement of Comprehensive Income (continued)

For the year ended 31 July 2019

		Consolidated		College	
	Note	2019 £000	2018 £000	2019 £000	2018 £000
Represented by:					
Unrestricted comprehensive income for the year		(5,524)	30,790	(5,528)	30,794
		<u>(5,524)</u>	<u>30,790</u>	<u>(5,528)</u>	<u>30,794</u>
(Deficit)/Surplus for the year attributable to:					
College		(2,344)	(1,976)	(2,348)	(1,972)
		<u>(2,344)</u>	<u>(1,976)</u>	<u>(2,348)</u>	<u>(1,972)</u>
Total comprehensive (expenditure)/income for the year attributable to:					
College		(5,524)	30,790	(5,528)	30,794
		<u>(5,524)</u>	<u>30,790</u>	<u>(5,528)</u>	<u>30,794</u>

The Statement of Comprehensive Income 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 2019**

	<b>Income Expenditure Reserve</b>	<b>Revaluation Reserve</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Consolidated</b>			
<b>Balance at 1 August 2017</b>	<b>(9,097)</b>	<b>11,752</b>	<b>2,655</b>
Surplus/(Deficit) from the Consolidated Statement of Comprehensive Income	(1,976)	-	(1,976)
Actuarial Gain/(Loss)	13,436	-	13,436
Revaluation surplus	-	19,330	19,330
Transfers between revaluation and income and expenditure reserve	919	(919)	-
<b>Total comprehensive income for the year</b>	<b>12,379</b>	<b>18,411</b>	<b>30,790</b>
<b>Balance at 1 August 2018</b>	<b>3,282</b>	<b>30,163</b>	<b>33,445</b>
Surplus/(Deficit) from the Consolidated Statement of Comprehensive Income	(2,344)	-	(2,344)
Actuarial Gain/(Loss)	(3,180)	-	(3,180)
Revaluation surplus	-	-	-
Transfers between revaluation and income and expenditure reserve	2,253	(2,253)	-
<b>Total comprehensive income for the year</b>	<b>(3,271)</b>	<b>(2,253)</b>	<b>(5,524)</b>
<b>Balance at 31 July 2019</b>	<b>11</b>	<b>27,910</b>	<b>27,921</b>
<b>College</b>			
<b>Balance at 1 August 2017</b>	<b>(9,142)</b>	<b>11,752</b>	<b>2,610</b>
Surplus/(Deficit) from the College Statement of Comprehensive Income	(1,972)	-	(1,972)
Actuarial Gain/(Loss)	13,436	-	13,436
Revaluation	-	19,330	19,330
Transfers between revaluation and income and expenditure reserve	919	(919)	-
<b>Total comprehensive income for the year</b>	<b>12,383</b>	<b>18,411</b>	<b>30,794</b>
<b>Balance at 1 August 2018</b>	<b>3,242</b>	<b>30,163</b>	<b>33,404</b>
Surplus/(Deficit) from the College Statement of Comprehensive Income	(2,348)	-	(2,348)
Actuarial Gain/(Loss)	(3,180)	-	(3,180)
Revaluation surplus	-	-	-
Transfers between revaluation and income and expenditure reserve	2,253	(2,253)	-
<b>Total comprehensive income for the year</b>	<b>(3,275)</b>	<b>(2,253)</b>	<b>(5,528)</b>
<b>Balance at 31 July 2019</b>	<b>(34)</b>	<b>27,910</b>	<b>27,876</b>

There are no endowment or restricted reserves.

**Consolidated & College Balance Sheet**  
As at 31 July 2019

		<b>Consolidated</b>		<b>College</b>	
	<b>Note</b>	<b>2019 £000</b>	<b>2018 £000</b>	<b>2019 £000</b>	<b>2018 £000</b>
<b>Non-current assets</b>					
Fixed assets	<b>12</b>	74,450	80,165	74,450	80,165
Trade & other receivables	<b>13</b>	681	793	681	793
		<b>75,131</b>	<b>80,958</b>	<b>75,131</b>	<b>80,958</b>
<b>Current assets</b>					
Stocks		19	15	16	12
Trade & other receivables	<b>13</b>	2,425	1,643	2,395	1,640
Cash and cash equivalents		2,150	1,172	2,119	1,091
		<b>4,594</b>	<b>2,830</b>	<b>4,530</b>	<b>2,743</b>
Creditors: amounts falling due within one year	<b>14</b>	7,044	6,332	7,025	6,286
<b>Net current liabilities</b>		<b>(2,450)</b>	<b>(3,502)</b>	<b>(2,495)</b>	<b>(3,543)</b>
<b>Total assets less current liabilities</b>		<b>72,681</b>	<b>77,456</b>	<b>72,636</b>	<b>77,415</b>
Less: Creditors falling due after more than one year	<b>15</b>	31,119	35,304	31,119	35,304
<b>Net assets excluding pension liability</b>		<b>41,562</b>	<b>42,152</b>	<b>41,517</b>	<b>42,111</b>
Funded pension liability	<b>16</b>	9,370	4,151	9,370	4,151
Unfunded pension liability	<b>17</b>	4,271	4,556	4,271	4,556
<b>Total net assets</b>		<b>27,921</b>	<b>33,445</b>	<b>27,876</b>	<b>33,404</b>
<b>Restricted reserves</b>					
Income and expenditure reserve – restricted reserve					
<b>Unrestricted reserves</b>					
Income and expenditure reserve – unrestricted	<b>11</b>	3,282	(34)	3,241	
Revaluation reserve		27,910	30,163	27,910	30,163
<b>Total reserves</b>		<b>27,921</b>	<b>33,445</b>	<b>27,876</b>	<b>33,404</b>

The financial statements were approved and authorised for issue by the Board of Management on 11 December 2019 and signed on its behalf by:

Angela McCusker – Chair

Grant Ritchie – Principal

**Consolidated Statement of Cash Flows**  
For the year ended 31 July 2019

	<b>Note</b>	<b>2019 £000</b>	<b>2018 £000</b>
<b>Cash flow from operating activities</b>			
(Deficit) for the year		(2,344)	(1,976)
<b>Adjustment for non-cash items</b>			
Depreciation	12	5,715	4,507
Impairment reversal		-	(962)
(Increase) in stocks		(4)	5
(Increase)/Decrease in debtors		(671)	(384)
Increase/(Decrease) in creditors		798	(490)
Pension costs less contributions payable		1,754	1,522
<b>Adjustment for investing or financing activities</b>			
Investment income	7	(8)	(3)
Interest payable	11b	182	199
Gain on the sale of fixed assets		-	-
Release of deferred capital grants		(2,703)	(2,795)
<b>Net cash inflow from operating activities</b>		<b>2,719</b>	<b>(377)</b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of fixed assets		-	-
Proceeds from sale of assets held for disposal		-	-
Investment income		8	3
Deferred capital grants received		-	-
Non-government capital grants		-	-
Payments made to acquire fixed assets		-	-
<b>Net cash outflow from investing activities</b>		<b>8</b>	<b>3</b>
<b>Cash flow from financing activities</b>			
Interest paid		(182)	(199)
Repayments of amounts borrowed		(1,567)	(568)
<b>Net cash outflow from financing activities</b>		<b>(1,749)</b>	<b>(767)</b>
<b>(Decrease)/Increase in cash and cash equivalents in the period</b>		<b>978</b>	<b>(1,141)</b>
Cash and cash equivalents at beginning of the period		1,172	2,313
Cash and cash equivalents at end of the period		2,150	1,172

# 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 Financial Reporting Manual 2018-19 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.

Key sources of estimation have been applied as follows:

Non-Current Assets valuations and useful economic lives - College buildings are of a specialist nature and are valued on the depreciated replacement cost basis. Buildings are depreciated over their expected remaining useful economic life as assessed by an independent, qualified valuer.

Obligations under the LGPS - The Board has relied on the actuarial assumptions of independent, qualified actuaries which have been reviewed and are considered reasonable and appropriate.

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)

Investment in Subsidiaries 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.

Recognition of Income Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income 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 Comprehensive Income 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 Consolidated Statement of Comprehensive Income 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

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

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

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

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

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

## Notes to the Accounts (continued)

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 Consolidated Statement of Comprehensive Income 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.

## Notes to the Accounts (continued)

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 Consolidated Statement of Comprehensive Income 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.

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

### Tangible Fixed Assets

#### (a) Land and Buildings

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.

## Notes to the Accounts (continued)

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July 2019. They are not depreciated until they are brought into use.

(b) Property Revaluation

In accordance with the 2018-19 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.

Contracts providing a license to use software for a specific period are not capitalised where no ownership is acquired. The cost is charged to revenue and spread evenly over the term of the license with any prepayment included in Debtors.

## Notes to the Accounts (continued)



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 Consolidated Statement of Comprehensive Income 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 Consolidated Statement of Comprehensive Income, 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 Consolidated Statement of Comprehensive Income.

## Notes to the Accounts (continued)

**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	2019 £000	2018 £000	2019 £000	2018 £000
	Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	(2,344)	(1,976)	(2,348)	(1,972)
	Add back: Non-cash allocation for depreciation (net of deferred capital grant)	1,055	1,055	1,055	1,055
	Operating surplus/(deficit) on Central Government accounting basis	<b>(1,289)</b>	<b>(921)</b>	<b>(1,293)</b>	<b>(917)</b>

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 £2,344,000 for the year ended 31 July 2019. After taking account of the Government non-cash budget, the college shows an “adjusted” consolidated deficit of £1,289,000 on a Central Government accounting basis.

## Notes to the Accounts (continued)

Note		Consolidated		College	
3	Scottish Funding Council grants	2019 £000	2018 £000	2019 £000	2018 £000
	SFC recurrent grant	27,388	24,929	27,388	24,929
	SFC childcare funds	1,266	1,237	1,266	1,237
	Release of deferred capital grants	2,494	2,585	2,494	2,585
	Other SFC grants	3,601	3,213	3,601	3,213
		<b>34,749</b>	<b>31,964</b>	<b>34,749</b>	<b>31,964</b>
		Consolidated		College	
4	Tuition Fees and Education Contracts	2019 £000	2018 £000	2019 £000	2018 £000
	FE fees - UK & EU	504	513	504	513
	FE fees – non EU	135	80	135	80
	HE fees	3,019	3,106	3,019	3,106
	Education contracts	1,870	1,742	1,870	1,742
	Other contracts	30	26	30	26
		<b>5,558</b>	<b>5,467</b>	<b>5,558</b>	<b>5,467</b>
		Consolidated		College	
5	Other Grants and Contracts	2019 £000	2018 £000	2019 £000	2018 £000
	European funds	352	288	352	288
	Releases of deferred capital grants (non SFC)	209	209	209	209
	Other grant income	978	932	948	929
		<b>1,539</b>	<b>1,429</b>	<b>1,509</b>	<b>1,426</b>

## Notes to the Accounts (continued)

Note	Consolidated		College	
	2019 £000	2018 £000	2019 £000	2018 £000
<b>6 Other Income</b>				
Residences, catering and conferences	1,185	1,215	1,133	1,155
Other income-generating activities	698	814	526	580
Other income	39	29	39	29
	<u>1,922</u>	<u>2,058</u>	<u>1,698</u>	<u>1,764</u>

	Consolidated		College	
	2019 £000	2018 £000	2019 £000	2018 £000
<b>7 Investment Income</b>				
Interest receivable	8	3	8	3
	<u>8</u>	<u>3</u>	<u>8</u>	<u>3</u>

	Consolidated		College	
	2019 £000	2018 £000	2019 £000	2018 £000
<b>8 Donations and Endowment</b>				
Donations	454	140	454	140
	<u>454</u>	<u>140</u>	<u>454</u>	<u>140</u>

A donation of £454,000 was received from Dundee and Angus Foundation, following a successful bid by the College for support for a transformation project, 'Good to Great'.

	Consolidated		College	
	2019 £000	2018 £000	2019 £000	2018 £000
<b>9 Staff Costs</b>				
Wages and salaries	22,674	22,071	22,558	21,991
Social security costs	2,056	2,067	2,047	2,064
Other pension costs	5,406	4,892	5,400	4,888
Exceptional restructuring costs	219	390	219	390
	<u>30,355</u>	<u>29,420</u>	<u>30,224</u>	<u>29,333</u>

## Notes to the Accounts (continued)

	Consolidated		College	
	2019 £000	2018 £000	2019 £000	2018 £000
<b>Staff Costs (continued)</b>				
Academic/Teaching departments	17,319	17,524	17,319	17,524
Academic/Teaching services	593	475	593	475
Administrative and central services	10,025	8,804	9,894	8,717
Premises	1,535	1,543	1,535	1,543
Catering and Residences	664	684	664	684
Sub-total	30,136	29,030	30,005	28,943
Exceptional restructuring costs	219	390	219	390
	<b>30,355</b>	<b>29,420</b>	<b>30,224</b>	<b>29,333</b>

The Exceptional restructuring costs relate to a Voluntary Severance Scheme.

Pension liabilities to present and former staff of £1,945,000 (2018: £1,389,000) and the Apprenticeship Levy of £90,000 (2018: £95,000) 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	
	2019 Number	2018 Number	2019 Number	2018 Number
Academic/teaching departments	377	385	377	385
Academic/teaching services	18	15	18	15
Administrative and central services	197	207	194	204
Premises	57	54	57	54
Catering and residences	27	30	27	30
<b>Total</b>	<b>676</b>	<b>691</b>	<b>673</b>	<b>688</b>

The introduction of National Pay Bargaining resulted in pay awards being determined for each fiscal year, rather than the financial year, however both academic and support settlements have rationalised from September 2020.

## Notes to the Accounts (continued)

From 1 April 2018 Support Staff have received a consolidated pay award of Public Sector Pay Policy of 3% for salary points up to £36,500 and 2% for salary points above £36,500, capped at £1,600.

Arrangement to harmonise academic staff to a national pay spine have progressed on the agreed basis over the period 2016 -2019 as outlined through the National Pay Bargaining Equalisation process.

All lecturing staff also received a £400 unconsolidated payment for the period of 1<sup>st</sup> April 2017 until 31<sup>st</sup> March 2019, followed by a consolidated award of £1500 applied to all lecturer salary scale points from 1<sup>st</sup> April 2019 for the period to 31<sup>st</sup> August 2020.

Members of the College Executive and Senior Leadership Team's pay award from 1 April 2018 has been approved at the Board Chairs Committee meeting held on 1 October 2019 based on 2% capped at £1,600 for 2018/19 and 2% capped at £1,500 for 2019/20.

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	
	2019	2018	2019	2018
£60,001 - £70,000	3	-	-	2
£80,001 - £90,000	2	3	-	-
£120,001- £130,000	-	-	-	-
£130,001- £140,000	1	1	-	-
	<u>6</u>	<u>4</u>	<u>-</u>	<u>2</u>

### 10 Senior Post-Holders' Emoluments

	Year to 31 July 2019 Number	Year to 31 July 2018 Number (Restated)
The number of senior post-holders including the Principal was:	12	13

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

	£000	£000
Salaries	745	794
Pension contributions	125	135
Total emoluments	<u>870</u>	<u>929</u>



## Notes to the Accounts (continued)

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 2019 £000	Year to 31 July 2018 £000 (Restated)
Salary	132	130
Pension contributions	<u>23</u>	<u>22</u>
	<u>155</u>	<u>152</u>

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 2019 £000	Year to 31 July 2018 £000
Compensation for the loss of office paid to senior post holders	-	-

		Consolidated		College	
11a	Other Operating Expenses	2019 £000	2018 £000	2019 £000	2018 £000
	Academic/teaching departments	1,115	1,104	1,115	1,104
	Academic/teaching services	102	99	102	99
	Administration and central services	3,743	3,005	3,743	3,005
	Premises costs	3,023	2,877	3,023	2,877
	Catering and residence operations	548	601	526	578
	Other Income Generating Activities	97	191	-	-
	SFC Childcare funds	1,266	1,237	1,266	1,237
	Agency staff costs	221	224	221	224
	<b>Total</b>	<u><b>10,115</b></u>	<u><b>9,338</b></u>	<u><b>9,996</b></u>	<u><b>9,124</b></u>



## Notes to the Accounts (continued)

		<b>Consolidated</b>		<b>College</b>	
		<b>2019 £000</b>	<b>2018 £000</b>	<b>2019 £000</b>	<b>2018 £000</b>
Other operating expenses include:					
External Auditor's remuneration					
- in respect of these financial statements		26	26	24	23
Internal Auditor's remuneration					
- internal audit		11	6	11	6
- other services		8	6	8	6
		<b>Consolidated</b>		<b>College</b>	
		<b>2019 £000</b>	<b>2018 £000</b>	<b>2019 £000</b>	<b>2018 £000</b>
<b>11b</b>	<b>Interest and Other Finance Costs</b>				
	Loan	182	199	182	199
	Pension	207	535	207	535
		<hr/>	<hr/>	<hr/>	<hr/>
		<b>389</b>	<b>734</b>	<b>389</b>	<b>734</b>
		<hr/>	<hr/>	<hr/>	<hr/>

## Notes to the Accounts (continued)

### 12 Tangible Fixed Assets

### Consolidated & College

	Land and Buildings £000	Equipment £000	Total £000
<b>Valuation/Cost</b>			
At 31 July 2018	94,478	7,202	101,680
<b>At 31 July 2019</b>	<b>94,478</b>	<b>7,202</b>	<b>101,680</b>
<b>Depreciation</b>			
At 31 July 2018	15,816	5,699	21,515
Charge for year	5,239	476	5,715
<b>At 31 July 2019</b>	<b>21,055</b>	<b>6,175</b>	<b>27,230</b>
<b>Net Book Value</b>			
At 31 July 2018	78,662	1,503	80,165
<b>At 31 July 2019</b>	<b>73,423</b>	<b>1,027</b>	<b>74,450</b>

Land and Buildings with a net book value of £42,821,000 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 2018 at depreciated replacement cost by J&E Shepherd, a firm of independent chartered surveyors regulated by RICS.

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

	2019 £000	2018 £000
Cost	79,435	79,435
Aggregate depreciation based upon cost	(34,106)	(31,120)
Net book value	<u>45,329</u>	<u>48,315</u>

## Notes to the Accounts (continued)

13 Debtors	Consolidated		College	
	2019 £000	2018 £000	2019 £000	2018 £000
<b>Amounts falling due within one year:</b>				
Trade Debtors	311	447	271	437
Prepayments / Accrued Income	2,114	1,196	2,124	1,203
	<u>2,425</u>	<u>1,643</u>	<u>2,395</u>	<u>1,640</u>
<b>Amounts falling due after more than one year:</b>				
Prepayments / Accrued Income	681	793	681	793
	<u>681</u>	<u>793</u>	<u>681</u>	<u>793</u>

Debtors include £1,007,000 (2018: £328,000) due from the Scottish Funding Council.  
College Debtors includes £25,000 (2018: £36,000) due from subsidiary.

14 Creditors: amounts falling due within 1 year	Consolidated		College	
	2019 £000	2018 £000	2019 £000	2018 £000
Deferred income and payments received in advance	864	839	862	835
Trade creditors	566	542	580	547
Other creditors	39	32	36	32
Other tax and Social Security	688	587	684	581
Accruals	1,374	1,018	1,350	977
Bursaries and Access Funds for future disbursement	328	44	328	44
Bank Term Loan	482	567	482	567
Deferred Capital Grant	2,703	2,703	2,703	2,703
	<u>7,044</u>	<u>6,332</u>	<u>7,025</u>	<u>6,286</u>

Creditors includes £669,000 (2018: £222,000) relating to Scottish Funding Council grants.

Creditors include funds held for Energy Skills Partnership, an independent strategic partnership established by the Scottish Funding Council, of £378,000 (2018: £396,000). At 31 July the College has no beneficial interest and acts as host for the partnership's activities disbursing these funds to third parties. This is matched by corresponding Cash and cash equivalent balance, resulting in a net Nil impact upon the College's financial statements.

## Notes to the Accounts (continued)

15 Creditors: amounts falling due after 1 year	Consolidated		College	
	2019 £000	2018 £000	2019 £000	2018 £000
Deferred Capital Grant	27,487	30,190	27,487	30,190
Bank Term Loan	3,632	5,114	3,632	5,114
	<b>31,119</b>	<b>35,304</b>	<b>31,119</b>	<b>35,304</b>

### Analysis of borrowings

Bank loans are repayable as follows:

Between one and two years	453	567	453	567
Between two and five years	1,359	1,703	1,359	1,703
In five years or more	1,820	2,844	1,820	2,844

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. Amount repayable within one year is shown within Creditors: amounts falling due within one year. The total loan scheduled for repayment this year was £571k, with £4k for charges being amortised through the Statement of Comprehensive Income. An additional repayment of £1m was however made in July 2019.

## 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 £3,508,000 (2018: £3,450,000).

	2019 £000	2018 £000
STSS: contributions paid	2,117	2,114
LGPS: contributions paid	1,391	1,336
<b>Total pension contributions paid for the year</b>	<b>3,508</b>	<b>3,450</b>

**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.

## Notes to the Accounts (continued)

**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 2017. 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:**

	<b>2019</b>	<b>%</b>	<b>2018</b>	<b>%</b>
	<b>£000</b>		<b>£000</b>	
Equities	42,260	70	39,507	70
Gilts	2,869	5	3,014	5
Other Bonds	7,368	12	6,121	11
Property	6,826	11	6,684	12
Cash	1,084	2	909	2
Alternatives	30	<1	14	<1
<b>Total</b>	<b>60,437</b>	<b>100</b>	<b>56,249</b>	<b>100</b>

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

	<b>2019</b>	<b>2018</b>
Discount rate at 31 July	2.15%	2.65%
Future salary increases	3.35%	3.35%
Future pension increases	2.35%	2.35%
<u>Life expectancy from age 65 years:</u>		
Non-pensioners:		
Male	19.7	20.3
Female	21.6	22.3
Pensioners (retiring in 20 years):		
Male	21.3	22.1
Female	23.5	24.1

## Notes to the Accounts (continued)

<b>Balance Sheet position</b>	<b>2019</b>	<b>2018</b>
Net Pension Asset as at:	<b>£000</b>	<b>£000</b>
Present value of the defined benefit obligation	(69,807)	(60,400)
Fair value of Fund assets (bid value)	<u>60,437</u>	<u>56,249</u>
Deficit	(9,370)	(4,151)
Unrecognised past service cost	-	-
Impact of asset ceiling	<u>-</u>	<u>-</u>
Net defined benefit liability	<u>(9,370)</u>	<u>(4,151)</u>

<b>Amounts recognised in the Consolidated Statement of Comprehensive Income</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Service cost	3,307	2,708
Net interest on the defined (liability) / asset	92	392
Administration expenses	<u>27</u>	<u>24</u>
<b>Total cost</b>	<u><b>3,426</b></u>	<u><b>3,124</b></u>

## Asset and benefit obligation reconciliation

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

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Opening defined benefit obligation	60,400	64,245
Current service cost	2,789	2,668
Interest cost	1,588	1,730
Change in financial assumptions	7,501	(4,298)
Change in demographic assumptions	(1,997)	(3,321)
Experience loss/(gain) on defined benefit obligation	-	(207)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(1,470)	(923)
Past service cost, including curtailments	518	40
Contributions by scheme participants and other employers	478	466
<b>Closing defined benefit obligation</b>	<u><b>69,807</b></u>	<u><b>60,400</b></u>

## Notes to the Accounts (continued)

### Changes in the fair value of scheme assets

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Reconciliation of opening and closing balances of the fair value of scheme assets		
Opening fair value of scheme Assets	56,249	49,116
Interest on assets	1,496	1,338
Return on assets less interest	2,322	4,299
Other actuarial (losses)	-	634
Administration expenses	(27)	(24)
Contributions by employer included unfunded	1,787	1,745
Contributions by scheme participants and other employers	478	466
Estimated benefits paid unfunded net of transfers in	(1,868)	(1,325)
<b>Fair value of scheme assets at end of period</b>	<b>60,437</b>	<b>56,249</b>

The total return on the fund assets for the year to 31 July 2019 is £3,818,000

### Re-measurements in other comprehensive income

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

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Return on Fund assets in excess of interest	2,322	4,299
Other actuarial gains/(losses) on assets	-	634
Change in financial assumptions	(7,501)	4,298
Change in demographic assumptions	1,997	3,321
Experience gain/(loss) on defined benefit obligation	-	207
Changes in effect of asset ceiling	-	-
<b>Re-measurement of the (defined liability)/net assets</b>	<b>(3,182)</b>	<b>12,759</b>

## Notes to the Accounts (continued)

<b>17 Provisions for Liabilities and Charges</b>	<b>Unfunded Pension £000</b>	<b>2019 Total £000</b>	<b>2018 Total £000</b>
Balance at 1 August	(4,556)	(4,556)	(5,492)
Payments made in period	398	398	402
Provision adjustment required in period	<u>(113)</u>	<u>(113)</u>	<u>534</u>
Balance at end of period	<u>(4,271)</u>	<u>(4,271)</u>	<u>(4,556)</u>

The unfunded pension liability is in respect of future pension liabilities arising from early retirals. The valuation of the College's liabilities has been undertaken by independent actuaries.

<b>Amounts recognised in the Income and Expenditure Account</b>	<b>2019 £000</b>	<b>2018 £000</b>
Interest cost	<u>115</u>	<u>143</u>
<b>Total cost</b>	<u><b>115</b></u>	<u><b>143</b></u>

### Benefit obligation reconciliation

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

	<b>2019 £000</b>	<b>2018 £000</b>
Opening defined benefit obligation	4,556	5,492
Interest cost	115	143
Change in financial assumptions	172	(113)
Change in demographic assumptions	(174)	(451)
Experience loss/(gain) on defined benefit obligation	-	(113)
Unfunded pension payments	(398)	(402)
<b>Closing defined benefit obligation</b>	<u><b>4,271</b></u>	<u><b>4,556</b></u>

### Re-measurements in other comprehensive income

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

	<b>2019 £000</b>	<b>2018 £000</b>
Change in financial assumptions	(172)	113
Change in demographic assumptions	174	451
Experience gain/(loss) on defined benefit obligation	<u>-</u>	<u>113</u>
<b>Re-measurement of the (defined liability)/net assets</b>	<u><b>2</b></u>	<u><b>677</b></u>



## Notes to the Accounts (continued)

	2019 £000	2018 £000
<b>18 Capital Commitments</b>		
Commitments contracted for at period end	92	-

	2019 £000	2018 £000
<b>19 Financial Commitments</b>		

At period end the College had annual commitments under operating leases as follows:

### Payable During the year

Land and Buildings	114	114
Others	76	69
	<b>190</b>	<b>183</b>

### Land and Buildings

Not later than 1 year	92	115
Later than 1 year and not later than 5 years	320	424
Later than 5 years	688	781
	<b>1100</b>	<b>1,320</b>

### Others

No later than 1 year	66	61
Later than 1 year and not later than 5 years	192	161
Later than 5 years	-	-
	<b>258</b>	<b>222</b>

## 20 Post Balance Sheet Events

The College received notification from Scottish Funding Council (SFC) on 8<sup>th</sup> November 2019 that they had identified expenditure of £99,069 claimed under the ESF Developing Scotland's Workforce programme during the year ended 31 July 2016 that has been deemed ineligible. This amount will be recovered from the College unless mitigating circumstances can be demonstrated. No provision has yet been made for this amount as the College is in discussion with SFC and is confident that this can be substantially reduced.

## 21 Contingent Liability

Full provision has been made for all known liabilities. There were no contingent liabilities at 31 July 2019.

## Notes to the Accounts (continued)

### 22 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.

<u>Member</u>	<u>Organisation</u>
Mike Galloway	Dundee City Council
Neil Loudon	Dundee City Council
Steven Watt	University of St Andrews
Pamela Milne	University of Dundee
Margo Williamson	Angus Council
Steven Mill	Angus Council

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.

With the listed exceptions below, there were no transactions during the year ended 31 July 2019 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.

A College Board member is a Trustee of the Dundee & Angus Foundation.

<b>Exception:</b>	Dundee & Angus Foundation
<b>Volume of Activity:</b>	£454,376
<b>Balance at 31 July:</b>	£57,661
<b>Nature:</b>	Donations.

## Notes to the Accounts (continued)

23 Bursaries and other student support funds	Year ended 31 July 2019			Year ended 31 July 2018	
	FE Bursary £000	EMA's £000	Other £000	Total £000	Total £000
Balance b/fwd		(2)	32	30	(3)
Allocation received	6,678	422	461	7,561	6,958
Expenditure	(6,375)	(409)	(461)	(7,245)	(6,980)
Repaid to Funding body as Clawback			(32)	(32)	(2)
Virements					57
<b>Balance c/fwd</b>	<b>303</b>	<b>11</b>	<b>-</b>	<b>314</b>	<b>30</b>
Represented by :					
Repayable to Funding body as clawback	(303)	-	-	(303)	(30)
Retained by College for students	-	(11)	-	(11)	-

Repayments to Funding body as clawback within the year relate to a surplus of funds available from the prior 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 Consolidated Statement of Comprehensive Income, with the exception noted below.

In accordance with Accounts Direction for 2018/19 issued by the SFC, Further Education Childcare Funds have been included in the Consolidated Statement of Comprehensive Income. The Childcare funds reported in Note 24 below now incorporate both Higher and Further Education funds.

## Notes to the Accounts (continued)

<b>24 FE &amp; HE Childcare Funds</b>	<b>Year Ended 31 July 2019 £000</b>	<b>Year Ended 31 July 2018 £000</b>
Balance b/fwd	-	-
Allocation received	1,266	1,237
Expenditure	(1,266)	(1,180)
Repaid to Funding Body as Clawback		
Virements		(57)
<b>Balance c/fwd</b>	<b>-</b>	<b>-</b>
Represented by:		
Repayable to Funding body as clawback	-	-
Retained by College for students	-	-

## 25 Subsidiary Undertakings

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

<b>Company</b>	<b>Principal Activity</b>
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.

Notes to the Accounts (continued)  
Appendix - 1

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

- 1 It is the Scottish Funding Council's direction that institutions comply with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.
- 2 A new SORP ("the 2019 SORP") was issued in October 2018 and this must be adopted for accounting periods beginning on or after 1 January 2019 and thereafter. Early adoption is permitted as described in Section 27 ('Transition to the 2019 SORP') of the 2019 SORP.
- 3 Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
- 4 Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2018-19 (FReM) where applicable.
- 5 Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2019.
- 6 The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
- 7 Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council  
5 July 2019