



Report and Financial Statements

For the year ended 31 July 2017

Charity Number SC021185



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Performance Report



Introduction from the Principal

“We will never stand still but continue to be bold and ambitious”

At the heart of West College Scotland is our belief that we are collectively responsible for delivering our ambitions and do so with great pride and passion. Our College has a great future ahead of it. We have put in place strong foundations with an emphasis on team working, a focus on improvement and innovation and a clear purpose to make a difference.

Our reach, influence and impact extend beyond the West Region – stretching from the Highlands and Islands of Scotland, to Vietnam on the other side of the world.

Our vocational, technical and professional educational opportunities and skills training, our expertise and the advice we are able to offer extend across a range of industry sectors: from energy conservation and storage, to integrated health and social care, to tourism and digital technology. We work with more than 20 vocational centres across the globe.

As Scotland’s largest regional College and a mainstay of the West Region, we have worked hard to shape the educational and employability landscape. We play an important leadership role, using our influence and scale, to do so.

Our relationship with employers and businesses is simple – it is mutually beneficial. We want them to see West College Scotland as the natural choice to assist in their workforce planning, helping them become more competitive by having the right people, with the right skills in the right job. In return, those same businesses will help shape and deliver our curriculum; invest in our facilities; mentor our students; provide work placements and live projects. This will often mean bringing students and staff from a range of curriculum areas together, thus maximising the benefits of a multi-disciplinary approach.

Finally, a key priority for the College from 2017 and beyond is to secure the capital investment to deliver new campus developments in Inverclyde and Renfrewshire that we can all be proud of. Our estate is fundamental in defining the character of our College and to the successful delivery of our ambitions. This will allow us to continue to exploit technological and digital opportunities to enhance how we teach and how our students learn.

I hope this Report gives you a sense of the progress we have already made.

Audrey Cumberland
Principal and Chief Executive

Highlights of the Year

In the year to 31 July 2017 the College's achievements were recognised in many ways, including the following highlights:

- Clydebank campus – site of the famous John Brown Shipyard - hosted an event marking the 100th anniversary of the laying of the hull of HMS Hood. HMS Hood Association veterans are joined by Royal Navy officers, Sea Cadets, shipbuilding apprentices and WCS staff.
- The Lord Lyon attended and addressed our Paisley graduation ceremony in November 2016, presenting the College with its official Coat of Arms.
- The College formally endorsed the Paisley 2021 City of Culture bid, which it actively supports through membership of the main Partnership Board and various working groups.
- West College Scotland won the Essential Skills Award at the College Development Network Annual Awards ceremony. Greenock student Amanda Allan won college Student of the Year at the same ceremony.
- The College and Renfrewshire Council signed a strategic partnership agreement, which will see WCS use its size, expertise and presence to further improve employment and training opportunities throughout the region.
- Opened a state-of-the-art science laboratory at the Greenock campus, designed to enhance the student experience.
- Publication of the College's Science, Technology, Engineering and Mathematics (STEM) Manifesto, outlining our commitment to students, employers and the West Region as a whole. This followed the College accreditation as a STEM-assured institution by the STEM Foundation.
- At the College Development Network Marketing Awards West College Scotland won the Design Gold award for our annual student recruitment campaign '*Your Future Starts Here*'.
- Our Dance Lecturer Rosina Bonsu was among just 10 women nominated as "Outstanding Women of Scotland" 2017 by the Saltire Society. The award was made for her "contribution to Scottish life."
- Shirley-Anne Somerville MSP, Minister for Further Education, Higher Education and Science visited the College in June to see our innovative work with employers and to launch the Scottish Government's National Improvement Programme for colleges. West College Scotland is one of only five colleges that successfully applied to take part.
- One of the examples of good practice Ms Somerville saw, was the college win the Employer Engagement Award at the prestigious Herald FE Awards; The Designers of Tomorrow Project with Neat Living. The project allowed Interior Design students to gain work experience creating original interiors for Neat Living's micro homes.

Further details of the progress made by the College can be found in the following documents:

- WCS Review of the Year:
 - <http://www.westcollegescotland.ac.uk/media/97199/annual-review-2016-081116compressed.pdf>
- Education Scotland Review:
 - <http://www.educationscotland.gov.uk/inspectionandreview/reports/irpressreleases/irprexternalreviewofwestcollegescotland150515.asp>
- Regional Outcome Agreement:
 - <http://www.sfc.ac.uk/funding/OutcomeAgreements/2017-18/west-scotland-oa201718.aspx>

Our Vision

Collective Ambition, Pride and Passion:
A Vibrant and Dynamic College

Providing excellent education and training opportunities and services for
our students, customers and communities

Performance Analysis

Introduction

The Performance Report is designed to provide the College perspective on performance during the year to 31 July 2017. It details the purposes and activities of the College whilst identifying the key issues and risks that could potentially affect whether the College is able to deliver Corporate Objectives. In compiling the report the College is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis has been adopted in the preparation of the report and 2016-17 financial statements.

Approach

Performance Management within the College is driven by the requirement to deliver our Strategic Priorities and Regional Outcome Agreement (ROA) commitments. This is supported by an operational planning approach which supports and enables performance monitoring and reporting. Performance is reported to both the Board and its sub-committees as appropriate and monitored by the Executive team on an ongoing basis.

The College uses the annual operational planning process to make the link between Strategic Priorities as described in the Corporate Plan, the ROA and operational delivery. Operational plans are developed at a Directorate and Faculty/Sector level using a common approach and agreed actions and priorities are cross-referenced against Corporate Plan priorities and ROA outcomes.

This approach allows individual teams to determine which priorities and outcomes their activities contribute to, and allows these to be aggregated to an overall College position. This, in turn, allows the Executive to consider the overall balance of activity that supports delivery of outcomes at a strategic level.

Quarterly reports, covering key performance measures, are completed by each Directorate and Faculty and considered by the Executive Team prior to being reported to the Board.

Teaching and support departments across the College are involved in evidenced based self-evaluation processes, reviewing performance and producing actions for improvement. During 2017-18 the College will produce the first College Evaluation Report and Improvement Plan in line with Education Scotland/Scottish Funding Council (SFC) requirements. This plan will be a high level College self-evaluation and will require to be endorsed by Education Scotland before publication.

The College has introduced a dashboard approach for reporting to the Board which will facilitate the highlighting of key performance. This will be developed further during 2017-18.

Corporate Plan

West College Scotland's Corporate Plan sets out its vision of:

'Collective ambition, pride and passion to be a vibrant and dynamic College – providing excellent education, training opportunities and services for our students, customers and communities'

This will be achieved by implementing the College's eleven strategic priorities, which are as follows:

Inspirational and Innovative

- 1 We will provide education and training in inspirational and innovative ways to engage and meet the diverse needs of our students.
- 2 Education and training will be delivered to students in high quality College facilities, in their place of work or through the development and use of digital technologies.

Supporting Success

- 3 We will provide the highest quality of teaching and tailored support to maximise our students' opportunities to achieve success and progress to employment, self-employment or further study.
- 4 We will support the development of our staff and teams to achieve successful outcomes for themselves, our students and the College.

Skills for Work and Enterprise

- 5 We will develop our curriculum and services to ensure they align with and support Scotland's key economic sectors. We will ensure that our students are equipped with the relevant training, qualifications and essential skills they need for employment and life.
- 6 We will develop meaningful partnerships, connections and alliances with business and industry to ensure employers are directly involved and invest in educational and skills development across the West.

Working in Partnership

- 7 We will become a strategic resource and valued partner with our stakeholders, building relationships, leveraging resources and capabilities to design, develop and deliver our products and services.

Securing our Future

- 8 We will proactively look for new partners and new areas of activity, which will allow us to grow and develop our income to reinvest in our core business for the benefits of our students, our staff and our communities.

Developing our Reputation

- 9 We will grow our profile and reputation both nationally and internationally. Our reputation will be based on the quality of our teaching, outcomes for our students and our willingness to strive for and set the highest standards across all areas of our work.

Committed to our Region

- 10 We are committed to taking a leadership role in the West Region and, together with our partners and stakeholders, tackle the significant social and economic deprivation, which still characterise many of our communities.
- 11 We will deliver a sustainable, effective and efficient service to our communities, through the implementation of sound governance, leadership, planning and management.

At the heart of our strategic priorities are our Ambitions, which require us to:

- make a difference
- be bold
- be forward-thinking, fast-moving, quick to explore new ideas and exploit fresh opportunities
- build on areas where we currently demonstrate excellence; and to set new standards for learning, teaching and service delivery that others will aspire to
- be a leader, working with partners to address local economic and societal challenges
- innovate, grow, diversify and invest
- have an engaged, flexible and modern workforce that is proud to work for West College Scotland

And alongside our Ambitions sit our Values:

- To ensure our students have the opportunity to achieve all that they can
- To place students and local communities at the heart of what we do
- To innovate
- To commit to professionalism and partnership
- To achieve and sustain excellence
- To have a 'can-do' attitude

Ultimately our aim is to ensure students leave West College Scotland equipped with the skills and knowledge to compete in the jobs market and to make a full contribution to the wellbeing of their families, communities and the economic growth of the country.

Regional Outcome Agreement

The West Region was allocated total funding of £53,329,598 from the Scottish Funding Council for 2016-17 (grant-in-aid/fee waiver funding of £37,526,042; European Structural Funds Priority 5: Strategic Skills Pipeline of £2,475,496; and Estates Maintenance funding of £2,425,760) and allocated an activity target of 166,111 credits (159,025 core credits; European Structural Funds Priority 5: Strategic Skills Pipeline – 7,086 credits).

For 2017-18 the College has been granted total funding from the Scottish Funding Council of £53,206,214 to deliver 167,380 credits (159,025 core credits; 7,086 European Structural Funds Priority 5 and 1,269 childcare credits) in order to plan and deliver further and higher education for 2017-18 and maintain the College estate. This represents a decrease of £123,384 (-0.2%) when compared to the previous year, and represents a challenging financial settlement for an increased level of activity and at a time when significant cost pressures are arising.

West College Scotland has an approach in place which is aligned to Scottish Government education priorities, and as a regional college has an extended geographic footprint. As the Scottish Funding Council has acknowledged the College is using its status to forge a leadership role across the West Region, which includes strengthening relationships with business partners and other stakeholders. The College is a significant employer and educator in the area, placing students at the heart of everything it does.

We have an important presence and deep roots in our main towns of Paisley, Clydebank and Greenock. West College Scotland currently manages an estate which encompasses 14 operational buildings covering in excess of 80,000 square metres across eight principal locations within the local authority areas of Renfrewshire, West Dunbartonshire and Inverclyde.

As well as scope, we also have scale, with over 20,000 students, a turnover of £65.6 million (including £12 million Student Support Funds) and 1,200 staff. As a major employer we are uniquely placed to help shape the West region's educational landscape and contribute to its social and economic development.

ROAs were introduced in 2012-13. They are intended to enable the Scottish Funding Council to demonstrate the impact of the sector and its contribution to meeting Scottish Government priorities, and are required by the Financial Memorandum as a term of SFC grant. Outcome agreements are intended to achieve this by building better relationships with colleges and key stakeholders to support:

- Increased accountability and confidence in the distribution of resources, ensuring that resources are targeted where there is greater need; and
- Continuous improvement, to maximise the impact on the learner, the employer and the economy.

The Regional Outcome Agreement process is intended to enable:

- Relationship-based engagement, to ensure SFC's decisions take account of the context within which colleges operate and so that SFC can differentiate its approach where it is appropriate
- Curriculum and investment planning based on economic, industry, labour market and demographic evidence
- Consistent methods of operating, to ensure that a fair interpretation of college impact is made, and to enable the SFC to interpret impact consistently at a regional and national level
- A means by which college regions can discuss with SFC their broader aspirations.

Ultimately the Regional Outcome Agreement is seen by the SFC to be a joint funding commitment, in which each college sets out:

- The regional context within which a college region operates
- Outcomes and outputs that will be delivered, mindful of its regional context and in response to Scottish Government priorities. In most instances, these outcomes/outputs correspond to national performance measures, and include reference to a baseline position, current progress and a future ambition or target.

The 2017-18 to 2019-20 West College Scotland ROA agreed with the Scottish Funding Council encompasses priorities for the three year period in line with the Corporate Plan and Scottish Funding Council priorities for:

- Access – A more equal society because learning is accessible and diverse, attracting and providing more equal opportunities for people of all ages, and from all communities and backgrounds.
- Quality – An outstanding system of learning where all students are progressing successfully and benefiting from a world-class learning experience, in the hands of expert lecturers delivered in modern facilities.
- Skills and Employability – A more successful economy and society with well prepared and skilled students progressing into jobs with the ability, ideas, and ambition to make a difference.
- High Performing Institutions – A coherent system of high-performing, sustainable institutions with modern, transparent and accountable governance arrangements. To deliver an efficient regional structure to meet the needs of the West Region.

Measuring Performance

The key outcomes that the College has committed to deliver within the ROA with the Scottish Funding Council are measured and monitored throughout the year by the relevant Board sub-committee, with progress reported to the Board of Management. The key priority outputs contained within the ROA for 2017-18 are as follows:

- 159,025 core credits, plus 7,086 SFC/European Structural Funds Priority 5: Strategic Skills Pipeline credits and an additional 1,269 Childcare credits will have been delivered.
- The College will have made progress with the Access and Inclusion Strategy objectives.
- A Gender Action Plan will have been produced and progress made in increasing the minority gender share in the key curriculum areas identified.
- A Corporate Parenting Plan will have been produced and implemented, to address the challenges faced by our care experienced students in achieving parity of success.
- The College will have extended the scope of its Safeguarding practices in line with directives and best practice.
- Recruitment for the School College vocational programme and the new Foundation Apprenticeship courses will have been increased.
- A graded Evaluative Report and Enhancement Plan, will have been produced by October, in line with the new Education Scotland Quality arrangements
- Student success rates will be improved, in both FE and HE, in line with the Regional Outcome Agreement targets, for all modes of attendance.
- College Community provision will have been realigned within Faculties to streamline and strengthen the progression pathways for students and ensure consistency of provision across the West.
- The College will seek SFC approval to move to a final business case for the Greenock and Paisley campuses in order to secure significant investment and deliver College Estate Strategy objectives. Such large scale investment will also assist the College in achieving required reductions in carbon omissions.
- The pledges within the STEM Manifesto will have been progressed.
- The proportion of courses which include student work placement, work experience or live project working and the level of employer investment in curriculum design and delivery will have been increased.

- Collaboration with the Students' Association will have produced and implemented a Student Partnership Agreement. The Stakeholder Experience Team will have provided dedicated support to the Students' Association, ensuring sustainability and monitoring of the Student Partnership Agreement and associated Action Plans.
- A West College Scotland Leadership and Management programme will have been introduced for College Managers and the new College CPDR process will be fully implemented across the College to ensure identification of individual staff development priorities.

Regional Outcome Agreement 2016-17 Outcomes

The College provides the SFC with an annual update in regard to progress made against the ROA.

For 2016-17, very good progress was made, and the College achieved most of the ROA outcomes agreed with the SFC.

Activity credit targets have been achieved and good progress made on curriculum and the Developing the Young Workforce priorities.

Student outcome Performance Indicators for all modes of attendance improved. Full time FE and HE student success rates both exceeded ROA targets. Early withdrawal rates were improved for HE students and HE student success rates improved.

In delivering the ROA, West College Scotland does not work in isolation. In particular the College works closely with other parts of the public sector including education and economic development departments of partner local authorities, Skills Development Scotland, the Department for Work and Pensions (DWP) and the private sector. Opportunities and challenges facing partners will from time to time impact on the College's performance – both positively and negatively. WCS works closely with partners to respond to these opportunities and challenges, for example the College is working with all local authority education departments on the delivery of school-college programmes and a regional STEM Strategy.

Outcome 1: Efficient and Effective College Structures

To deliver efficient regional structures to meet the needs of the region

The College has delivered on a number of key objectives towards improving the efficiency and effectiveness of structures and operations, most notably:

- The Board of Management has completed a self-evaluation and addressed the implications of the new Code of Good Governance through the development of an action plan;
- A detailed review of the systems and processes associated with the student journey from application to leaving the College;
- Student Funding Department review of the awards system in consultation with students and staff, leading to a significant improvement in performance and reduction in processing times;
- The Finance and General Purposes Committee reviewed College IT and Procurement Strategies and concluded that good progress had been made;
- The consolidation of College staff and student print services delivering a single, unified solution;
- Migration of staff email to a Microsoft Office365 cloud based solution;
- The delivery of a series of teaching and learning projects to support Microsoft Showcase School status;

- The use of the Self Evaluation tool kit by the Students' Association to evaluate performance; and
- Approval and consideration by the Board of Management of the following:
 - 2016-2026 College Estate Strategy
 - 2016-2021 Carbon Management Plan
 - 2017-2022 Budget and 5 Year Financial Strategy
 - Year 1 outcomes relating to the College IT and Procurement Strategies

Outcome 2 – High Quality and Efficient Learning

To ensure that learner journeys are as short, efficient and as effective as possible, and that learners experience the highest quality of learning and teaching and achieve successful outcomes.

Quality

- a) Strengthen quality self-evaluation approaches by further analysing data and feedback.

Good progress has been made in this area with development of three year Performance Indicator trend data analysed through portfolio review. The College Quality Team has been heavily involved with teams across the College to review course set up and data. Student survey reports have been used consistently throughout the year to obtain feedback and inform future planning. Support staff team self-evaluation has been implemented consistently for the first time to contribute to the new Education Scotland Quality requirements.

- (b) Prioritise the further enhancement of standards of learning and teaching through staff development and sharing practice.

Good progress has again been made in this area with more than 250 staff participating in the WITS Conference to showcase technology for learning and teaching. Teaching Enhancement Lecturers have set up Teaching and Learning Communities to share practice. Faculty days and Heads and Curriculum Quality Leader Forums have been used for learning and teaching staff development.

Qualifications

- a) Continue to focus on attainment and sharing good practice across the College to identify strategies for improvement, particularly for FE attainment.

The main focus was on reviewing qualification aims, analysing Performance Indicator (PI) trends and course team reviews. During 2016-17 this led to an improvement in both full-time student attainment and in part-time. Staff structure changes were made to increase the focus on quality in distance and online learning successfully contributed to improved 2016-17 distance learning student success figures.

- b) Continue to increase the percentage of enrolments on recognised qualifications, where appropriate, by transferring to assessed provision and levelling qualifications through the Scottish Credit and Qualification Framework (SCQF).

The percentage of student activity for non-recognised qualifications increased in 2016-17 to 3.4%. Reducing the non-recognised qualifications will be a priority for 2017-18.

Student Success Rates

Improve the percentage of enrolled students successfully achieving a recognised qualification

	Actual 2016-17 %	Actual 2015-16 %	Actual 2014/15 %
FE full-time	68	64	60
HE full-time	70	65	67
FE part-time	68	52	64
HE part-time	76	78	76

There were significant improvements in student success for all modes of attendance and all revised ROA targets were achieved. These are the highest full time student successes in the newly merged College. Student attainment was improved through a strong focus on Performance Indicator analysis; on partial success, qualification aims, course delivery changes, additional study options and better student support.

Early withdrawal

Improve Early Withdrawal rates

	Actual 2016-17 %	Actual 2015-16 %	Actual 2014/15 %
FE full-time	9	9	10
HE full-time	5	6	5
FE part-time	1	1	1
HE part-time	2	2	3

The College early withdrawal figures for 2016-17 are broadly in line with those for the sector in 2015-16. Since students from areas of higher deprivation have a higher early withdrawal rate overall and the College operates across a number of these areas, we believe our overall support, application, induction processes and focus on the student experience has a positive impact. The College student survey feedback on initial course experience backs up these findings.

Withdrawal

Improve overall withdrawal rates

	Actual 2016-17 %	Actual 2015-16 %	Actual 2014/15 %
FE full-time	15	17	26
HE full-time	12	16	16
FE part-time	4	2	3
HE part-time	4	9	6

Withdrawal rates improved for all modes of attendance other than FE part time. The HE improved early withdrawal and overall withdrawal rates had a significant impact on attainment rates and also progression to HND year 2 for 2017-18.

Student Experience

Extensive work has been undertaken during the year to:

- enhance the support provided for students to improve the guidance service, particularly to support transitions and improve attainment
- support the Students' Association and increase the number of students engaging in decision-making and working groups across the College; and
- increase the use of e-learning and e-assessment to enhance the student experience.

A number of initiatives were developed during the year to support the student experience including:

- a review of Extended Learning Services (ELS) in response to SFC Access and Inclusion guidance. Structural changes were made to enable the ELS team to work more closely with Essential Skills and an Access and Inclusion Strategy developed;
- top Up classes offered in Essential Skills;
- Students' Association weekly meetings with the Head of Student Services to support development and implementation of new national SA framework and a formal Partnership Agreement signed at the Board of Management with the Student President;
- integrated partnership working between Students' Association, Student Services, Stakeholder Experience Team, Class Representatives and external agencies;
- additional e-learning options offered to mainstream students to enhance their learning and employability;
- increased e-assessment via online tests and SOLAR;
- distance Learning options offered in a number of community settings to enhance the learning and facilitate individualised learning;
- AAA student portal further developed allowing access to student's own data;
- increase in student activity levels of Your Essential Skills - an innovative online application for our students to track and reflect upon their skills and personal development ultimately providing them with a stronger and more detailed CV.

Outcome 3 – Access to people from the widest range of backgrounds
To improve access to further and higher education for people from the widest range of backgrounds

The College continues to make good progress to improve access for people from the widest range of backgrounds and this is demonstrated in the following table which provides trend data..

	Actual 2016-17	Actual 2015-16
Deprivation		
Maintain and increase where possible, the proportion of credits delivered to learners in the most deprived 10% postcode areas in Scotland.		
Level of delivery	27%	27%
Disability		
Volume and proportion of credits relating to learners from different protected characteristic groups		
With a declared disability	18%	18%
Volume and proportion of credits relating to learners with profound and complex needs enrolled on courses involving formal recognition of achievement.		
Credits delivered	242	198
% of credits	0.15%	0.12%
Gender		
Volume and proportion of credits relating to learners from different protected characteristic groups		
Male	44% Credits: 73,487	42% Credits: 70,239
Female	56% Credits: 92,778	58% Credits: 95,882

Outcome 4 - Right Learning in the Right Place

To secure coherent provision of further and higher education in Scotland.

Based on the table of data below the College believes it is securing coherent provision of further and higher education in Scotland especially in relation to STEM subjects.

	Actual 2016-17	Actual 2015-16
Student Numbers and Opportunities for All		
Volume of credits delivered:		
Target	166,111	166,111
Actual	166,265	166,261
Volume and Proportion of Credits delivered to learners aged 16-19 and 20-24		
16-19 years	41% 67,473 Credits	40% 66,254 Credits
20-24 years	21% 35,446 Credits	22% 36,272 Credits
Volume and proportion of credits delivered to learners at S3 and above as part of the School/College provision	4% 6,375 Credits	3% 5,370 Credits
STEM		
Volume and proportion of credits delivered to learners enrolled on STEM courses.	24% 39,375 Credits	21% 34,433 Credits

Outcome 5 – A Developed Workforce

To provide learners with the skills and knowledge they need to get a job or get a better job, keep a job and develop a career.

	Actual 2016-17	Actual 2015-16
Number of new starts for directly contracted Apprenticeships:		
CITB	297	302
SECTT	367	321
SNIPPEF	47	36
SDS	175	179
TOTAL	886	838

- The College worked with a wide range of regional partners specifically aligned to the Strategic Skills Pipeline This included membership of strategic planning groups across all of the local authority areas the College serves.
- The College worked with a wide range of employers across the West Region to ensure that all participants on employability programmes undertook vocationally relevant work placements as part of the programme.
- The College delivered a range of professional development courses to over 500 employers across the West Region focussing on Life Sciences, Energy and Engineering, Hospitality and Tourism, Management and Retail.

Early Indication of Progress for 2017-18

Enrolments for full-time classes for 2017-18 have mostly been in line with College targets and planning processes are in place to support achievement of the College student activity credit target overall, however within this recruitment to the school college programme and Foundation Apprenticeships has not been in line with target to date.

Curriculum planning and review meetings are scheduled for the autumn to review overall performance indicator trends and plan curriculum changes for 2018-19. The College was successful in being selected for a Scottish Government Retention and Attainment Improvement project along with four other colleges. A College improvement team has been recruited to take improvement initiatives forward for full time FE.

Management

The College Executive, comprising of the Principal and three Vice Principals, is responsible for the running of the College. The Senior Management Team comprises the Assistant Principals and Directors. The members of the Senior Management Team have clearly defined, functional roles contributing to strategic policy and decision making relating to all areas within their Teaching Faculties or Support Department and to the wider College. The Teaching Faculties are the cornerstones of teaching and learning at the College, offering high-quality programmes and professional training courses.

Sustainability and Climate Change Reporting

The Climate Change (Scotland) Act 2009 introduced ambitious targets and legislation to reduce Scotland's emissions by at least 80 per cent by 2050. The Act additionally placed duties on public bodies relating to climate change. Further to the Act, the Scottish Government introduced an Order in 2015 requiring all Public Bodies to submit an annual report to Sustainable Scotland Network (SSN), detailing their compliance with the climate change duties.

In October 2016 the Board of Management approved a Carbon Management Plan which set a 5 year target to reduce the level of carbon dioxide by 10% (530 tonnes). The College has implemented a number of projects to assist with the delivery of this target and in the first year of reporting to July 2016 a reduction of 170 tonnes was registered. This reduction was reported to SSN in line with the College's legal requirement. Given the aging nature of the College estate and the limited investment available to address the condition of the buildings the delivery of the overall target over the 5 year period will prove difficult. The College continues to seek to embed the principles of carbon management reduction across all areas of operation.

The College is currently preparing the data for submission of the 2016-17 annual climate change report building upon the work undertaken last year.

Key Issues and Risks

The College has continued to embed systems of internal control, including financial, operational and risk management which are designed to protect assets and reputation.

The College Risk Management Strategy was approved by the Board of Management in September 2015 and reviewed during 2016-17. The Senior Management Team maintains an overview of the risks facing the College and undertakes a review of these on an ongoing basis. As part of the ongoing risk review the SMT identify systems and procedures which would mitigate any potential impact on the College. The Strategic

Risk Register is reviewed by all sub-Committees of the Board and by the Board of Management at each meeting.

As a result of this management process the College is aware of the risks it faces in relation to its strategic priorities. As part of the overall risk management process undertaken, the annual internal audit plan reviews the strategic risks faced by the College and adjusts the plan accordingly to recognise these.

The key risks faced by the College as identified in the Strategic Risk Register at the conclusion of 2016-17 were:

1. Impact of SFC funding changes including credit, European, ELS, student support and estates maintenance funding.
2. Failure to secure estates capital funding for future investment or refurbishment.
3. Business cases for development of the estate are delayed impacting upon ability of College to recruit students/retain staff.
4. Impact and outcomes of National Pay Bargaining for both teaching and support staff.
5. Unable to meet student targets leading to a failure to deliver stated Regional Outcome Agreement objectives.
6. Inadequate business continuity / contingency planning.
7. Unable to develop and commence the implementation of an Estates Strategy that achieves the agreed criteria for size, quality, flexibility and carbon emissions.
8. Inability to maintain good staff relations.
9. Failure to implement a systematic approach to workforce planning resulting in lack of appropriate resources and skills to achieve strategic priorities.
10. Failure to invest sufficient resource (financial/staff) into delivery of Carbon Management Plan (CMP) resulting in negative publicity for College.
11. Failure to maintain or acquire and use IT systems and infrastructure to support strategic improvement in business and learning processes.
12. Inability to specify, deliver and implement effectively an approach to the generation of alternative income.
13. Inability to ensure a holistic response to data and information governance, including compliance with the General Data Protection Regulations (GDPR).
14. Normal business activities are unduly affected due to the complexity of sequencing estates investment works.
15. Investment plans do not reflect future requirements. Sector and/or market expectations do not materialise or are markedly different resulting in changes to future delivery plans.
16. Failure to analyse and respond effectively to changes such as ONS implications, net depreciation / resource impact, year end and insurance.

It should be noted that the above list represents a high level description of the strategic risks faced by the College. Mitigations and actions are taken to manage, mitigate and reduce the likelihood and impact of each of these risks, with the Board of Management considering pre and post mitigating risk assessments at each meeting. Consideration of these mitigating actions allows Board members to assess, through discussion with the College Executive, the likely impact upon the operation of the College.

Review of Financial Performance

The College is required to produce annual accounts detailing the income generated and the way in which it was expended. The Financial Statements on pages 52 - 75 cover all activities of the College. The following sections provide a summary of the financial performance of the College during 2016-17.

Overview

The results for the 2016-17 financial year are in line with budgeted expectations, and the College has a five year financial plan in place which aims to ensure that WCS maintains a sustainable financial base in order to support current and future developments, and to enable investment in the learning experience and environment for our students, staff and communities. The financial result for the year is an underlying operating surplus of £18k (2015-16: £48k), which is effectively a breakeven position. The College reported an accounting deficit for the year of £2,511k (2015-16: deficit of £1,032k) the detail of which is further explained in the following notes.

2016-17 Income and Expenditure

The overall position of the College is as follows and is further explained in the commentary:

	2016-17	2015-16	Movement	
	£'000	£'000	£'000	%
Income	55,236	55,149	87	0.2
Expenditure	(57,747)	(56,181)	(1,566)	2.8
Deficit in year	(2,511)	(1,032)	(1,479)	

The College income is derived from a number of sources and is summarised below:

	2016-17	2015-16	Movement	
	£'000	£'000	£'000	%
Tuition fees	6,707	6,917	(210)	(3.1)
<i>Teaching and fee waiver grant (SFC)</i>	<i>37,877</i>	<i>37,146</i>	<i>731</i>	<i>2.0</i>
<i>Teaching and fee waiver grant (ESF)</i>	<i>1,716</i>	<i>1,716</i>	<i>0</i>	<i>0.0</i>
<i>Estate maintenance funding</i>	<i>980</i>	<i>1,927</i>	<i>(947)</i>	<i>49.1</i>
<i>Childcare funding</i>	<i>1,895</i>	<i>1,819</i>	<i>76</i>	<i>4.2</i>
<i>Other SFC income</i>	<i>1,291</i>	<i>722</i>	<i>569</i>	<i>78.8</i>
<i>Release of deferred capital grant</i>	<i>1,587</i>	<i>1,587</i>	<i>0</i>	<i>0.0</i>
Scottish Funding Council income	45,346	44,917	429	1.0
<i>Other grant / operating income</i>	<i>3,148</i>	<i>3,246</i>	<i>(98)</i>	<i>(3.1)</i>
<i>Investment income</i>	<i>35</i>	<i>69</i>	<i>(34)</i>	<i>(49.3)</i>
Non SFC income	3,183	3,315	(132)	(4.0)
Total Income	55,236	55,149	87	0.2

As outlined within the table, overall income marginally increased by £87k (0.2%) to £55,236k from the 2015-16 figure. A summary of the movements in individual income streams is attributable to:

- Tuition fee income experiencing a slight reduction due to reduced commercial and overseas activity.
- Scottish Funding Council income :
 - Core grant-in-aid increased by 1.8% in line with additional funding received towards the financial pressures being faced by the College;
 - ESF funding was maintained at the same level as 2015-16;
 - ⊖ SFC estates maintenance funding is matched to expenditure and fully utilised in order to meet Estate Strategy objectives. The level of SFC estate maintenance funding allocated to the College increased from £1,927k in 2015-16 to £2,425k in 2016-17, a 26% upward movement, however this included a one-off allocation of £942k and does not represent a recurrent increase in funding. The income and expenditure is only recognised in the accounts as it is incurred.
 - Other SFC income has increased as a result of the release of a long term provision held in regard to estate maintenance expenditure.
- Other grant / operating income has seen a decrease due to reduced nursery and other income in the year.

In summary the net overall movement in income between 2015-16 and 2016-17 is largely attributable to an increase in core SFC grant in aid funding, a one off increase in estate maintenance funding and an increase in other SFC income which relates to the release of an historical estate maintenance provision.

The College expenditure for 2016-17 is derived from a number of sources and is summarised below:

	2016-17	2015-16	Movement	
	£'000	£'000	£'000	%
Wages and salaries	30,378	29,918	460	1.5
Social security costs	3,054	2,552	502	19.7
Pension costs	5,341	5,157	184	3.6
Sub-total wages and salaries	38,773	37,627	1,146	3.1
FRS102 Pension and other movements	758	284	474	166.9
Total staff costs	39,531	37,911	1,620	4.3
Other operating expenses	12,597	13,794	(1,197)	(8.7)
Depreciation	4,758	3,397	1,361	40.1
Interest and other finance costs	861	1,079	(218)	(20.2)
Total non-staff costs	18,216	18,270	(54)	(0.3)
Total expenditure	57,747	56,181	1,566	2.8

As outlined within the above table total salary costs (excluding FRS102 pension costs) increased by £1,146k (4.3%) to £38,773k in the year. Contributing factors to the movement in salaries include a pay increase to all staff, the initial impact of harmonisation and migration of teaching staff from local to national terms and conditions, changes relating to contracting out of national insurance contributions and the annual cost of the apprenticeship levy, which came into effect from April 2016.

Other operating expenses decreased by £248k year on year which represents a 1.8% increase, and this has largely arisen due to an increase in reactionary maintenance costs combined with inflationary cost pressures. Interest and other finance costs are composed of cash payments in relation to interest on loans of £212k (2015-16: £228k) and non-cash interest charges in relation to the support staff pension scheme of £649k (2015-16: £851k), which are a technical accounting movement.

Underlying Operating Position

The deficit for the 2016-17 financial year as per the Statement of Comprehensive Income and Expenditure is £2,511k. This is the result of a number of factors which are explained below. When these factors are adjusted, the underlying operating position for the College is that of break even.

	Note	2016-17	2015-16
		£'000	£'000
Deficit for the year as per statement of comprehensive income and expenditure		(2,511)	(1,032)
Add back:			
Depreciation (net of deferred capital grant release)		2,987	1,626
Non-cash pension adjustment – salary costs	1	767	279
Non-cash pension adjustment – interest costs	1	649	851
Deduct:			
Exceptional income - Release of prior year provision	2	(1,216)	(500)
Revenue funding allocated to loan repayments	3	(658)	(1,176)
Underlying operating surplus for the year		18	48

(1) Non-cash pension adjustments

These costs are non-cash items and are a requirement of FRS102. The costs represent the impact of the movement on the Strathclyde Pension Fund annual valuation which require to be charged to the College income and expenditure account. The College charges the actual pension contributions as they are incurred to the profit and loss account, and these are recorded in Note 7 of the Financial Statements. These costs are non-cash related and as the College cannot control the impact they have been adjusted for.

(2) Exceptional Income - Release of Prior Year Provision

The College at merger had retained a £3.2m SFC estate maintenance provision which it had intended on utilising towards the costs of maintaining the College estate. The ONS change in classification of the college sector resulted in West College Scotland being unable to utilise the provision. Subsequent discussions with the SFC have resulted in the provision being utilised towards maintenance costs, in line with the original condition of grant award letter. The movement noted is the impact of the agreed accounting treatment and the balance will be fully released to the financial statements in 2017-18.

(3) Revenue funding allocated to loan repayments

This line eliminates the extent to which the operating position is impacted by loan repayment commitments. As per SFC guidance these repayments are removed to ensure that the operating position is not overstated.

Cash Budget for Priorities

One consequence of college sector reclassification 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.

The expenditure of the College's cash budget for priorities, and impact on the operating position, is detailed below. Due to the receipt in-year of SFC additional student support funding there was no requirement to expend further funds in this area. All student support fund requirements were met from the funding allocated to the college in 2016-17.

	2016-17	2015-16
	£'000	£'000
Revenue		
Student support	0	408
Estate maintenance	1,172	0
Total impact on operating position	1,172	408
Capital		
Loan repayments	658	1,176
Total capital loan repayments	658	1,176
Total cash budget for priorities spend	1,830	1,584

Balance Sheet

The College had total net assets of £39.9m as at 31 July 2017 (2016: £40.8m). The balance sheet reflects the stable liquidity position of the College and effective working capital management processes.

Cash at bank at 31 July 2017 was £4.8m (2016: £4.7m). The College considers that 30 days cash is required as a minimum threshold for working capital reserves which is equivalent to £4.3m at any point in the year. The College is required to submit monthly cash flow requests to the SFC where balances held are reviewed and cash cannot be drawn down in advance of need.

The College uses a number of ratios to assess its liquidity. The two key ratios are current assets: current liabilities and day's cash to total expenditure. As at 31 July 2017, the ratio of current assets: current liabilities was 0.79 (2015-16: 0.65) and the day's cash to total expenditure was 32 days (2015-16: 33 days). The current ratio shows a marginal improvement on the previous period position as the College's trading position stabilises as the impacts of merger and reclassification are reduced over time. The cash position of the College is reviewed on an ongoing basis by the SFC and remains stable.

Financial Year Resource Position 2016-17

Following the reclassification of colleges as public bodies on 1 April 2014 the College has been required to comply with government accounting and budgeting rules on a fiscal year basis, a period which concludes at 31 March. For 2016-17 the College received a revenue resource budget (RDEL) but did not receive any capital resource budget (CDEL). These allocations are accounted for on a fiscal year basis. The resource budgets and final outturn for 2016-17 are outlined below:

	Budget £'000	Actual £'000
Resource budget for year ended 31 March	53,136	53,136
Repayment of bank loans and other loans	(680)	(680)
Net cash for RDEL	52,456	52,456
Total RDEL expenditure	(51,334)	(53,422)
Net underspend / (overspend) against resource budget	1,122	(966)

The over spend against the resource budget of £966k was as a result of the payment of student support funds in advance of the budgeted position. This was recovered in the following quarter. The above table is in line with the forecasted year end position as supplied to the Scottish Funding Council.

Financial Strategy

The College has developed a 5 year Financial Strategy which has the fundamental goal of ensuring the financial sustainability of the College. The Strategy ensures financial resources are directed towards priorities, that risks are managed effectively; that value for money is achieved; and that the College operates on a sound and robust basis. Aligned with other key supporting Strategies and Plans, the Financial Strategy ensures the College is best placed to support the objectives set out in the College's Corporate Plan.

Financial Outlook

The College achieved a financial performance during 2016-17 which was in line with budgeted expectations, maintaining a financially sustainable position while continuing to remain alert to the many challenges and uncertainties within the sector. While the College faces considerable challenges in maintaining its level of funding in future years, robust financial planning mechanisms have been developed for the next five year period which should enable West College Scotland to achieve our planned outcomes. However, as detailed within the College Estate Strategy 2016-2026, significant investment will be required from Scottish Government and the Scottish Funding Council in order to provide and maintain 21st century teaching, learning and working facilities that meet the needs and expectations of students, staff and customers. The current uncertainty in funding and the challenging financial environment will be closely monitored in the coming months and years. The sector continues to face difficult economic conditions. However, these financial statements demonstrate the commitment to achieve financial targets and to continue to operate in a financially sustainable manner.

The Performance Report is approved by The Principal and Chief Executive on 4 December 2017:

Audrey Cumberford
Principal and Chief Executive

ACCOUNTABILITY REPORT

Corporate Governance Report

Statutory background

The College was established under the Further and Higher Education (Scotland) Act 1992 for the purpose of conducting the business of West College Scotland and is a registered charity (Scottish Charity Number SC021185).

The Principal as Chief Executive is responsible to the Scottish Funding Council for the stewardship of the College's finances and assets.

Taxation status

The College has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue and Customs as a charity for the purpose of section 467, Income and Corporation Taxes Act 2010 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

Board of Management

The Board of Management members, along with those members of the Senior Management Team who influence the decisions of the College as a whole, are detailed within the Governance Statement.

Register of interests

Board of Management and members of the Senior Management Team have to complete a declaration of interests. No significant company directorships or other interests were held which may have conflicted with their duties as Board Members or managers and no member of the Board had any other related party interest.

Auditor of West College Scotland

Audit Scotland appointed Mazars LLP as auditors to West College Scotland for a five year period beginning with the financial year 2016-17.

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

Pension costs

Details of the College's pension costs are set out in the Remuneration and Staff Report (pages 42 - 47) and in notes 7, 8 and 23 of the financial statements.

Post balance sheet events

There were no events occurring after the year-end which fall under the definition of post balance sheet event.

Payment to suppliers

The College complies with the CBI Prompt Payment Code and has a policy of paying its' suppliers at the end of the month following the date of invoice or supply unless supplier payment terms are different, in which case payment is made in accordance with those terms. Supplier invoices were paid on an average of 22 days in the year to 31 July 2017 (27 days in the period to 31 July 2016). There was no interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 during the period.

Personal data-related incidences

During 2016-17 there were no incidences of data loss which required to be notified to the Information Commissioner.

Estate Strategy

The Board of Management approved the West College Scotland Estate Strategy 2016-2026 on 3 October 2016. The key points arising from the Estate Strategy can be summarised as follows:

- Challenges exist in relation to fitness for purpose of our estate, with only 4 of 14 operational College buildings being graded at Level 1 (excellent) for functional suitability, and half of our operational buildings requiring major repair or replacement.
- There is a need to invest £33m in order to bring our operational buildings up to a suitable condition and required standard over the period of the Strategy.
- Significant investment is required in Greenock as a high priority, with expenditure of £20m being necessary over the next 10 year period in order to ensure our buildings are in the condition expected of a modern teaching and working environment. It is estimated that upgrading and replacing our existing Greenock facilities could require investment of over £90m.
- Within Paisley, there is also a need for significant investment, with much of the estate not being fit for purpose. Funding is therefore required as a priority, with expenditure of £11m being necessary simply to maintain buildings in an acceptable condition over the period of the 10 year Strategy. However, even with this, the functional suitability of several of these buildings would not be at the level required. Thus there is a need for investment to replace the Inchinnan, Oakshaw, Barshaw and Renfrew buildings, and to provide fit-for purpose Music and Performing Arts facilities. It is estimated that replacing and upgrading our existing Paisley facilities would require investment of over £100m.
- Although only eight years old, the Clydebank campus has a need for investment of £2m over the next 10 year period in order to maintain facilities at the required level.

The Estate Strategy confirms that within the current financial climate there are challenging choices and decisions to take, as some major College buildings are deteriorating at a significant rate. It will therefore be necessary to work with the Scottish Funding Council to secure funding that will enable new build and major refurbishments to be met and essential maintenance to be undertaken. Implementation plans will be reviewed and refined continuously as the funding position develops. It is important, therefore, that the Estate Strategy is reviewed, with progress assessed through College planning processes.

Board of Management Report

The membership of the Board of Management during the year was:

Name	Status	Job Title	Date Appointed	Date Resigned
A Cumberford	Chief Executive	Principal, West College Scotland	1 August 2013	
M Haggerty	Non-Executive Member Chair, Learning, Teaching & Quality Committee	Self Employed, Public Relations Consultant	Re-appointed 1 February 2017	
J Hannigan	Non-Executive Member	Director of Asset Management and Product Development, Doosan Babcock	Re-appointed 1 February 2015	
J Henry	Non-Executive Member, Vice Chair from 1 January 2017	Part-time Researcher, Scottish Parliament	Re-appointed 1 February 2015	
A Hetherington	Non-Executive Member	Retired	Re-appointed 1 February 2017	
L Lauder	Non-Executive Member , Chair, Organisational Development and HR Committee from 1 January 2017	Head of People and Change – Organisational Effectiveness, NHS Greater Glasgow & Clyde	Re-appointed 1 February 2015	
K McKellar	Chair, Board of Management and Nominations Committee	Chief Executive Officer of the Hannah Research Foundation	4 March 2014	
M McManus	Non-Executive Member , Vice Chair, Board of	Retired	Re-appointed 1 February 2015	31 December 2016

Name	Status	Job Title	Date Appointed	Date Resigned
	Management, Chair, Remuneration and Organisational Development & HR Committees			
J McMillan	Non-Executive Member, Chair, Audit Committee Senior Independent Member on the Board	Retired	Re-appointed 1 February 2017	
J White	Non-Executive Member Chair, Finance and General Purposes Committee	Chief Executive, West Dunbartonshire Council	Re-appointed 1 February 2015	30 June 2017
A Mitchell	Staff Member	Support Staff Member, West College Scotland	8 October 2014	
N Allan	Non-Executive Member Chair, Estates Committee	Self-employed Property Consultancy and Strategic Asset Management	1 February 2015	
J Johnston	Non-Executive Member	Communications and Outreach Manager, Scottish Human Rights Commission	1 February 2015	
M Newlands	Non-Executive Member Chair, Corporate Development Committee , and Remuneration Committee from 1 January 2017	International Sector Head for Technology and Engineering, Creative Industries and Sustainable Construction, Scottish Enterprise/SDI	1 February 2015	
L Johnston	Non-Executive Member	Strategic Adviser, North Lanarkshire Council	1 January 2017	

Name	Status	Job Title	Date Appointed	Date Resigned
J Leburn	Non-Executive Member	Principal Consultant and Founder of Exponentiate.uk	1 January 2017	
P McFarlane	Staff Member	Teaching Staff Member, West College Scotland	17 May 2016	21 June 2017
A Hunter	Student Member	Students Association, West College Scotland	Re-elected 1 August 2016 Re-appointed and served for 1 more year to 31 July 2017	31 July 2017
M Apiliga	Student Member	Students Association West College Scotland	1 August 2016	31 July 2017
R Downie (Co-opted)	Co-opted Member of Audit Committee	Retired	26 September 2013	
S Vere (Co-opted)	Co-opted member of Audit Committee	Scottish Futures Trust	1 March 2014	
W Bain (Co-opted)	Co-opted member of Learning, Teaching and Quality Committee	Corporate Director of Education, Communities and Organisational Development, Inverclyde Council	Re-appointed 1 April 2017 for one year	
G Bold (Co-opted)	Co-opted member of Audit Committee	Strategy Director, Standard Life	21 June 2017	
Noted below are members of the College Executive who attend meetings of the Board and its sub-Committees.				
Stephanie Graham	Member of College Executive	Vice Principal Learning and Teaching		
Liz Connolly	Member of College Executive	Vice Principal Corporate Development		
David Alexander	Member of College Executive	Vice Principal Operations		

Board of Management Attendance for the year ended 31 July 2017

Name	Possible Attendance	Actual Attendance
A Cumberford	6	6
R Downie (Co-opted) (1)	N/a	N/a
M Haggerty (3)	6	4
J Hannigan	6	4
J Henry (6)	6	5
A Hetherington	6	4
L Lauder	6	5
K McKellar (Chair) (2)	6	6
M McManus (Vice Chair) (4)	2	1
J McMillan	6	6
S Vere (Co-opted) (1)	N/a	N/a
J White (4)	6	3
A Mitchell	6	5
N Allan	6	4
J Johnston (3)	6	1
M Newlands	6	6
P McFarlane (4)	5	3
A Hunter	6	5
W Bain (Co-opted) (1)	N/a	N/a
L Johnston (5)	4	4
J Leburn (5)	4	4
M Apiliga	6	3

- (1) Co-opted members do not attend Board meetings.
- (2) Chair is ex officio member of all committees except the Audit Committee
- (3) Two members were granted leave of absence: M Haggerty from (January – May); and J Johnston was on maternity leave (September – April)
- (4) Three members resigned during the year: M McManus resigned 31 December 2016; P McFarlane resigned 21 June 2017; and J White resigned 30 June 2017.
- (5) Two new members joined the Board: L Johnston and J Leburn joined on 1 January 2017.
- (6) J Henry became Vice Chair of the Board of Management on 1 January 2017.
- (7) Four members have joined the Board since 31 July 2017: M Marsden and N Percival (student members) joined on 1 August 2017; A Wilson (Non-Executive) joined 1 September 2017; David Watson (Teaching staff) joined 13 September 2017.

Individual attendance at Board Committee meetings is monitored by the Nominations Committee.

Statement of the Board of Management's Responsibilities

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

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2015 Statement of Recommended Practice - Accounting for Further and Higher Education and other relevant accounting standards.

In addition, within the terms and conditions of the Scottish Funding Council Financial Memorandum the Board of Management is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

These financial statements are 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.

In preparing the financial statements the Board of Management is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare financial statements 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.

Financial statements of the College may be published on the College website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the College's website is the responsibility of the Board. The Board's responsibility also extends to the on-going integrity of the financial statements contained therein.

The Board of Management has taken reasonable steps to:

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

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

- Clear definitions of the responsibilities of, and the authority delegated to, all budget holders;
- A comprehensive financial planning process, supplemented by detailed annual income, expenditure and cash flow budgets;
- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions 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 Board of Management; and
- The appointment of an internal audit team and approval of the annual audit plan by the Audit Committee and Board of Management. The internal auditors provide the Board of Management with reports on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

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

Governance Statement

West College Scotland is committed to exhibiting best practice in all aspects of corporate governance.

This statement describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the Board of Management, the College complies with all the provisions of the Corporate Governance Code in so far as they apply to the College sector, and it has complied throughout the year ended 31 July 2017. The Board has also complied with the Code of Good Governance for Scotland's Colleges.

It is the Board of Management's responsibility to bring independent judgement on issues of strategy, performance, resources and standards of conduct. The Board of Management is provided with regular and timely information on the overall financial performance of the College as well as a variety of other information such as audit reports, human resources and organisational development matters, curriculum developments, quality matters and project / capital expenditure.

The Board is constituted under the legislation, the Further and Higher Education (Scotland) Act 1992 and as amended by the Post-16 Education (Scotland) Act 2013, which states that:

- The Chair is appointed by the Scottish Ministers for a period of up to 4 years
- The Principal is a member for as long as they hold office;
- The staff members are elected by their relevant constituencies for a period of 4 years;
- The students are nominated by the Students' Association, with the appointment normally ending on 31 August following or when the student ceases to be a student of the College (whichever is earlier) but the Student President can be re-appointed for a second term of 1 year; and
- Non-Executive Members are appointed, subject to the approval of the Chair and the Scottish Ministers, for a period of up to 4 years, and can be extended for a further period of up to 4 years subject to approval of the Chair and the Scottish Ministers.

The College's Board of Management meets at least four times a year and has several sub committees through which it conducts business. These sub-committees are: Finance and General Purposes, Audit, Corporate Development, Estates, Organisational Development and Human Resources, Learning, Teaching and Quality, Remuneration and Nominations. Each sub-committee has formally constituted remits and terms of reference.

The Board of Management holds development activities and planning sessions during the course of the year for the purpose of training, self-evaluation and development.

The Board is supported by a Secretary. The Secretary to the Board maintains a register of financial and personal interests of the Board Members. The Secretary is also responsible for full minutes of all meetings, and ensuring that all applicable procedures and regulations are complied with.

Formal agendas, papers and reports are supplied to the Board members in a timely manner, in advance of meetings.

Finance and General Purposes Committee

The Finance and General Purposes Committee advises the Board on key issues of the College's financial and resource management. It ensures that all areas of the College's financial performance, procurement and information technology are subject to best practice controls and review, ensuring solvency, sustainability, efficiency and innovation.

It also considers matters of a general nature that do not fall to other standing sub-committees. This Committee normally meets four times a year, and in addition meets once a year with the Audit Committee to consider the annual Financial Statements.

Audit Committee

The Audit Committee ensures compliance with corporate governance requirements and provides the principal mechanism through which the audit process works with particular emphasis on compliance, management of risk, and internal and external audit activities as well as ensuring systems are in place to provide efficiency, effectiveness and economy.

The Audit Committee meets four times a year and provides a forum for reporting by the College's external and internal auditors. The Committee advises the College on the appointment of the internal auditors and their remuneration.

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

The Audit Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans.

It also receives and considers reports from the Scottish Funding Council as they affect the College's business and monitors adherence to the regulatory requirements.

Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members, and once a year the Committee meets both the internal and external auditors on their own for independent discussions.

The Audit Committee meets jointly with the Finance and General Purposes Committee on an annual basis to consider the audit completion report the Financial Statements and to recommend their approval to the Board.

Corporate Development Committee

The Corporate Development Committee's main purpose is to support the development of the College's vision, direction and objectives for corporate and sustainable development and growth, aligned with the needs of industry. The Committee normally meets four times a year.

Organisational Development & Human Resources Committee

The Organisational Development and Human Resources Committee is responsible for the development of an organisational development and HR Strategy and to ensure the College complies with all aspects of employment and health and safety legislation.

It also ensures that the College operates effective policies, procedures and systems in all matters relating to the recruitment, reward, retention, and development of the College's employees, taking account of relevant legislation and accepted good practice. The Committee normally meets four times a year.

Learning, Teaching & Quality Committee

The Learning, Teaching and Quality Committee oversee the effective governance and strategic development of learning and teaching within the College.

The Committee provides guidance to staff and student presidents as well as overseeing all matters relating to key performance indicators including student progress, retention and achievement. The Committee normally meets four times a year.

Estates Committee

The Estates Committee is responsible for ensuring that the College manages and develops its' estate in line with the strategic priorities and to ensure that it meets its overall needs efficiently and effectively, taking account of any guidance relating to estate management, option and investment appraisal and private finance.

It is also responsible for ensuring that the College maintains its estate in accordance with a planned maintenance programme, consistent with its estates strategy and associated financial projections. The Committee normally meets four times a year.

Remuneration Committee

The Remuneration Committee makes recommendations to the Board of Management on the remuneration of the most senior staff, including the Principal and also the requirements of any severance scheme.

Details of the remuneration of senior post-holders for the period ended 31 July 2017 are set out in note 8 to the financial statements. The Committee normally meets at least once a year.

Nominations Committee

The Nominations Committee manages the process for identifying individuals for nomination to membership of the Board, taking account of guidance issued by the Scottish Government and the composition and balance of the membership in relation to equality of representation and particular skills sets.

It also develops and keeps under review succession planning arrangements, as well as procedures for induction, training, development and evaluation of Board members. The Committee meets at least once a year

Risk Management and Internal Control

Scope of Responsibility

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

The Board must act at all times in accordance with the legislation and the Code of Good Governance for Scotland's Colleges. Under the terms of the legislation, the Further and Higher Education (Scotland) Act 1992, the Further and Higher Education (Scotland) Act 2005 and the Post-16 Education (Scotland) Act 2013, the following matters are decided by the Board:

- Determining the objectives of the Board.
- Determine the risk appetite and approve and monitor the Strategic Risk Register.
- The final approval of annual estimates of revenue and expenditure and capital expenditure for work authorised by the Board.
- The final approval of the College's strategic plan and Regional Outcome Agreement with the Scottish Funding Council.
- The appointment of Board members with the approval of the Chair and Scottish Ministers.
- The removal from office of Board members.
- Appointment of and disciplinary action against the Principal.
- Delegation of functions of the Board.
- The making, amendment and revocation of the Articles of Governance of the Board, including Standing Orders, Financial Regulations and the Scheme of Delegation.
- The acceptance of endowments, gifts of money, land or other property and determining their application to any of the activities which the Board has the power to carry on.

The Board of Management has delegated the day-to-day responsibility to the Principal, as Chief Executive, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and asset.

Under the terms of the legislation and the College's Articles of Governance the following financial matters are delegated to the authority of the Principal and Chief Executive, subject to approved budget cover having been made available by the Board where necessary:

- develop financial policies and operational procedures that, as a minimum, comply with SFC instructions and delegations; relevant laws and regulations; any policy matter as specified by the Board of Management; and operate the finances of the College within these financial policies and procedures;
- set and amend as necessary the level of tuition fees, examinations expenses, maintenance and contribution scales for all courses offered by the College and to waive or grant remission of fees and expenses in special cases within guidelines set by the Board;
- arrange for any necessary alterations or adaptations to College property at a cost of up to £250,000 in respect of any project, provided the alteration or adaptation does not affect any material change in the character of the College;
- seek and receive tenders for contracts with the Board after all necessary approvals have been obtained; enter into contract on behalf of the Board or to authorise another to enter into contracts on behalf of the Board; and, when it is in the interest of the Board to do so, terminate contracts or authorise the termination of contracts;
- purchase goods and/or services through a contract which another public body has entered into on its own behalf where it is to the benefit of the Board to do so and where the value of the purchases does not exceed £250,000 in any one year;
- dispose of assets which are surplus to requirements provided that asset is not land, buildings or other structure or an interest in land, buildings or other structure;
- take out any necessary insurance to protect the interests of the Board;
- approve in year changes to the approved budget to a level of £250,000 as long as this action would not create (or increase) an operating deficit.

The Purpose of the System of Internal Control

The purpose of the system of internal control is to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives.

The system of internal control can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process to identify and prioritise the risks to the achievement of the College's policies, aims and objectives, to evaluate the likelihood of these risks being realised and how to manage them efficiently, effectively and economically, should they be realised.

West College Scotland has had a system of internal control in place during the reporting period and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Board of Management has reviewed the key risks to which the College is exposed and is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks. The process is regularly reviewed by the Board of Management.

The Risk and Control Framework

The system of internal control is based on a framework of regular management information, administrative procedures and a system of delegation and accountability. This includes:

- The annual budget and 5 year financial projection which are reviewed and approved by the Board of Management
- Regular reviews by the Finance and General Purposes Committee of management accounting reports which provides an update on the College financial position and which the Committee reports to the Board
- Setting targets to measure financial and other performance
- Clearly defined delegated authority and investment control guidelines
- Key Performance Indicators reviewed regularly

The College appoints an internal audit service, which operates in accordance with the requirements of its Financial Memorandum. Internal audit plans are based on an analysis of the risks to which the College is exposed. Internal audit plans are approved by the Audit Committee.

Risk management is considered at all Board sub-committee and Board of Management meetings. Reports on the internal audit activity are provided to the Board of Management and they include the Internal Auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of Effectiveness

As Chief Executive, the Principal has responsibility for reviewing the effectiveness of the system of internal control. This review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditors
- The work of the external auditors and the comments made by them in their management letters and other reports
- The work of the Senior Management Team within the College who have responsibility for the development and maintenance of their internal control framework.

The Board of Management has been advised on the implications of the review of the effectiveness of internal control by the Audit Committee, which oversees the work of the internal auditor.

The internal audit service concentrates on areas of key activities which are determined by a risk analysis and in accordance with the annual internal audit plan.

This plan is amended and approved by the Audit Committee. The internal auditors provide the Board of Management with a report on the internal audit activity within the College. These reports include the internal auditors' independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

The internal auditors have direct access to the Chair of the Audit Committee and issue an annual report with an opinion of the adequacy, reliability and effectiveness of the College's internal control system.

The Senior Management Team receives reports setting out key performance and risk indicators and considers and manages possible control and mitigations associated with these.

The Senior Management Team and the Audit Committee also receive regular reports from internal audit which include recommendations for improvement. The Audit Committee's role in this area is one of high level review of the arrangements for internal control.

The Board of Management's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

The Board of Management is of a view that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place throughout the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

This process is regularly reviewed by the Board of Management and accords with the Turnbull guidance on internal control, as applicable to the College sector.

Going Concern

The College meets its day to day and medium to long term funding requirements through a combination of cash draw-down from the SFC and income from other sources. The College also has in place term loan facilities provided by two lending institution. Under the terms of the loan agreement the College must meet certain financial covenants. These were met during 2016-17 and are forecast to be met in the 12 months from the date of these financial statements.

As previously explained, the College faces a number of financial challenges. The Board of Management has approved a 2017-18 budget which detail the sources of income and expenditure of the College, and noted a 5 year financial plan. The financial forecasts from 2018-19 onwards based upon a set of SFC assumptions indicate that the ability to deliver a break even position becomes very challenging.

Having made appropriate enquiries, the Board of Management has a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

Conclusion

The College has complied with the requirements set out in the UK Corporate Governance Code in so far as they apply to the College sector.

Remuneration and Staff Report

		2016/17	2015/16
People		837 FTE	833 FTE
Sickness absence		5.21%	4.6%
Staff turnover		10.01%	9.4%
<i>Gender Balance</i>			
All staff	Male	40%	41%
	Female	60%	59%
Board	Male	61%	53%
	Female	39%	47%
Senior Management Team	Male	47%	47%
	Female	53%	53%

Remuneration Policy

The Board provides the principal governance mechanism through which activities are managed in accordance with legislation and regulations, as well as ensuring that systems are in place to provide efficiency, effectiveness and economy. However, the Board has delegated some of its responsibilities to certain committees.

The purpose of the Remuneration Committee is to determine the remuneration and terms and conditions of the Principal, other members of the College Executive (which comprises the three Vice Principals), and the Secretary to the Board, and to ensure due process is followed in considering these matters.

Remuneration including salary and pension entitlements

Salary entitlements

The following table provides detail of the remuneration and pension interests of senior staff.

Name	12 months ended 31 July 2017			12 months ended 31 July 2016		
	Salary £'000	Pension Cont's £'000	Total £'000	Salary £'000	Pension Cont's £'000	Total £'000
Keith McKellar	25-30	0	25-30	25-30	0	25-30
Audrey Cumberford	135-140	20-25	155-165	135-140	20-25	155-165
Stephanie Graham	85-90	15-20	100-110	85-90	15-20	100-110
Liz Connolly	85-90	15-20	100-110	85-90	15-20	100-110
David Alexander	85-90	15-20	100-110	85-90	15-20	100-110

Salary multiples

The highest paid member of the management team was the Principal. The Principal's remuneration before pension benefits was in the range £135,000-£140,000 (2015/16: £135,000-£140,000). This was 3.6 times (2015/16: 3.6 times) the median remuneration paid to West College Scotland's staff which was in the range £35,000 to £40,000 (2015/16 £35,000 to £40,000).

Accrued Pension Benefits

Pension benefits for employees 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 and the Local Government Pension Scheme (LGPS).

Both STSS and LGPS are final salary pension schemes. This means that pension benefits are based on the final year's pay and the number of years that the person has been a member of the scheme.

The scheme's normal retirement age is 65. Contribution rates are set annually for all employees and can be found in Note 23. There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on final pensionable salary and years of pensionable service.

Senior Staff Pension

Pension benefits are provided to senior staff on the same basis as all other staff.

The accrued pension benefits for senior staff are set out in the table below, together with the pension contributions made by the College. It should be noted accrued benefits are attributable to contributions made over the period of the individual's working life, and from their various employers during that time.

Name	Accrued pension at pension age at 31 July 2017	Accrued lump sum at pension age at 31 July 2017	Real increase in pension 1 August 2016 to 31 July 2017	Real increase in lump sum 1 August 2016 to 31 July 2017	CETV at 31 July 2017	CETV at 31 July 2016	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Audrey Cumberford	37	111	1	3	704	649	55
Stephanie Graham	31	92	1	2	637	591	46
David Alexander	31	53	2	0	435	387	48
Liz Connolly	6	0	1	0	97	65	32

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

Real increase in CETV

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

Compensation for loss of office

There were no employees who left under voluntary exit terms during the period.

Salaries and Related Costs

The number of staff, including senior post-holders and the Principal, who received annual emoluments in the following ranges were:

	Year ended 31 July 2017	Year ended 31 July 2016
	Numbers	Numbers
£60,001 - £65,000	2	1
£65,001 - £70,000	10	11
£70,001 - £80,000	1	1
£85,001 - £90,000	3	3
£135,001 - £140,000	1	1
Total	17	17
	£'000	£'000
Directly employed staff		
Wages and salaries	30,378	29,918
Social security costs	3,054	2,552
Pension costs	5,341	5,157
Other staff costs (including actuarial costs)	758	284
Sub total	39,531	37,911
Agency staff	330	353
Total	39,861	38,264
Headcount: Teaching	580	571
Headcount: Support	639	640
Ave Number of FTE – Directly employed staff	837	833
Ave Number of FTE – Agency	11	12

Pension Arrangements

The College participates in two separate defined benefit pension schemes, which are the Strathclyde Pension Fund (SPF) for support staff, the Scottish Teachers Superannuation Scheme (STSS) for teaching staff.

The College accounts for the SPF in accordance with the requirements of FRS 102. The College's share of the scheme deficit as at 31 July 2017 was £26.5m (2016: £26.7m) and is included within reserves.

The College continues to take the exemption permitted under FRS 102 to disclose the STSS Scheme as defined contribution schemes as the scheme is not able to calculate individual employers' share of the overall deficit.

Further details in regard to the pension arrangements for the College can be found in Note 23 to the Financial Statements including contribution rates payable.

West College Scotland People

West College Scotland wants to have an engaged, flexible and modern workforce which is proud to work for the College. The College is proud of the achievements of teaching and support staff and is committed to their professional development so that they can continue to achieve successful outcomes for themselves, students and the College itself.

1,219 full-time and part-time staff work at the College, 580 of whom are teaching professionals. Alongside them, the College employs a range of other professionals, including accountants, marketing executives, business specialists, caterers and outreach workers.

West College Scotland is committed to ensuring that all current and future staff are treated fairly and equitably in all aspects of employment. This is supported by activities such as recruitment and selection training for managers which takes account of the College's obligations to ensure that appointments, promotion, access to training and the application of other policies are made fairly and without discrimination based on the following protected characteristics - age, gender, pregnancy and maternity; gender re-assignment; marriage and civil partnership, race, religion, sexual orientation and/or disability.

There are a number of established methods of communication with employees across all campuses within West College Scotland including:

- Regular open sessions hosted by the Principal and involving the Senior Management Team to update staff on key issues and to allow staff to ask any questions or raise issues;
- Line Managers schedule regular meetings with their teams to plan and arrange work tasks and in support of achieving corporate goals;
- Westworld, a staff newspaper issued on a regular basis which updates staff on College news and events;

- A staff intranet which has been redesigned in response to staff feedback and suggestions; and
- All-staff communications providing details of discussions and key messages following the fortnightly Senior Management Team meeting.

Building our Collective Culture

In response to a staff survey carried out last year, and in support of our strategy, vision and values the College has developed a Building our Collective Culture framework.

This sets out how we will do things, the behaviours we aspire to and how we will treat others / expect to be treated. This will also support our ambition of continuous improvement.

Provision of information to employees

The College has adopted the principles of openness and participation and places a high level of importance in both informing and consulting staff.

This is achieved by providing access to relevant documents, through oral and written briefings, staff meetings and events. Information is only withheld where this can be shown to be justified or where there is a duty of confidence to a third party.

Equal Opportunities

The College has an Equal Opportunities Policy. The purpose of this policy is to ensure that staff, students, customers and visitors are treated equally regardless of gender, sexual orientation, marriage or civil partnership, race, pregnancy or maternity, disability, age, religious or philosophical beliefs or gender reassignment.

The College is impact assessing all policies and procedures in order to ensure that no group suffers a disproportionate impact.

Employment of staff with a protected characteristic

West College Scotland is aware of the specific duties placed on it as a public body and demonstrates support for diversity in being a signatory to the nationally recognised Double Tick Initiative through Job Centre Plus.

The College is committed to equality and strives to have a diverse workforce. One way in which this can be evidenced is in the support for new and existing employees who live with a disability.

The College is committed to providing reasonable adjustments in the form of physical adaptations, modifications to job roles and auxiliary aids or services to support employees to thrive.

The Accountability Report is approved by order of the members of the Board of Management on 4 December 2017 and signed on its behalf by:

Keith McKellar
Chair of Board of Management

Audrey Cumberford
Principal and Chief Executive

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOARD OF MANAGEMENT OF WEST COLLEGE SCOTLAND, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of West College Scotland for the year ended 31 July 2017 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, and Statement of Cashflow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

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

Basis of opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOARD OF MANAGEMENT OF WEST COLLEGE SCOTLAND, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT (cont'd)

Conclusions relating to going concern

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

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

Responsibilities of the Board of Management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other information in the annual report and accounts

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOARD OF MANAGEMENT OF WEST COLLEGE SCOTLAND, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT (cont'd)

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on other prescribed matters

We are required by the Auditor General for Scotland to express an opinion on the following matters.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOARD OF MANAGEMENT OF WEST COLLEGE SCOTLAND, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT (cont'd)

Matters on which we are required to report by exception

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

We are required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Lucy Nutley

For and on behalf of Mazars LLP

97 Haymarket Terrace
Edinburgh
EH12 5HD

December 2017

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

Statement of Comprehensive Income and Expenditure

		Year ended 31 July 2017	Year ended 31 July 2016
	Note	£000	£000
Income			
Tuition fees and education contracts	2	6,707	6,917
Funding body grants	3	45,346	44,917
Other grant income	4	298	266
Other operating income	5	2,850	2,980
Investment income	6	35	69
Total Income		55,236	55,149
Expenditure			
Staff costs	7	39,531	37,911
Other operating expenses	9	12,597	13,794
Depreciation	12	4,758	3,397
Interest and other finance costs	10	861	1,079
Total Expenditure		57,747	56,181
Deficit before Tax		(2,511)	(1,032)
Taxation	11	-	-
Deficit for the Year		(2,511)	(1,032)
Actuarial gain/(loss) in respect of pension schemes	23	1,572	(2,030)
Total Comprehensive Expenditure for the Year		(939)	(3,062)
Represented by:			
Unrestricted comprehensive expenditure		(939)	(3,062)
Deficit for the year attributable to:			
College		(939)	(3,062)

All items of income and expenditure relate to 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 28 provides details of the adjusted operating position on a Central Government accounting basis.

Statement of Changes in Reserves

	Income and Expenditure Reserve £000	Revaluation Reserve £000	Total £000
Balance at 1 August 2015	11,662	25,134	36,796
Deficit from the income and expenditure statement	(1,032)	0	(1,032)
Transfers between revaluation and income and expenditure reserve	965	(965)	0
Release of unrestricted funds spend in the year	1,130	0	1,130
Revaluation of fixed assets	0	30,637	30,637
Total comprehensive income for the year	1,063	29,672	30,735
Balance at 31 July 2016	12,725	54,806	67,531
Deficit from the income and expenditure statement	(2,511)	0	(2,511)
Transfers between revaluation and income and expenditure reserve	2,284	(2,284)	0
Release of unrestricted funds spend in the year	1,416	0	1,416
Total comprehensive income for the year	1,189	(2,284)	(1,095)
Balance at 31 July 2017	13,914	52,522	66,436

Balance Sheet

		As at 31 July 2017		As at 31 July 2016	
	Note	£000	£000	£000	£000
Non-current assets					
Fixed assets	12		101,586		105,863
Current assets					
Stocks		18		13	
Trade and other debtors	13	1,751		1,384	
Cash	19	4,801		4,708	
		<u>6,570</u>		<u>6,105</u>	
Less: Creditors: amounts falling due within one year	14	<u>(8,354)</u>		<u>(9,328)</u>	
Net current liabilities			(1,784)		(3,223)
Total assets less current liabilities			99,802		102,640
Creditors: Amounts falling due after one year	15		(33,366)		(35,109)
Provisions					
Pension provisions	17		(26,519)		(26,675)
Total net assets			<u>39,917</u>		<u>40,856</u>
Unrestricted reserves					
Pension reserve	18		(26,519)		(26,675)
Income and expenditure reserve			13,914		12,725
Revaluation reserve			52,522		54,806
Total reserves			<u>39,917</u>		<u>40,856</u>

The financial statements on pages 52 to 75 were approved by the Board of Management, authorised for issue on 4 December 2017 and signed on its behalf by:

Keith McKellar
Chair of Board of Management

Audrey Cumberford
Principal and Chief Executive

Statement of Cashflow

		Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
	Note		
Cashflow from operating activities			
Deficit for the year		(2,511)	(1,032)
Adjustment for non-cash items			
Depreciation	12	4,758	3,397
Increase in stock		(5)	(5)
Increase in debtors	13	(367)	(251)
Decrease in creditors	14	(2,540)	(3,435)
Net cost of pension provision	23	1,416	1,130
Adjustment for investing or financing activities			
Investment income	6	(35)	(69)
Interest payable	10	212	228
Net cash inflow / (outflow) from operating activities		928	(39)
Cash flows from investing activities			
Investment income	6	35	69
		35	69
Cash flows from financing activities			
Interest paid	10	(212)	(228)
Repayments of amounts borrowed	19	(658)	(1,176)
		(870)	(1,404)
Increase / (decrease) in cash in the year		93	(1,374)
Cash at beginning of the year	19	4,708	6,082
Cash at end of the year	19	4,801	4,708

Notes to the Financial Statements

1) STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements and there have been no changes to these in the year.

Basis of Preparation

The financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction issued thereunder by the Scottish Funding Council which requires compliance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015.

Basis of Accounting

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

The accounting policies contained in the Government Financial Reporting Manual (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 more appropriate to the College for the purposes of giving a true and fair view has been selected. The particular policies adopted by the College in dealing with items that are considered material to the Financial Statements are set out in these notes.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Performance Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying notes. The College currently has £3.3m of bank loans and finance leases outstanding. The bank loans are due to be fully repaid between 2021 and 2025 with the finance leases within 5 years. The College's forecasts and financial projections indicate that it will be able to operate within the existing covenants for the foreseeable future. Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of Income

Fee income is stated gross of any expenditure which is not a discount and credit to the Statement of Comprehensive Income and Expenditure over the period in which students are studying.

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

All income from short-term deposits is credited to the Statement of Comprehensive Income and Expenditure in the year in which it is earned.

Agency Arrangements

The College acts as an agent in the collection and payment of all Student Support Funds except for childcare funding. These funds are excluded from the College Statement of Comprehensive Income and Expenditure and movements have been disclosed in the notes to the accounts.

Notes to the Financial Statements

1) STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (Continued)

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 (childcare funding), the income and expenditure relating to those funds are shown in the College Statement of Comprehensive Income and Expenditure.

Grant Funding

Government revenue grants including the recurrent grants from the Scottish Funding Council 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 credits due within one year and due after more than one year as appropriate.

Grants from non-recurrent 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 other restriction applied to the individual endowment fund.

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 within creditors until conditions are met.

Fixed Assets

Tangible assets

In line with the FReM all tangible assets must be carried at fair value.

Land and buildings

Land and buildings are measured using the revaluation model. Under the revaluation model, assets are revalued to fair value. Depreciated Replacement Cost has been used as a measure of fair value for land and buildings, otherwise Market Value has been used. The College has a policy of ensuring a full revaluation takes place at least every 5 years, with an interim valuation carried out after 3 years, such that the fair value is not materially different to the current value. Depreciation and impairment losses are subsequently charged on the revalued amount.

Notes to the Financial Statements

1) STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Finance costs, which are directly attributable to the construction of land and buildings, are capitalised as part of the cost of those assets.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College.

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

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs. They are not depreciated until they are brought into useful life.

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

Depreciation is calculated on a straight line basis over the expected useful life of the buildings which vary from 10 to 60 years as determined by professional opinion and valuation.

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to on-going future economic benefit.

These assets are then depreciated over their expected useful economic life on a straight line basis.

Equipment

Equipment costing less than £5,000 per individual item and motor vehicles costing less than £5,000 are written off to expenditure in the year of acquisition. All other equipment and vehicles are capitalised and carried at depreciated historical costs, which is used as a proxy for fair value.

Capitalised equipment is depreciated over its useful economic life ranging from between 3 and 10 years on a straight line basis.

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

Finance Leases

Leasing agreements that 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 relevant assets are included under fixed assets and the capital element of leasing commitments is shown as an obligation under finance leases.

The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the Statement of Comprehensive Income and Expenditure account in proportion to the reducing capital element outstanding.

Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Assets held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Notes to the Financial Statements

1) STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Operating Leases

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

Taxation

The College has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue and Customs as a charity for the purposes of section 467, Income and Corporation Taxes Act 2010 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Stocks

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

Cash

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

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.

Maintenance of Premises

The cost of routine corrective maintenance is charged to the Statement of Comprehensive Income and Expenditure in the period it is incurred.

Retirement Benefits

All new members of staff have the option of joining a pension scheme. The schemes currently open to new members of staff are the Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). Existing employees are entitled to maintain their membership of the STSS.

Full provision has been made for those pension costs which do not arise from externally funded defined benefit schemes.

Notes to the Financial Statements

1) STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Scottish Teachers Superannuation Scheme (STSS)

The College participates in the Scottish Teachers' Superannuation Scheme pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the College. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Financial Reporting Standard 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme in respect of the year.

Strathclyde Pension Fund (SPF)

The Strathclyde Pension Fund is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of the College. Pension scheme assets are measured using market values. Pension scheme 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 Scheme are determined by an actuary on the basis of triennial valuations using the Age Attained Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme, after making allowances for future withdrawals. The amount charged to the Statement of Comprehensive Income and Expenditure represents the net interest expense which is based on the net deficit within the scheme during the year.

The costs of enhanced early retirement benefits are borne directly by the College.

Provisions, Contingent Liabilities and Contingent Assets

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

The College has no contingency liabilities or contingent assets at the balance sheet date. Contingent liabilities and contingent assets, should they require to be disclosed, would not be recognised in the Balance Sheet but would be disclosed in the notes to the financial statements (see Note 26).

Notes to the Financial Statements

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
2) TUITION FEES AND EDUCATION CONTRACTS		
FE fees - UK	2,450	2,693
FE fees - non EU	154	188
HE fees	3,185	3,203
SDS contracts	918	833
	6,707	6,917
3) FUNDING BODY GRANTS		
FE recurrent grant	39,593	38,862
Childcare funds (Note 25)	1,895	1,819
Release of deferred capital grants	1,587	1,587
Other SFC grants	1,291	722
Estates maintenance funding	980	1,927
	45,346	44,917
Other SFC grants includes a historical Estates Maintenance creditor which was brought forward as at 1 August 2015. The balance of this creditor will be fully released next year to cover appropriate expenditure incurred.		
4) OTHER GRANT INCOME		
Development grants	114	82
Release of deferred capital grants	184	184
	298	266
5) OTHER OPERATING INCOME		
Catering	1,050	1,058
Other income generating activities	586	718
Income from charitable foundation	0	40
Support for Learning	399	594
Other income	815	570
	2,850	2,980
6) INVESTMENT INCOME		
Interest receivable	35	69
	35	69

Notes to the Financial Statements

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
7) STAFF COSTS		
Wages and salaries	30,378	29,918
Social security costs	3,054	2,552
Pension costs (including actuarial cost (Note 23))	6,108	5,436
Holiday pay provision (release) / charge	(9)	5
	39,531	37,911
Teaching departments	22,445	22,102
Teaching services	4,004	3,665
Administration and central services	7,987	7,626
Premises	2,038	1,995
Other expenditure	1,612	1,568
Catering	678	676
Pension adjustments	767	279
Total	39,531	37,911

Staff Numbers:

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

	2017 FTE	2016 FTE
Teaching departments	383	382
Teaching services	76	80
Administration and central services	236	230
Premises	68	66
Other expenditure	43	43
Catering	31	32
	837	833

Notes to the Financial Statements

7) STAFF COSTS (Continued)

The number of staff, including senior post-holders and the Principal, who are due to receive annual emoluments in the following ranges are:

	Year ended 31 July 2017 Numbers	Year ended 31 July 2016 Numbers
£60,001 - £65,000	2	1
£65,001 - £70,000	10	11
£70,001- £75,000	1	1
£85,001 - £90,000	3	3
£135,001 - £140,000	1	1
	17	17

8) SENIOR POST-HOLDERS' EMOLUMENTS

Number of senior post-holders, including the Principal was:

15	15
----	----

	Cost 2016-17 £000	Cost 2015-16 £000
Senior post-holders' emoluments are made up as follows:		
Salaries	1,139	1,141
Pension contributions	208	209
Total Emoluments	1,347	1,350

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

	Cost 2016-17 £000	Cost 2015-16 £000
Principal	139	139
Pension contributions	24	24

No senior post-holder received any benefits in kind.

There were no compensation payments in year for loss of office to former higher paid employees.

Notes to the Financial Statements

8) SENIOR POST-HOLDERS' EMOLUMENTS (Continued)

The Principal and 6 other senior post holders were members of the Scottish Teachers Superannuation Scheme, a further 8 senior post holders were members of the Strathclyde Pension Fund. All pension contributions were paid at the same rate as for other members of staff.

The members of the Board of Management with the exception of the Chair, the Principal and the staff members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
9) OTHER OPERATING EXPENSES		
Teaching departments	1,836	1,946
Catering	517	502
Other income generating activities	199	227
Premises	2,883	3,358
Administration	5,267	5,534
FE and HE childcare (Note 25)	1,895	1,819
Student support fund costs	-	408
	12,597	13,794

Included in Administration expenses are:

Auditors remuneration (inclusive of VAT)

Internal audit services	31	32
External audit services	30	30
Other services	18	18

10) INTEREST PAYABLE

On bank loans, overdrafts and other loans	212	228
Pension interest costs (Note 23)	649	851
	861	1,079

Notes to the Financial Statements

11) TAXATION

The Board of Management does not consider that the College is liable for any Corporation Tax arising out of its activities during the year.

12) TANGIBLE FIXED ASSETS

	<i>Inherited Land & Buildings £000</i>	<i>Other Land & Buildings £000</i>	<i>Equipment £000</i>	<i>Total £000</i>
Cost or valuation				
At 1 August 2016	56,447	49,472	4,502	110,421
Additions in year	-	-	481	481
Disposals in year	-	-	(499)	(499)
At 31 July 2017	56,447	49,472	4,484	110,403
Depreciation				
At 1 August 2016	125	239	4,194	4,558
Charge for year	2,745	1,772	241	4,758
Disposals in year	-	-	(499)	(499)
At 31 July 2017	2,870	2,011	3,936	8,817
Net book value at				
31 July 2017	53,577	47,461	548	101,586
31 July 2016	56,322	49,233	308	105,863
Analysis of net book value at 31 July 2017				
Inherited	20,829	-	-	20,829
Financed by capital grant	32,748	26,178	129	59,055
Other	-	21,246	3	21,249
Leasehold	-	37	416	453
	53,577	47,461	548	101,586

Land and buildings were independently valued at 31 July 2016 by Ryden, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the requirements of RICS Valuation - Professional Standards, January 2014 amendment, FRS 102 and the Government Financial Reporting Manual. The basis of the valuation used was Depreciated Replacement Cost. Had they not been re-valued, inherited and owned Land & Buildings would have had an historic net book value of £49,065,000 (2016: £51,057,000)

Land and buildings with a net book value of £68,126,000 (2016: £71,312,000) have been funded from Exchequer Funds, under the definition found in the Financial Report Manual. These assets cannot be disposed of without the prior approval of the Scottish Funding Council, and then any proceeds only used in accordance with their instructions.

Included within Land and Buildings is land with a valuation of £5,924,000 (2016: £5,924,000) which is not depreciated.

Notes to the Financial Statements

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
12) TANGIBLE FIXED ASSETS (Continued)		
The depreciation charge for the year is analysed as follows:		
Based on cost	2,474	2,432
Based on valuation	2,284	965
	4,758	3,397
Analysed:		
Owned assets	4,758	3,397
	4,758	3,397
13) TRADE AND OTHER DEBTORS		
Trade debtors	288	280
Other debtors	72	23
Prepayments and accrued income	772	468
Amounts owed by SFC	619	613
	1,751	1,384
14) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank loans	392	378
Other loans	-	214
Finance lease	96	-
Trade creditors	365	254
Other creditors	91	39
Accruals and deferred income	2,653	3,884
SFC capital grant deferred income	1,529	2,745
Amounts owed to SFC - Estates Maintenance	1,538	24
Deferred capital grants SFC	1,506	1,606
Deferred capital grants non-SFC	184	184
	8,354	9,328
15) CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR		
Bank loans	2,505	2,897
Finance lease	321	-
Deferred capital grant SFC	25,549	27,036
Deferred capital grant non-SFC	4,991	5,176
	33,366	35,109

Notes to the Financial Statements

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
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16) ANALYSIS OF BORROWINGS OF THE COLLEGE

a) Bank loans

Within one year	392	378
Between one and two years	399	392
Between two and five years	1,086	1,235
After five years	1,020	1,270
	<u>2,897</u>	<u>3,275</u>

Bank borrowings are secured, over specific areas of freehold land and buildings, spread over 8 and 12 year terms at fixed rates of interest between 5.39% and 7.90%. These will be fully repaid between 2021 and 2025.

b) Finance Leases

Within one year	96	-
Between one and two years	96	-
Between two and five years	225	-
	<u>417</u>	<u>-</u>

The finance lease is spread over a 5 year term at a fixed rate of interest of 15.38%.

17) PENSION PROVISION

Pension provision at 31 July 2016	26,675	23,515
Movement in year	(156)	3,160
Pension provision at 31 July 2017	<u>26,519</u>	<u>26,675</u>

The movement in pension provision is further analysed in Note 23

18) PENSION RESERVE

Balance at 1 August	(26,675)	(23,515)
Current service cost in year	(3,104)	(2,551)
Employer contributions	1,741	1,669
Contributions re unfunded benefits	596	603
Net interest	(649)	(851)
Transfer to Income & Expenditure	(1,416)	(1,130)
Pension scheme actuarial gain / (loss)	1,572	(2,030)
As at year end	<u>(26,519)</u>	<u>(26,675)</u>

Notes to the Financial Statements

19) ANALYSIS OF NET CASH/(DEBT)

	At 31/7/2016	Finance Lease	Cash Flows	Other Non Cash Changes	At 31/7/2017
	£000	£000	£000	£000	£000
Cash	4,708		93	-	4,801
	4,708	-	93	-	4,801
Debt due within one year	(593)	(64)	658	(488)	(487)
Debt due after one year	(2,897)	(417)	-	488	(2,826)
	1,218	(481)	751	-	1,488

20) FINANCIAL COMMITMENTS

At 31 July 2017 the College had annual commitments under non-cancellable operating leases for Land and Buildings as follows:

	Year ended 31 July 2017	Year ended 31 July 2016
	£000	£000
Future minimum lease payments due:		
Expiring within 1 year	165	211
Expiring between two and five years	367	760
Expiring after 5 years	501	964
Total lease payments due	1,033	1,935

21) CAPITAL COMMITMENTS

The College has not received any capital grant funding during 2016/17 from the Scottish Funding Council and therefore has no capital commitments at the year end.

22) RELATED PARTY TRANSACTIONS

The Board of Management of West College Scotland is a body incorporated under the Further and Higher Education (Scotland) Act 1992. It receives funding from the Scottish Funding Council.

During the year the College had various material transactions with other entities for which SFC is regarded as the sponsor department, via Students Awards Agency for Scotland, Scottish Enterprise and a number of other colleges and higher education institutions.

In addition the College has had a small number of material transactions with other Government Departments and other central and local government bodies. Most of these transactions have been with the Employment Service and Local Authorities.

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

Notes to the Financial Statements

22) RELATED PARTY TRANSACTIONS (Continued)

There were no transactions during the year with non-public bodies in which a member of the Board of Management has an interest and which in aggregate exceeded £5,000.

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

Member	Organisation	Position
Keith McKellar	Colleges Scotland	Board Member
Keith McKellar	Colleges Scotland	Member of Good Governance Steering Group
Keith McKellar	Ardgown Hospice	Chair
Audrey Cumberford	West College Scotland Foundation	Trustee
Audrey Cumberford	Colleges Scotland	Board Member
Audrey Cumberford	SFC	Member of Council
Audrey Cumberford	SFC	Board Member
Audrey Cumberford	RSE Education Committee	Member
Audrey Cumberford	Scotland Innovation Forum	Member
Nick Allan	Dunbartonshire Chamber of Commerce	Non-Executive Director
Jim Hannigan	Doosan Babcock	Director of Asset Management & Product Development
Jim Hannigan	CITB	Regional Chair for Scotland
Jacqueline Henry	Renfrewshire Council	Councillor
Jacqueline Henry	Scottish Parliament	Researcher
Jacqueline Henry	Renfrewshire Council	Convenor of Education
Jacqueline Henry	Renfrewshire Community Planning Partnership	Chair
Jacqueline Henry	Renfrewshire Health & Social Care Integration Joint Board	Member
Lyndsay Lauder	NHS Greater Glasgow and Clyde	Head of People and Change
Lyndsay Lauder	Developing the Young Workforce West Region	Board Member
Lyndsay Lauder	Glasgow Chamber of Commerce	Member
John Leburn	University of Edinburgh	Guest Lecturer
John McMillan	West College Scotland Foundation	Trustee
Joyce White	West Dunbartonshire Council	Chief Executive
Mark Newlands	Scottish Enterprise	International Sector Head
Wilma Bain	Inverclyde Council	Director of Education, Communities and Organisation Development
Graeme Bold	Standard Life	Strategy Director

Notes to the Financial Statements

23) PENSION SCHEMES

The College's employees belong to one of two principal pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) and the Strathclyde Pension Fund Scheme (SPF), which are both defined benefit schemes.

	31 July 2017 £000	31 July 2016 £000
The total pension cost for the College was :		
Contributions paid	5,341	5,157
Pension cost as a result of implementing FRS 102	767	279
Total pension cost (Note 7)	6,108	5,436

Scottish Teachers' Superannuation Scheme (STSS)

The STSS is an unfunded multi-employer defined benefit scheme. It is accepted that the treatment can be as a defined contribution scheme as the STSS is unable to identify its share of the underlying assets and liabilities of the scheme. As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the schemes actuaries at a level to meet the costs of the pensions as they accrue.

A full actuarial valuation was carried out as at 31 March 2012. The results of this valuation were rolled forward to give a liability of £20.9 billion. During the year contributions were payable to the STSS at a rate of 17.2% with no change during the year. The employee contribution rates ranged from 7.2% to 11.9%.

The assumptions that have the most significant effect on contribution rates are as follows:

<u>Actuarial method</u>	<u>Prospective benefits</u>
Assumed rate of return on investment	6.50%
Assumed rate of increase in salaries	2.00%
Present value of liabilities at 31 March 2012	£20.9 billion
<u>Financial Assumptions at 31 March 2012</u>	
Rate of return (discount rate)	5.60%
Rate of return in excess of:	
Earnings increases	0.70%
Price increases	2.90%

FRS 102

Under the definitions set out in Financial Reporting Standard 102 (FRS 102) Section 28 Employee Benefits, 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 taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information on the scheme and the implications for the College in terms of the anticipated contribution rates.

Strathclyde Pension Fund (SPF)

The SPF is a funded defined benefit scheme, with the assets held in separate trustee-administered funds. The total contribution rates are set by the scheme actuaries and were 19.3% for employer contributions throughout the year. The employee contribution rates ranged from 5.5% to 11.2%.

Notes to the Financial Statements

23) PENSION SCHEMES (Continued)

The pension cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions which have the most significant effect on the scheme are:

	At 31 July 2017	At 31 July 2016
Principal Actuarial Assumptions		
Rate of increase in salaries	4.50%	3.90%
Rate of increase for pensions in payment / inflation	2.50%	1.90%
Discount rate for liabilities	2.70%	2.40%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. For 2017 life expectancy was calculated based on the Fund's VitaCurves as in the previous year. The assumed life expectations on retirement age 65 are:

		At 31 July 2017	At 31 July 2016
Current pensioners	Males	22.1	22.1
	Females	23.6	23.6
Future pensioners	Males	24.8	24.8
	Females	26.2	26.2

Commutation

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

The table below compares the present value of the scheme liabilities, based on the actuary's assumptions, with the estimated employer assets:

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
Fair value of employer assets	85,929	74,653
Present value of funded liabilities	(101,465)	(90,292)
	<u>(15,536)</u>	<u>(15,639)</u>
Present value of unfunded liabilities	(10,983)	(11,036)
Net liability	<u>(26,519)</u>	<u>(26,675)</u>
Amount in the Balance Sheet:		
Pension liability	<u>(26,519)</u>	<u>(26,675)</u>

Notes to the Financial Statements

23) PENSION SCHEMES (Continued)

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
Amount charged to Comprehensive Income and Expenditure:		
Employer service cost (net of employee contributions)	767	279
Interest on obligation	649	851
Actuarial (gain)/loss on scheme assets	(1,572)	2,030
Total	(156)	3,160
Changes in the fair value of scheme assets:		
Opening fair value of scheme assets	74,653	64,178
Net interest	1,803	2,329
Contributions by members	564	534
Contributions by the employer	1,741	1,669
Contributions in respect of unfunded benefits	596	603
Benefits paid	(1,224)	(1,170)
Unfunded benefits paid	(596)	(603)
Expected return on assets	8,392	7,113
Closing fair value of scheme assets	85,929	74,653
Changes in the present value of the defined benefit obligation:		
Opening defined benefit obligation	101,328	87,693
Current service cost	3,104	2,551
Interest cost	2,452	3,180
Contributions by members	564	534
Estimated benefits paid	(1,224)	(1,170)
Estimated unfunded benefits paid	(596)	(603)
Actuarial loss	6,820	9,143
Closing defined benefit obligation	112,448	101,328
History of experience gains / (losses):		
Scheme assets	85,929	74,653
Defined benefit obligation	(112,448)	(101,328)
Deficit	(26,519)	(26,675)
Experience gains on scheme assets	8,392	7,113
Experience losses on scheme liabilities	(6,820)	(9,143)

Notes to the Financial Statements

23) PENSION SCHEMES (Continued)

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
The transactions in respect of the Strathclyde Pension Fund which are now included in the accounts as required by FRS 102:		
Net assets excluding pension liability	13,398	67,531
Pension liability	(26,519)	(26,675)
Net assets including pension liability	39,917	40,856
Analysis of the amount charged to staff costs (Note 7)		
Current service cost	(3,104)	(2,551)
Total operating charge	(3,104)	(2,551)
Analysis of the amount charged to pension interest (Note 10)		
Expected return on pension scheme assets	1,803	2,329
Interest on pension scheme liabilities	(2,452)	(3,180)
Net pension interest charged	(649)	(851)
Net revenue account cost	(3,753)	(3,402)
Analysis of the amount recognised in Other Comprehensive Income under FRS 102		
Return on assets excluding amounts included in Interest	8,392	7,113
Experience (loss) / gains arising on the scheme liabilities	(72)	1,167
Changes in assumptions underlying the present value of the scheme liabilities	(6,748)	(10,310)
Actuarial gain / (loss) recognised in Other Comprehensive Income	1,572	(2,030)
Analysis of the movement in deficit during the year		
Deficit in scheme at beginning of the year:	(26,675)	(23,515)
<u>Movement in year:</u>		
Current service cost	(3,104)	(2,551)
Contributions	1,741	1,669
Contributions in respect of unfunded benefits	596	603
Total net interest	(649)	(851)
Actuarial gain / (loss)	1,572	(2,030)
Deficit in scheme at end of the year	(26,519)	(26,675)

Notes to the Financial Statements

24) FE BURSARY AND OTHER STUDENT SUPPORT FUNDS

	FE Bursary	EMAs	Other	Total 31 July 2017	Total 31 July 2016
	£000	£000	£000	£000	£000
Balance b/fwd	-	3	117	120	51
Clawback	-	-	(117)	(117)	(60)
Retained by College	-	(3)	-	(3)	-
Allocation received in year	9,082	459	1,000	10,541	10,375
Expenditure	(8,890)	(512)	(851)	(10,253)	(10,505)
Virements	(192)	-	(149)	(341)	(150)
College contribution to funds	-	-	-	-	408
Balance c/fwd	-	(53)	-	(53)	120

Represented by:

Repayable to SFC/SAAS as clawback	-	-	-	117
Owed from SFC	-	(53)	(53)	-
Retained by College for students	-	-	-	3
	-	(53)	(53)	120

The above grants are available solely for students, the College acting only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

25) CHILDCARE FUNDS

	Total 31 July 2017	Total 31 July 2016
	£000	£000
Balance b/fwd	-	-
Allocation received in period	1,554	1,669
Expenditure	(1,895)	(1,819)
Virements	341	150
Balance c/fwd	-	-

Childcare fund transactions are included within the College SOCIE in accordance with Accounts Direction issued by the Scottish Funding Council.

26) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets as at the balance sheet date.

27) POST BALANCE SHEET EVENTS

There have been no significant post balance sheet events.

Notes to the Financial Statements

28) ADJUSTED OPERATING POSITION ON CENTRAL GOVERNMENT ACCOUNTING BASIS

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.

	Year ended 31 July 2017	Year ended 31 July 2016
	£000	£000
Deficit before other gains and losses (FE/HE SORP basis)	(2,511)	(1,032)
Add back: Non-cash allocation for depreciation (net of deferred capital grant)	2,987	1,626
Operating Surplus on Central Government accounting basis	476	594

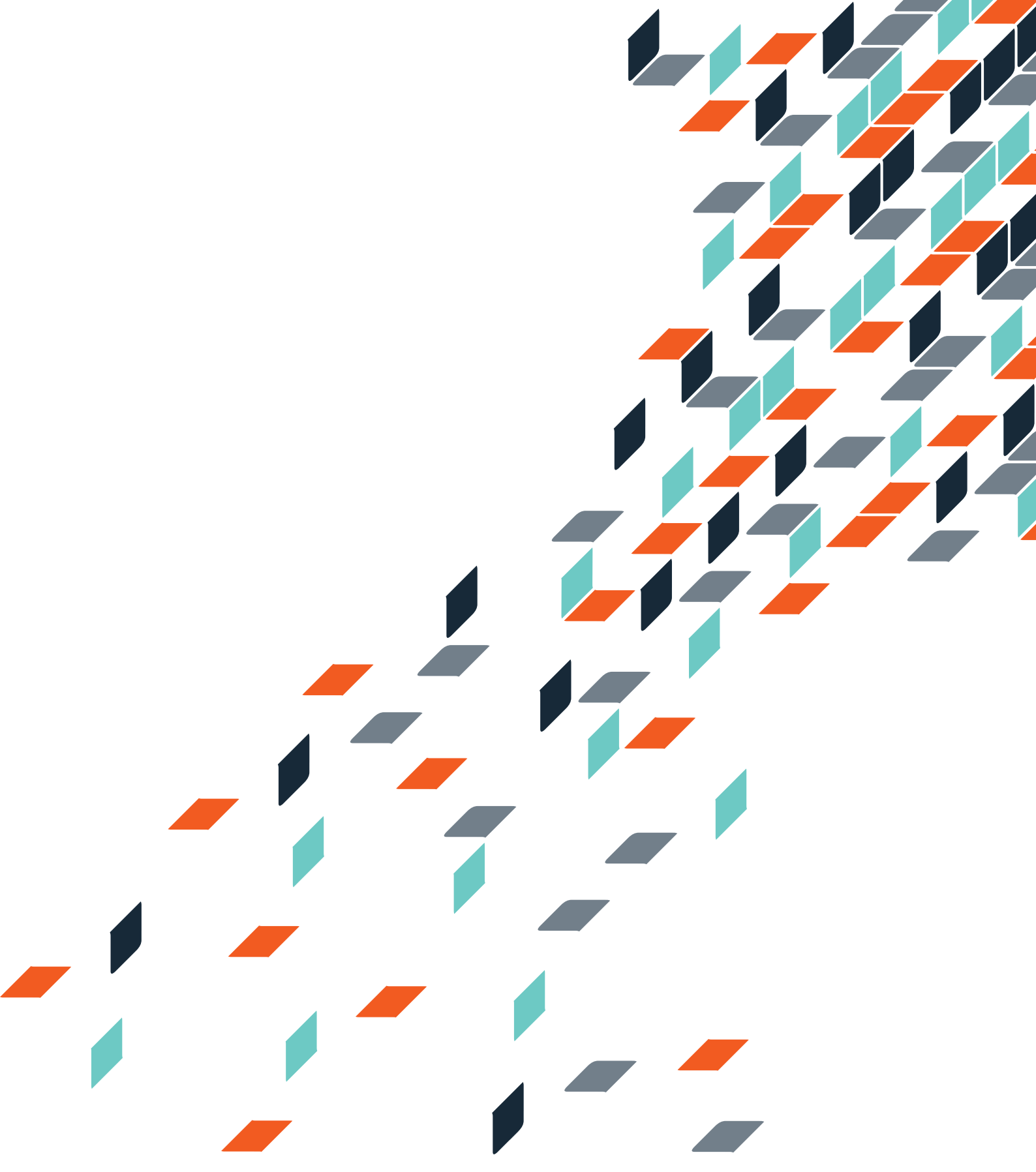
Under the FE/HE SORP, the college recorded an operating deficit of £2,511,000 for the year ended 31 July 2017. After taking account of the Government non-cash budget, the college shows an “adjusted” surplus of £476,000 on a Central Government accounting basis. This demonstrates that the college is operating sustainably within its funding allocation.

The following note is taken from the 2016-17 SFC Accounts Directions and has been included as required by the SFC. It does not form part of the Financial Statements.

2016-17 Accounts direction for Scotland's colleges

- 1 It is the Scottish Funding Council's direction that colleges comply with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.
- 2 Colleges must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (for assigned colleges).
- 3 Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2016-17 (FReM) where applicable.
- 4 Incorporated colleges are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2017.
- 5 The annual report and accounts should be signed by the chief executive officer and by the chair, or one other member of the governing body
- 6 Incorporated colleges should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
30-Jun-17



Clydebank Campus

College Square, Queens' Quay
Clydebank, G81 1BF

Greenock Campus

Finnart Street
Greenock, PA16 8HF

Paisley Campus

Renfrew Road
Paisley, PA3 4DR