



Report and Financial Statements

For the year ended 31 July 2019

Charity Number SC021185



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Professional Advisors

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Performance Report



Introduction from the Principal

“We are ambitious, for our College, our students, our staff and the communities we serve”

As Principal and Chief Executive, I am delighted to be writing the introduction to the Annual Report to highlight the achievements of the College during these challenging times. It is an exciting time to be a part of the education sector and to be leading West College Scotland. I would like to thank all staff, students and partners for the warm welcome I have received since taking up my new position in September 2018. Over the course of 2018-19 we have built upon the strong foundations laid in the years since merger, with an emphasis on team work, a focus on improvement and innovation and a clear purpose to make a difference. Based on this collective effort I know our College has a great future ahead of it and we continue to deliver our ambitions with great pride and passion.

The accomplishments of our students are witness to the inspiring education delivered across all curriculum areas and 2018-19 has been another year of academic achievement, national recognition and student success stories. The vocational, technical and professional educational opportunities, along with the skills training, the expertise and the advice the College offers, extends across a range of industry sectors: from energy conservation, to health and social care, to tourism and digital technology.

The College reach, influence and impact extends beyond the West Region with more than 20 vocational centres across the globe, including in the Far East. Within the Region, the College plays an important leadership role, using its influence and scale, to help shape the educational and employability landscape.

Our relationship with employers and businesses is critical to the work we do, and it is mutually beneficial. We want the College to be the natural choice to assist businesses 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.

To help the College ensure that it continues to respond to the needs of business, during 2018-19 we conducted and published a regional skills survey ‘Our Workforce, Our Future’ <https://www.westcollegescotland.ac.uk/our-workforce-our-future/>). The survey was completed by more than 230 organisations, employing more than 65,000 people. It is the first survey of its kind in Scotland ever conducted by a college or university. It confirmed the strong relationships which already exist between the College and the businesses we work with. It also, however, flagged up a digital skills gap in the region and provided additional insight into other workforce development needs. We are using this intelligence to further strengthen our employer partnerships and inform our own curriculum development.

It is now six years since the College’s creation, and I am fortunate to have taken up the position of Principal at a stage when we have overcome many of the challenges we faced before and after merger. I believe we can look forward with confidence and positivity.

2018-19 saw the College implement a Business Transformation Plan to address key challenges within our operating environment and to ensure we can address the financial challenges that exist. This approach has seen the College again deliver an underlying operating break-even position for 2018-19. This ongoing engagement with and support from the SFC in delivering the College Business Transformation Plan will continue to be an important factor in the College achieving an underlying breakeven position for 2019-20.

Our new Strategic Plan 2019-2025 builds on the progress we have already made and will ensure that West College Scotland continues to be innovative and forward-thinking in meeting the needs of the region and our students.

There is no doubt we, along with colleges across the sector, will face further challenges over the next academic year - but with challenge comes opportunity and I am confident the College is now in well placed to embrace those opportunities and build on the success of recent years. We will continue to develop in 2019-20, making sure we are meeting the needs of students, employees, businesses, policy makers and our economy.

Elizabeth Connolly
Principal and Chief Executive

Highlights of the Year

During the year to 31 July 2019 the College's achievements included:

- In November 2018, Derek MacKay MSP, Cabinet Secretary for Finance, the Economy and Fair Work, launched the AC Whyte Skills Academy at our Greenock campus. This collaboration with AC Whyte, a Barrhead-based construction company delivering major refurbishment projects mainly for local authorities and Housing Associations, has guaranteed 12 students full-time employment with the company following graduation. The initiative won the prestigious Herald HE Employer Engagement with Colleges Award in June 2019.
- At the annual College Development Network Awards 2018 our Learning Development team won the Employer Engagement award for their work in giving opportunities to students with learning and health needs. The College's Marketing Team also took first prize for their #BeLike campaign, which encouraged students to use their own online social network connections to promote the summer recruitment campaign.
- Three '*Choose Your Career Days*' were organised in Clydebanks, Greenock and Paisley in early 2019 to showcase courses and activities to potential students and partners.
- The Students' Association won the National Union of Students Award for Officer Team of the Year in March 2019.
- Richard Lochhead MSP, Minister for Further Education, Higher Education and Science visited the Paisley campus in February 2019. During a lengthy visit he met management staff and students. Mr Lochhead also oversaw the signing of a joint long-term Mental Health Strategy between College management and the Students' Association.
- In April, Greenock-based Employability Advisor Leeann Jenkinson won the top prize at the annual Scottish Learning Disability Awards for her work with students in Inverclyde.
- The College hosted the annual SNIPEF SkillPLUMB apprentice competition in June 2019. This was the second consecutive year WCS has hosted this event, which showcases talents from across colleges, businesses and training centres across Scotland
- Deputy First Minister and Cabinet Secretary for Education and Skills, John Swinney, visited our Greenock campus to meet Inverclyde school pupils and College motor vehicle staff who had provided support and guidance in building a F24 race cart to be showcased at an event at Silverstone. Mr Swinney met our team, as well as our Principal and others.

Our Vision

Collective Ambition

Pride and Passion

Inspirational and Innovative

INTRODUCTION

This Report provides information on the College, its main purpose, activities, objectives, strategies and the principal risks that it faces.

Purpose and Activities

West College Scotland, as an incorporated college in Scotland, is a public body constituted under statute and a Scottish charity (SC021185). It was designated a Regional College in August 2013 under the Post-16 Education (Scotland) Act 2013.

The constitution and proceedings of the Board of Management are determined by Schedule 2 to the Further and Higher Education (Scotland) Act 1992, as amended (the 1992 Act). Its powers are determined by Section 12 of the 1992 Act, as amended.

The core purpose of the College is the provision of further and higher education in the Renfrewshire, Inverclyde and West Dunbartonshire regions. West College Scotland delivers education programmes on a full-time and part-time basis to in excess of 21,000 students annually.

In seeking to develop a relevant curriculum and provide educational opportunities that meet the social and economic needs of the region, the College works closely with regional partners including other education providers, business leaders and Community Planning Partnerships.

The College's strategic direction is set by the Board of Management, informed by education policy as determined by Scottish Ministers, and by guidance provided by the Scottish Funding Council. The Financial Memorandum between the College and the Scottish Funding Council (SFC) sets out the terms under which the College, as a fundable body, receives and is held accountable for the use of public funds.

The College's objectives in relation to the public funding it receives are set out annually in its Regional Outcome Agreement with the Scottish Funding Council. In 2018-19, 84% of the College's income was from the Scottish Funding Council. Other sources of income included tuition fees, education and employability contracts, and general operating income.

Key Issues and Risks

The Scottish Government set out several key policy objectives for Colleges, including the Future Skills Strategy, Flexible Workforce Development Fund, the Developing the Young Workforce Strategy, Widening Access, the prioritisation of Science, Technology, Engineering and Mathematics (STEM) subjects, improving the Learner Journey and the enhancement of gender balance in the curriculum. The College is making good progress in fulfilling these objectives within the required timescales whilst operating in a challenging financial landscape.

The College's 2019-20 Regional Outcome Agreement (http://www.sfc.ac.uk/web/FILES/outcome-agreements-1920/West_Scotland_Outcome_Agreement_2019-20.pdf) lists the following priority areas to be delivered by the end of academic year 2019-20 – we will:

- 1) provide education and training in inspirational and innovative ways to engage and meet the diverse needs of our students. Education and training will be delivered to students in high quality College facilities, in students' place of work or through the development and use of digital technologies.
- 2) 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. The College will support the development of staff to achieve successful outcomes for themselves, students and the College.
- 3) develop our curriculum and services to ensure they align with and support Scotland's key economic sectors. The College will ensure that our students are equipped with the relevant training, qualifications and essential skills they need for employment and life. The College will develop meaningful partnerships; connections and alliances with business and industry to ensure employers are directly involved and invest in educational and skills development in the West.
- 4) be a strategic resource and valued partner with stakeholders, building relationships, leveraging resources and capabilities to design, develop and deliver products and services.
- 5) have new partners and new areas of activity, which allow the College to grow and develop income streams to reinvest in the core business for the benefits of students, staff and communities.
- 6) grow our profile and reputation both nationally and internationally. The College reputation will be based on the quality of teaching, outcomes for students and willingness to strive for and set the highest standards across all areas of our work.
- 7) take a leadership role in the West Region and, together with partners and stakeholders, tackled the significant social and economic deprivation, which characterise many of the College communities. The College will deliver a sustainable, effective and efficient service to our communities, through the implementation of sound governance, leadership, planning and management.

The College manages the risk that it faces through the:

- College Risk Management Strategy;
- Development of a risk appetite statement; and
- Maintenance of a Strategic Risk Register which identifies the major risks identified by the Board of Management and its Committees and risks identified by the Senior Management Team.

The Risk Management Strategy is overseen by the Board of Management Audit Committee. As of September 2019, the top five risks facing the College have been identified as:

- 1) Inability to clearly forecast the volatility and impact of SFC funding and funding methodology changes in relation to core-grant-in-aid, credit activity model; reduction in European funding; student support funding and estates maintenance.
- 2) Failure to deliver Estate Strategy objectives due to business cases for development of estate being delayed, with this having a resultant negative impact on the ability of the College to recruit students, retain staff and address legislative requirements.
- 3) Failure to secure adequate estates maintenance / capital funding for future investment or refurbishment of IT and physical infrastructure.
- 4) Failure to prepare for the anticipated impact upon the College of Brexit including loss of European funding, loss of students / staff and access to exchange programme funding.
- 5) Failure to deliver SFC Regional Outcome Agreement targets at a time of limited resource results in future credit and/or funding adjustments.

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 institutions. Under the terms of the loan agreements the College must meet certain financial covenants. These were met during 2018-19 and are forecast to be met in the 12-month period from the date of these Financial Statements.

The College continues to face several financial challenges. The Board of Management has approved a 2019-20 budget which details the sources of income and expenditure of the College and considered a 5-year financial projection. The financial forecasts for this period - based upon a set of SFC assumptions - indicate that the ability to deliver an underlying break-even position will be challenging for the College in the current and future years. However, the College has in place a Business Transformation Plan which, with SFC support, is designed to achieve a position of financial sustainability in future years.

Given this, and 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, the College continues to adopt the going concern basis in preparing the Financial Statements.

Performance Summary

The College achieved its 2018-19 student activity targets and financial objectives in line with the Board of Management approved budget.

The SFC credit target of 164,223 credits (157,855 core credits plus 6,386 European Structural Funds Priority 5: Strategic Skills Pipeline credits) was exceeded by 305 credits. The College delivered an adjusted operating surplus of £26,000 (2017-18: £19,000) as shown in the table on page 15, which is considered as a break-even position. The 2018-19 financial deficit was £6.0m (2017-18: £3.1m deficit) after inclusion of year-end pension valuation adjustments of £2.8m (2017-18: £2.0m).

PERFORMANCE ANALYSIS

Operational Review

The College continued to invest in resources appropriate to the size and complexity of its business; and managed its key organisational risks whilst committing to satisfactory standards of corporate governance. A robust institution-wide risk management process is in place, monitored by the Senior Management Team, with oversight provided by the Board of Management Audit Committee. Risk management reports are provided to all Board of Management Committees and the Board of Management on a continuous basis throughout the year. The key risks reported in the Strategic Risk Register continue to be kept under close review, with emerging risks promptly identified, managed and mitigated accordingly.

During the year the College implemented a Business Transformation Plan '*Future Proofing our College*'. Like many public sector organisations, colleges face a future that is uncertain. The future policy context has the potential to substantially impact the role of colleges. The outcomes of the Government's learner journey programme and the potential impact of the new Enterprise and Skills Strategic Board will shape the future. The impacts arising from College sector national bargaining also require to be considered in developing the College's workforce plan and approach to curriculum delivery. The SFC funding model supporting colleges is also likely to change and the SFC's 2018-19 funding announcement of 18 May 2018 confirmed a return to a simplified funding model going forward. The College has therefore faced, and continues to face, several challenges, and the immediate priority is to work closely with the Scottish Funding Council to meet and address these and deliver a financially stable and sustainable College.

The scale of the financial challenge in 2018-19 and beyond means that the College will require to work in partnership with SFC to implement a range of solutions. SFC strategic financial support will be an essential element of this. The range of approaches the College will implement include:

- 1) Workforce planning, realignment and reshaping.
- 2) Realising further efficiencies through improved efficiency and productivity.
- 3) Continuing to refine and reshape the delivery models for core learning and teaching activity.
- 4) Improved use and disposal of current property assets, with a review being undertaken of the current campus model and business cases being progressed with the SFC for new campus developments.

5) Exploration of service delivery options.

6) Growth of alternative income streams.

In the longer-term sustainable savings can only be achieved if allied with specific strategic investment. The College believes the investment required falls into three categories:

- 1) Widening access – with a need to focus on attracting and enabling students from SIMD 10/20 to achieve their full potential.
- 2) Digital infrastructure.
- 3) Development resource for our curriculum portfolio and business development portfolio in order ensure the College continues to evolve and meet regional community and employer needs.

In order to ensure that the College is focused on the achievement of the Business Transformation Plan an updated Corporate Strategy outlining the vision over the next five years was developed in 2019. At the heart of the Strategy are four key priority areas for the College:

- **PERSONALISATION** – the College will deliver the skills solutions that employers are looking for and the learning outcomes that students want, in a way that suits individual students.
- **COLLABORATION** – The College will build the immersive relationships and make the connections that enhance value for customers and stakeholders by creating learning pathways, developing new delivery partnerships and integrating learning into wider local strategies.
- **AGILE AND ADAPTIVE** – The College will develop the capability to respond to shifts in demand and seize new opportunities quickly' putting in place specialist delivery capabilities.
- **DIGITAL** – the College will ensure that the it has the digital capacity and capabilities to deliver in a modern economy.

The challenges we face will not alter the College's vision and we will continue to manage key strategic and operational risks in a structured and coherent manner and deliver a sustainable and successful College for the benefit of staff, students and communities.

Review of Financial Performance

The College achieved an underlying operating outturn of £26,000 in 2018-19, which is effectively a breakeven position and in line with budgeted expectations. While the overall accounting position for the College is a £6.0m deficit (2017-2018: deficit of £3.1m) – and the background to this accounting deficit and the reasons behind this are explained on page 15 - it is the underlying operating position that is considered by the Scottish Funding Council and Audit Scotland to be the primary indicator of financial sustainability. The underlying operating position, as defined by SFC, is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by accounts guidance or other items out with the control of the College. It is therefore designed to smooth any volatility in reported results arising from FRS 102 and to recognise that some of the reported costs do not have an immediate cash impact on the College.

The College has a five-year financial plan in place which aims to ensure that the organisation 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.

2018-19 Income and Expenditure

The overall position of the College for 2018-19 can be summarised as follows, and is further explained in the commentary below the tables:

	2018-19	2017-18	Movement	
	£m	£m	£m	%
Income	59.0	58.7	0.3	0.5%
Expenditure	(65.0)	(61.8)	(3.2)	(5.2)%
Deficit in the year	(6.0)	(3.1)	(2.9)	(93.6)%

The College income is derived from several sources and is summarised below:

	2018-19	2017-18	Movement	
	£m	£m	£m	%
Tuition fees and Education Contracts	6.6	6.9	(0.3)	(4.4)%
<i>Teaching and fee waiver grant (SFC)</i>	<i>39.1</i>	<i>39.0</i>	<i>0.1</i>	<i>0.3%</i>
<i>Teaching and fee waiver grant (ESF)</i>	<i>1.5</i>	<i>1.7</i>	<i>(0.2)</i>	<i>(11.8)%</i>
<i>Estate maintenance funding</i>	<i>2.8</i>	<i>3.1</i>	<i>(0.3)</i>	<i>(9.7)%</i>
<i>Childcare funding</i>	<i>2.2</i>	<i>1.9</i>	<i>0.3</i>	<i>15.8%</i>
<i>Other SFC income</i>	<i>2.7</i>	<i>1.6</i>	<i>1.1</i>	<i>68.8%</i>
<i>Release of deferred capital grant</i>	<i>1.2</i>	<i>1.5</i>	<i>(0.3)</i>	<i>(20)%</i>
Scottish Funding Council income	49.5	48.8	0.7	1.5%
<i>Other grant / operating income</i>	<i>2.9</i>	<i>3.0</i>	<i>(0.1)</i>	<i>(3.4)%</i>
<i>Investment income</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0%</i>
Other income	2.9	3.0	(0.1)	(3.4)%
Total Income	59.0	58.7	0.3	0.5%

Income has increased by £0.3m (0.5%) to £59.0m from 2017-18 due to:

- Tuition Fee and Education Contract income reducing by £0.3m, reflecting a small drop in fee paying and education contract activity.
- Scottish Funding Council income increasing by £0.7m, due primarily to an increase in other SFC income of £1.1m as a result of additional funding of £1.0m being received towards supporting the College voluntary severance scheme. This increase was matched by an increase in staff costs.
- SFC Estates maintenance funding was fully utilised by the College in order to meet Estate Strategy objectives. The income is only recognised in the accounts as expenditure is incurred.
- The movement in childcare funding is matched to expenditure and represents a higher level of demand in this area combined with an increase in the charge levied by external providers.
- The release of deferred capital grant being matched to an increased level of depreciation charged during the year, in line with the College accounting policy.

The College expenditure is derived from several sources and is summarised below:

	2018-19	2017-18	Movement	
	£m	£m	£m	%
Wages and salaries	32.7	32.2	0.5	1.6%
Social security costs	3.3	3.3	0	0%
Pension costs	5.8	5.8	0	0%
Sub-total wages and salaries	41.7	41.2	0.5	1.3%
Support staff job evaluation	0.9	0.0	0.9	100%
FRS102 Pension and other movements	2.4	1.3	1.1	84.7%
Total staff costs	45.0	42.5	2.5	5.9%
Other operating expenses	14.4	13.7	0.7	5.1%
Depreciation	5.0	4.7	0.3	6.4%
Interest and other finance costs	0.6	0.9	(0.4)	(44.4%)
Total non-staff costs	19.9	19.3	0.6	3.1%
Total expenditure	65.0	61.8	3.2	5.2%

As outlined within the above table, total salary costs (excluding support staff job evaluation and FRS102 pension costs) increased by £0.5m (1.3%) to £41.7m in the year. Contributing factors to the movement in salaries include a cost of living increase for all staff, the impact of harmonisation and migration of teaching staff from local to national terms / conditions and the costs of the voluntary severance scheme.

Other operating expenses increased by £0.7m, which represents a 5.1% movement, and this has largely arisen due to additional expenditure on childcare which was matched by an increase in income. Interest and other finance costs are comprised of cash payments in relation to interest on loans of £186k (2017-18: £193k) and non-cash interest charges in relation to the support staff pension scheme of £390k (2017-18: £732k), which are technical accounting adjustments.

Adjusted Operating Position

The deficit for the 2018-19 financial year as per the Statement of Comprehensive Income and Expenditure is £6.0m. This is the result of several factors which are explained below. When these factors are adjusted, the adjusted operating position for the College is that of break-even.

	Note	2018-19	2017-18
		£'000	£'000
Deficit for the year as per statement of comprehensive income and expenditure		(5,960)	(3,070)
Add back:			
Depreciation (net of deferred capital grant release)		3,518	2,980
Non-cash pension adjustment – salary costs	1	2,444	1,241
Non-cash pension adjustment – interest costs	1	390	732
Loss on disposal of assets	2	129	153
Deduct:			
Exceptional income - Release of prior year provision	3	0	(1,529)
Revenue funding allocated to loan repayments	4	(495)	(488)
Adjusted operating surplus		26	19

(1) Non-cash pension adjustments

These costs are non-cash items and are a requirement of Financial Reporting Standard 102. 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 College income and expenditure account, and these are recorded in Note 7 of the Financial Statements. Note 10 sets out the impact of the Net Interest cost of the annual pension valuation on Interest Payable. These costs are non-cash related and as the College cannot control their impact, they have been adjusted for.

(2) Loss on Disposal of Assets

The College has during the year demolished two properties at its Paisley campus resulting in the noted loss on disposal (see note 12 to the Financial Statements - Tangible Fixed Assets for further information).

(3) Exceptional Income - Release of Prior Year Provision

2017-18 represented the final year of a historic SFC estate maintenance provision being utilised towards maintenance costs, in line with the original condition of grant award letter and as approved by the SFC.

(4) 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 and are recorded in the Statement of Cashflows and Note 19.

Cash Budget for Priorities

Following the reclassification of the College as a central government body from 1 April 2014, the College is required to comply with Central Government budgeting rules. In addressing the impact of these budgeting rules, the Scottish Government and SFC committed to providing the cash budget previously earmarked for depreciation for use on specified priorities.

The College has a fixed cash budget for priorities of £1.6m per year which must be spent on agreed governmental priorities as outline in the table below:

	2018-19	2017-18
	£m	£m
Revenue		
Contribution towards 2015-16 cost of living award	0.6	0.0
ICT maintenance costs	0.5	0.0
Voluntary severance cost	0.0	0.3
Estate maintenance costs	0.0	0.8
Total impact on operating position	1.1	1.1
Capital		
Loan repayments	0.5	0.5
Total capital loan repayments	0.5	0.5
Total cash budget for priorities spend	1.6	1.6

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 19 days in the year to 31 July 2019 (2017-18: 18 days). There was no interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 during the period.

Balance Sheet

The College had total net assets of £49.8m as at 31 July 2019 (2018: £62.8m). The decrease in net assets of £13.0m is largely attributable to (a) the annual depreciation charge on the Fixed Assets (£5.0m), (b) an increase in deferred income in relation to unspent estate project funding (£2.4m), and (c) an increase in the pension provision required to be held by the College following the annual valuation exercise (£10.0m). The balance sheet reflects the stable liquidity position of the College and effective working capital management processes.

Cash at bank at 31 July 2019 was £5.7m compared to £3.8m in July 2018 due to the retention of project funding to be expended after the year end. The College considers that 30 days cash is required as a minimum threshold for working capital reserves which is equivalent to £4.5m 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 several 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 2019, the ratio of current assets: current liabilities were 1.01 (2018: 1.00) and the day's cash to total expenditure was 32 days (2018: 22 days). The current ratio shows a marginal improvement on the previous year-end 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 subject to the inflow/outflow attributable to estate maintenance expenditure.

Financial Strategy

The College has developed a 5-year financial forecasting model which has the fundamental goal of ensuring the financial sustainability of the College and a consistent underlying break-even position. This financial strategy ensures 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 and integrated with other key supporting organisational strategies and plans, this approach is designed to ensure the College can achieve the objectives set out in the Corporate Strategy and meet the objectives set in the Regional Outcome Agreement with the SFC.

Financial Outlook

The College achieved a financial performance during 2018-19 which was in line with budgeted expectations, maintaining a financially sustainable underlying break-even 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 are intended to 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 of West College Scotland to achieve its financial targets and continue to operate in a financially sustainable manner.

Student Activity Performance Highlights

Delivery of widening access and progression targets

	2018-19 %	2017-18 %	2016-17 %
(a) Gender Action Plan			
Male learners	42	42	40
Female learners	58	58	60
(b) Equality Report			
Students reporting having a declared disability	22	20	18
(c) Access and inclusion Strategy			
% of total delivery to the most deprived postcodes (SIMD10)	25	25	27
(d) School College Partnership			
Level of senior phase activity	4.2	4.1	3.8

The College has published the following documents to support the above performance indicators and further details can be found on the College website at

<https://www.westcollegescotland.ac.uk/college/about-us/publication-policies/>:

- Gender Action Plan** details how we will work to address gender imbalances within the curriculum with a discrete Equality Outcome dedicated to this aim. Progress at addressing the gender imbalance achieved since its publication includes training for all Curriculum and Quality Leaders in Unconscious Bias and sharing good practice with our Heads of Sector. We have also made the celebration of the success of underrepresented genders more prominent by increased promotion of events. In line with the SFC Gender Action Plan, the College aims to increase by 5% the minority gender share in each of the classes during the period of this Outcome Agreement.
- Equality Report** details progress on its Equality Outcomes. The College will aim to monitor trends in students' declaration of disabilities pre and on-course, while continuing to further develop learning support services, be proactive in identifying learning needs and address improved physical access.
- Access and Inclusion Strategy** demonstrates our commitment to creating an inclusive curriculum which recognises the needs of everyone studying at our College. The Scottish Funding Council National Aspirations for Access include the aim that at least 20% of college activity by 2020-21 should be delivered to students from a SIMD10 postcodes (Scottish Index of Multiple Deprivation). As noted above the College is above the sector average and reflects the high level of deprivation that exists within West Region and surrounding areas, and the work which the College undertakes in seeking to provide educational opportunities and access for all.

School College Partnership - The College continues to work in partnership to deliver on national priorities such as the Scottish Government's Youth Employment Strategy by working in partnership with local authorities, schools and a variety of employers in the region. The revised delivery model and common cross region timetabling ensures pro-active planning and co-ordination thereby improving the efficiency of the programmes delivered.

Other partnership work with schools has extended as the College continually revises and improves the curriculum being offered to stakeholders. The Creative Industries Department worked with Inverclyde primary school pupils on a raising attainment national priority music project that resulted in pupils receiving an accredited SQA award. This programme model is now being rolled out across other curriculum areas. The College has increased the number of taster programmes and introduced new areas of interest such as cyber security and games development. Pupils from West Dunbartonshire enrolled on the HNC Business course, successfully completed their qualification and graduated at the end of 2018-19.

Corporate Parenting - In addition to the commitment to support all vulnerable students, the College is fulfilling its corporate parenting obligations as required under the Children and Young People (Scotland) Act 2014. We monitor, evaluate and revise our practices and procedures in order to improve the outcomes for this group of students in line with our quality assurance and equalities policies and we evaluate our progress towards improving outcomes for this group of vulnerable students with reference to the targets detailed in our Corporate Parenting Action Plan.

As a **STEM Assured Centre**, the College is well placed to encourage female learners to be work ready for current and future STEM industries. We will continue to work in partnership with local schools, employers, parents and guardians to raise the profile of STEM among young women. The College will also look to address gender imbalance in other areas of the curriculum and seek to secure further resources to showcase good practice and promote sustainable non-traditional career pathways in growth sectors.

SFC/Education Scotland Quality Arrangements - The College published an Evaluation Report and Enhancement Plan (EREP) in December 2018 in line with SFC/Education Scotland Arrangements for quality. The document '*How Good is Our College*' was published in December 2017 and set out an evaluation framework with three high-level quality indicators against which each college self-assesses. The evidence to support these indicators is externally validated prior to publication. The College published grades were as follows:

- Leadership and Quality Culture – Very Good
- Delivery of learning and services that support learning – Very Good
- Outcomes and impact - Good

An update report on progress during session 2018-19 was submitted on 31 October 2019. This report evaluated our performance against four key areas of the student experience (1) recruitment (2) retention (3) attainment and (4) progression. A progress visit by Education Scotland is scheduled for late January 2020 with the objective of assessing the College progress against the EREP actions. The next date for submission of a full Evaluation Report and Enhancement Plan is October 2020.

Student attainment

	Actual 2016-17	Actual 2017-18	Target 2018-19	Actual 2018-19	Target 2019-20	Sector target 19-20
FE Full-time	69%	69%	70%	68%	70%	73%
HE Full-time	69%	69%	72%	65%	72%	74%
FE Part-time	68%	72%	72%	76%	72%	
HE Part-time	77%	80%	78%	80%	78%	

Improving attainment remains a key priority for the College and it is disappointing that success rates for full time HE and FE have fallen in 2018-19. The College continues to exceed the targets set for both HE and FE part time success rates. The College was anticipating a reduction in full-time success rates against the previous upward trend due to the impact of strike action during session 2018-19 and this despite actions having been taken to minimise any strike influence. The overall sector performance for 2018-19 is not available at the time of this report but is expected to follow a similar trend. Further benchmark analysis will be carried out to ensure that the College recognise and action any other factors that may have impinged on the overall College performance.

The College aspires to have student success levels in the upper quartile of sector rates by 2020. Despite the reduction in 2018-19 the College believes this aspiration is still attainable but recognising the high levels of deprivation across the region the aspiration remains challenging. The College will continue to prioritise providing access, offering opportunities and developing individuals at a pace and level best suited to them and with adequate support structures in place. The College has maintained the percentage of students attaining a qualification at part time HE level as a result of focused support for those just missing out previously on their qualification group awards and on improving attainment through flexible approaches to remediation and independent learning.

Early withdrawal

	Actual 2016-17	Actual 2017-18	Target 2018-19	Actual 2018-19	Target 2019-20
FE Full-time	8.7%	7.6%	7.5%	8.3%	7.5%
HE Full-time	4.8%	6.3%	4.0%	7.1%	4%

College early withdrawal rates compare well against the overall sector. The College has made consistent progress in ensuring adequate levels of student support is in place prior to and in the early weeks of entry to students on full time programmes. The rise in early withdrawal for FE and HE full time students is subject to rigorous programme level analysis via the Portfolio Review process. Early intervention strategies have been put in place for session 2019-20 including a retention group and additional well-being and mental health support being offered on each campus. Learning from the College participation in the Scottish Government College Improvement Project has resulted in a renewed focus on use of quality improvement tools and data across curriculum departments.

ICT Strategy and Digital Ambitions

A key focus continues to be the implementation and realisation of West College Scotland's IT and digital ambitions. There is a continuing need to ensure that the College's ICT infrastructure offers, and can maintain pace with, changing digital technologies so that students, internal departments and communities can take advantage of the digital changes occurring in society.

In October 2019 the College published its Digital Strategy, which recognises the importance of skills development and partnership working alongside infrastructure and resource development. The strategy has 6 key aims with the objective of ensuring that the College has the digital capacity and capabilities to deliver in a modern economy:

1. **DIGITAL DELIVERY** – the College will have reimagined our curriculum so that digital innovation and delivery is incorporated across all modes and levels
2. **DIGITAL CAPABILITY** – the college will have attained a skills and confidence level across our student and staff that ensures digital practice is a norm.
3. **DIGITAL INTELLIGENCE** – the college will be deriving business intelligence and analytics easily and freely from the data we collect across the organisation
4. **DIGITAL INFRASTRUCTURE** – the College will ensure that our digital infrastructure will have evolved to meet our digital ambition
5. **DIGITAL RESOURCES** – the College will ensure that our processes and service offerings will be digitally designed and delivered
6. **DIGITAL PARTNERSHIPS** – the College will be recognised for our digital engagement across our Regi

The College's IT Strategy and Digital Strategy provide the framework and direction that mean College operations, activities and objectives will be supported by appropriate, skills development, user and partner engagement, technology and infrastructure. Key projects for 2019-2020 onwards include:

- Deploying software to support enhancement of the College operational planning process and the College's planning framework.
- Developing the College's ability to deliver information and analytics to key operational users.
- Upgrading the finance ledger system.
- Developing the use of Skype for Business to provide multi-functional communications tools.
- Further investment in equipment and infrastructure to provide classroom technology which supports more flexible models of curriculum delivery.
- Further migration of services that can be delivered via cloud-based resourcing.
- Renewal of the College's Cyber Essentials plus accreditation to ensure College operations are delivered in line with the requirements of the Government's Cyber Action Plan.

Delivery of these projects and the overarching IT / Digital Technology Strategies will require ongoing levels of significant investment during 2019-20 and beyond. Whilst the step-change opportunity for the College infrastructure that realisation of the Estates business case would provide, remains to be realised, the College will continue to engage with the SFC for the release of Strategic Development Funding to support the digital transition of the existing infrastructure until Campus new build plans are delivered.

Estate Strategy

The College Estate Strategy 2016-2026 addresses emerging and future needs of both student and staff bodies. The College is based at three main campus locations in Clydebank, Greenock and Paisley and since merger in 2013 has continued to invest in the maintenance of its buildings to improve the teaching and learning environment. Our vision is to develop an estate that is fit for purpose, technologically advanced, future proofed, sustainable and cost efficient that meets the needs of both our current and future students.

The key College Estate Strategy challenges identified by the 2016 condition survey of the College estate, and recognised by the Scottish Funding Council college sector national condition survey of December 2017, include:

- Challenges exist in relation to fitness for purpose of our estate, with only 4 of 12 operational College buildings being graded at Level 1 (excellent) for functional suitability, and half of our operational buildings requiring major repair or replacement.
- A need to invest £33m 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 a 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 replacing our existing Greenock facilities could require investment up to £100m.
- 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 identified as 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, and it is estimated that replacing and upgrading our existing Paisley facilities would require an amount in the region of £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 delivery of the Estates Strategy is overseen by the Vice Principal Operations and supported by the Estates Management Team, reporting to the College Senior Management Team, College Executive and Board of Management. The Board of Management Estates Committee retain ongoing oversight of the Estate Strategy implementation, and the Board of Management receive an annual update on the implementation of the Strategy. The College has updated the previous estates condition survey during the first quarter of 2019-20, and the results of this updated review will be used to further inform future development of the College Estate Strategy.

Employer Engagement

The College is committed to employer engagement and workforce development and to support this hosts several sector specific Employer Engagement events across the region to both sustain and create new college links with businesses and employer organisations. The College has strong strategic partnerships with Chambers of Commerce in Inverclyde, Renfrewshire, East Renfrewshire and Dunbartonshire being well represented at networking, supporting, sponsoring and attending Business 2 Business events and hosting a significant number of Chamber and stakeholder events within the College itself.

The College utilised the SFC College Innovation Accelerator Fund to undertake research with over 230 regional businesses to understand some of the barriers and challenges they face now and in the future. Respondents ranged from new start-ups to well-established businesses, from SMEs to FTSE 100-listed companies. 86% were SMEs – which is testament to the College's unique reach into this business base. We believe this is the first of its kind to be conducted by a college or university in Scotland. The output of this research was publication of the 'Our Workforce, Our Future' report. Three Regional employer engagement events were held across our campuses in Greenock, Paisley and Clydebank to outline the output of the report and the College response including the offer of customised training needs analysis to organisations in order to have a greater understanding of their reskilling and up-skilling needs. In response to the research and further employer and stakeholder engagement we are developing several new products as well as sector specific innovation workshops to support employers of all sizes to realise innovative potential, enabling them to boost productivity and performance to sustain and grow their business.

Students Association

The College is committed to supporting and contributing to the strengthening of the Students' Association. The Association has a dedicated annual budget, agreed by the Board of Management, that College is committed to maintaining in order to give the Association stability and autonomy. The Association is in turn accountable for the effective financial management of this resource by reporting to the Board on their activities and by participating in Board committees, most notably Learning, Teaching and Quality Committee. The Association produces an annual operating plan and in keeping with all College operational areas this is monitored and reviewed against target on a quarterly basis. During session 2018-19 the Association worked with the National Union of Students and the College Quality Department on a revised Constitution which was approved by the Board in May 2019.

The Association operate to an action plan aligned to the national '*Framework for Developing Strong and Effective Student Associations*' and continue to use the new self evaluation tool kit as a method for continuous monitoring and review of activity. The Association is involved in College strategic planning and the development of the Regional Outcome Agreement through representation of students views on the Board of Management and associated committees thus ensuring effective participation and an active and engaged student body.

Early Indication of Progress for 2019-20

Enrolments for full-time classes for 2019-20 show increased numbers from 2018-19 in subject areas such as Care, Learner Development, Construction and ESOL. Overall student numbers are at a similar level to 2018-19 and planning processes are in place to support achievement of the College student activity credit target for the year. The School College partnership recruitment is generally good, however, the recruitment to the Foundation Apprenticeships has not been in line with targets. An action plan has been initiated to address recruitment in future years.

Curriculum Planning and Review meetings are scheduled for the autumn to review overall performance and plan curriculum changes for 2020-21.

Sustainability and Climate Change Reporting

West College Scotland recognises the importance of environmental issues and sustainability. We are committed to our environmental responsibilities as a public body, and to supporting the national Scottish Government outcome which relates to this, with this being to ‘value and enjoy our built and national environment, and protect it enhance it for future generations.’

The College’s Carbon Management Plan 2016-21 sets a 5 year target to reduce emissions by 10% (530 tonnes of carbon). The plan details the Colleges commitment to sustainability and how emissions will be reduced. Under the Climate Change (Scotland) Act 2009 the College, as a public body, has a duty to reduce emissions; adapt to climate change and; act in a sustainable manner. In addition the College role as an education provider means we have a clear mandate to lead in sustainability in everything we do.

West College Scotland reduced carbon emissions by 870 tonnes (16%) between 2015 and 2018 which is in excess of the original target. The College has implemented several projects to achieve this and in the third year of reporting to July 2018 a reduction of 415 tonnes was registered. This reduction was reported to the Sustainable Scotland Network (SSN) in line with the College’s legal requirement. However, given the aging nature of the College estate and the limited investment available to address the condition of the buildings the delivery further reductions will prove challenging. The College will however continue to seek to embed the principles of carbon management reduction across all areas of operation and ensure compliance with the requirements of the Climate Change (Scotland) Act 2009.

The College is currently preparing the data for submission of the 2018-19 annual climate change report, which will consider data to July 2019, and this is due for submission in November 2019, building upon the work undertaken in the previous year.

The Performance Report is approved by The Principal and Chief Executive on 9 December 2019:

Elizabeth Connolly
Principal and Chief Executive

[illegible]

Corporate Governance Report

Board of Management Report

The membership of the Board of Management during the year to 31 July 2019 is outlined at page 31 and includes all members who served for part or the whole of the reporting period. The register of Interests for these Board members is available on the College website at:

<https://www.westcollegescotland.ac.uk/college/about-us/board-of-management/>. No significant company directorships or other interests were held which may have conflicted with their duties as Board Members and no member of the Board had any other related party interest during the reporting period.

The Board complies with the 2016 Code of Good Governance for Scotland's Colleges ('the Code') and it has complied throughout the year ended 31 July 2019. Further to this the Board has adopted and operates under the model Code of Conduct developed by the Standards Commission. There has been no requirement during the year to report any personal data-related incidents to the Information Commissioners Office.

The Board's authority, reserved matters and the delegation of authority are set out in the Scheme of Delegation. Delegation of authority in relation to financial decision-making is further detailed in the College's Financial Regulations. Both documents are published on the College's website and can be found at: <https://www.westcollegescotland.ac.uk/college/about-us/board-of-management/>

All agendas, minutes and relevant reports from Board and Committee meetings are published online in the interests of ensuring transparent decision-making, and in accordance with the model Publication Scheme for public authorities provided by the Scottish Information Commissioner.

The College Executive Team comprises:

- Elizabeth Connolly – Principal and Chief Executive
- Stephanie Graham – Vice Principal Educational Leadership
- David Alexander – Vice Principal Operations

The staff members also influence the decisions of the College as a whole.

Statement of the Board of Management's Responsibilities

The Board of Management defines its overall responsibilities in accordance with the Code:

- to lead the College and set its strategic direction and values;
- to ensure effective management and financial controls to support the student experience within a framework of public accountability and transparency;
- to deliver high quality learning and outcomes.

In addition, 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. The Board of Management confirms that the annual report and accounts are fair, balanced and understandable. The Board of Management also confirms that as far as it is aware there is no relevant audit information of which the auditors are unaware, and that it has taken all reasonable steps to make it aware of any relevant audit information and to establish that the entity's auditors are aware of this information.

The Board of Management governance framework sets out the roles, accountabilities and expectations for board members, board committees, staff and students. The Board of Management Articles of Governance are publicly available via the college website <https://www.westcollegescotland.ac.uk/college/about-us/board-of-management/>.

Corporate Governance Statement

Introduction

The Governance Statement is provided to summarise the operation, responsibilities, structure and functions of the College Board of Management, with approaches to ensure effectiveness and improvements. Due recognition has been given to the guidance set out in the 2016 Code of Good Governance for Scotland's Colleges and the Governance Statement section of the Scottish Public Finance Manual (SPFM).

The College Board of Management has approved a Business Transformation Plan with the primary objective of ensuring the College maintains a sustainable financial operating model. The College has now initiated the next phase of its transition through the delivery of its Strategic Plan 2019-25 and the accompanying Business Transformation Plan.

The Board comprises a Chair appointed by Scottish Ministers; the Principal; 12 Non-Executive Members whose appointments are made in accordance with Scottish Government Ministerial guidance issued in 2014, and approved by both the Chair and Scottish Ministers; two Staff Members elected by the teaching and support staff of the College; and two Student Members nominated by the Students' Association of the College. Details of membership during the year to 31 July 2019 are provided at page 31.

Governance Structure

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 College's Board of Management met five times during 2018-19 and has several Committees through which it conducts business. These Committees are: Finance and General Purposes, Audit, Corporate Development, Estates, Organisational Development and Human Resources, Learning, Teaching and Quality, Remuneration and Nominations. Each Committee has formally constituted remits and terms of reference.

All Committees operate under the authority of, and with terms of reference approved by, the Board. Meetings of the Board and its Committees are conducted in accordance with Standing Orders which are approved by the Board, and minutes of these meetings are published on the College's website.

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. All of the above information is available on the College website at the following link:

<https://www.westcollegescotland.ac.uk/college/about-us/board-of-management/>

Finance and General Purposes Committee

The Finance and General Purposes Committee advises the Board on key issues of College financial and resource management. It ensures that all areas of College 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 Committees. This Committee meets a minimum of three times a year and, in addition, also meet once a year with the Audit Committee to consider the annual audit report of the external auditors and review the integrity of the Annual Report and Financial Statements.

Audit Committee

The Audit Committee ensures compliance with corporate governance requirements, monitors adherence to regulatory requirements, provides oversight on systems of internal control 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. This Committee provides a forum for reporting by the College external and internal auditors and advises on the appointment of the internal auditors and their remuneration. The Audit Committee meets four times a year and, in addition, meets once a year with the Finance and General Purposes Committee to consider the annual audit report of the external auditors, review the integrity of the Annual Report and Financial Statements and to recommend their approval to the Board of Management. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members, and once a year the Committee members meet both the internal and external auditors independently.

The College internal auditors undertake reviews which test and 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 the internal audit providers 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 College systems of internal control and management responses and implementation plans. It also receives and considers reports from the Scottish Funding Council, considers their effect on College business, and monitors adherence to regulatory requirements.

Corporate Development Committee

The Corporate Development Committee's main purpose is to support the development of the College vision, direction and objectives for corporate and sustainable development and growth, aligned with the needs of industry. The Committee normally meets three 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 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 oversees the effective governance and strategic development of learning and teaching within the College and has general oversight of all matters relating to the student experience. 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 and normally meets three times a year.

Estates Committee

The Estates Committee is responsible for ensuring that the College manages and develops the estate in line with strategic priorities in an efficient and effective manner, taking account of any guidance relating to estate management, option and investment appraisal and private finance. The Committee is also responsible for ensuring that the College maintains the estate in accordance with a planned maintenance programme, consistent with the College Estate 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 the requirements of any severance scheme. Details of the remuneration of senior post-holders for the period ended 31 July 2019 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 skills sets. The Committee also develops and keeps under review succession planning arrangements, as well as procedures for induction, training, development and evaluation of Board members and meets at least once a year.

Operation of the Board of Management

Membership

In alignment with the Post-16 Education Act (2013), West College Scotland continued to formally review its Board membership during the year to 31 July 2019. The Board consists of 18 members. The Board is satisfied that the election of a Support Staff Board Member, in September 2018, was conducted in line with good practice guidance for the election of staff board members.

Induction and Development

All new members receive a formal induction provided by the College which is followed by attendance at the induction training organised by the College Development Network (CDN). Other development sessions held within the College during the year 2018-19 focused on increasing Board Diversity, Workforce Planning, Regional Outcome Agreement and the development of an Assurance Framework. An annual Strategic session with members of the Senior Management Team, was held in April, with input from the Chair of the Enterprise and Skills Development Board and the Chair of the Scottish Funding Council, and which considered key strategic matters with implications for the College.

Evaluation

The annual effectiveness review of the Board was conducted in May 2019. The outcomes of this review have been used to inform and update the Board Development Action Plan. Both the report and subsequent action plan have been forwarded to the SFC and are published on the College website at the following link: <https://www.westcollegescotland.ac.uk/college/about-us/board-of-management/>.

Each Board member has an individual review meeting with the Chair of the Board during the year. This allows members to discuss any training or development needs and helps identify the training and development programme for the following session. The Chair has an annual review meeting conducted by the Vice Chair of the Board and the Senior Independent Member.

Statement of Compliance

In the opinion of the Board of Management the College complies with all the provisions of the 2010 Corporate Governance Code in so far as they apply to the College sector, and it has complied throughout the year ended 31 July 2019. The Board has also complied with the 2016 Code of Good Governance for Scotland's Colleges.

Board of Management Membership

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

Name	Status	Job Title	Date Appointed	Date Resigned
K McKellar	Chair, Board of Management and Nominations Committee	Chief Executive Officer of the Hannah Research Foundation	4 March 2014 Re-appointed 3 March 2018	
A Cumberford	Chief Executive	Principal, West College Scotland	1 August 2013	31 August 2018
E Connolly	Chief Executive	Principal, West College Scotland	1 September 2018	
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	NMIS Project Manager , Skills Development Scotland	Re-appointed 1 February 2018	

Name	Status	Job Title	Date Appointed	Date Resigned
J Henry	Non-Executive Member, Vice Chair from 1 January 2017	Part-time Researcher, Scottish Parliament	Re-appointed 1 February 2018	
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 2018	31 July 2019
J McMillan	Non-Executive Member, Chair, Audit Committee Senior Independent Member on the Board	Retired	Re-appointed 1 February 2017	
A Mitchell	Staff Member	Support Staff Member, West College Scotland	8 October 2014	7 October 2018
D Walls	Staff Member	Support Staff Member, West College Scotland	7 October 2018	17 June 2019
N Allan	Non-Executive Member Chair, Estates Committee	Self-employed Property Consultancy and Strategic Asset Management	Re-appointed 1 February 2019	
J Johnston	Non-Executive Member	External Affairs Manager, Citizens Advice Scotland	Re-appointed 1 February 2019	

Name	Status	Job Title	Date Appointed	Date Resigned
M Newlands	Non-Executive Member Chair, Corporate Development Committee, and Remuneration Committee from 1 January 2017	Head of Partnerships, Scottish Enterprise	Re-appointed 1 February 2019	
L Johnston	Non-Executive Member	Business Transformation Manager, North Lanarkshire Council	1 January 2017	
J Leburn	Non-Executive Member	Principal Consultant and Founder of Exponentiate.uk	1 January 2017	
A Wilson	Non-Executive Member	Strategic Director West Dunbartonshire Council	1 September 2017	
D Watson	Staff Member	Teaching Staff Member, West College Scotland	13 September 2017	
M Murray	Student Member	Students Association, West College Scotland	1 August 2018	15 January 2019
N Percival	Student Member	Students Association West College Scotland	Re-appointed for one year from 1 August 2018	31 July 2019
J Morrison	Student Member	Students Association West College Scotland	15 January 2019	31 July 2019
S Vere (Co-opted)	Co-opted member of Audit Committee	Scottish Futures Trust	1 March 2014 Re-appointed 1 March 2018 for one year	28 February 2019
G Bold (Co-opted)	Co-opted member of Audit Committee	Workplace Pensions Director Scottish Widows	Re-appointed for one year from 1 July 2018	
P Macleod (Co-opted)	Co-opted member of Learning, Teaching and Quality Committee	Director of Children's Services, Renfrewshire Council	10 October 2017	December 2018

Name	Status	Job Title	Date Appointed	Date Resigned
D Mark (Co-opted)	Co-opted member of Organisational Development & HR Committee	Retired	1 March 2019	
R Binks (Co-opted)	Co-opted member of Learning, Teaching and Quality Committee	Corporate Director of Education, Communities and Organisational Development, Inverclyde Council	1 March 2019	
W Wong (Co-opted)	Co-opted member of Audit Committee	Director of, and Secretary to the Trustee of the Elementis Group Pension Scheme	1 March 2019	
Noted below are members of the College Executive who attend meetings of the Board and its Committees.				
Stephanie Graham	Member of College Executive	Vice Principal Educational Leadership		
Liz Connolly Appointed Principal and Chief Executive from 1.09.18	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 2019

Name	Possible Attendance	Actual Attendance
K McKellar (Chair) (2)	5	5
E Connolly	5	5
M Haggerty	5	2
J Hannigan	5	4
J Henry (Vice Chair)	5	5
A Hetherington	5	5
L Lauder (3)	5	4
J McMillan	5	5
N Allan	5	3
J Johnston	5	4
M Newlands	5	5

Name	Possible Attendance	Actual Attendance
L Johnston	5	3
J Leburn	5	4
A Wilson	5	4
D Watson	5	5
D Walls (3) (4)	5	3
M Murray (3)	2	2
N Percival	5	4
J Morrison (4)	3	3
Co-opted Members (1)		
S Vere		
G Bold		
P Macleod		
D Mark		
R Binks		
W Wong		

- (1) Co-opted members do not attend Board meetings.
- (2) Chair is ex officio member of all committees except the Audit Committee.
- (3) Three members resigned during the year: M Murray resigned 15 January 2019; D Walls resigned 17 June 2019 and L Lauder resigned 31 July 2019.
- (4) Two new members joined the Board: D Walls joined 7 October 2018 and J Morrison joined 15 January 2019.

Committee Attendance

	2018-19	2017-18
Board of Management	83%	81%
Audit Committee	80%	92%
Corporate Development Committee	92%	63%
Estates Committee	88%	63%
Finance and General Purposes Committee	90%	75%
Learning, Teaching & Quality Committee	81%	67%
Organisational Development & HR Committee	100%	75%

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

Corporate Strategy

In respect of its strategic and development responsibilities, the Board of Management receives recommendations and advice from its committees, the Principal and Chief Executive and the Executive Team. In addition to its regular Board meetings, in April 2019 the Board held its annual strategic session with the Senior Management Team which provides an opportunity to focus debate on matters of vision and strategic direction.

In June 2019 the Board of Management approved the new Corporate Strategy, setting out the College's strategic aims over the next six years to 2025. It outlines the approach of the College to delivering an expansive and progressive curriculum to meet the needs of industry and equip students to meet the demands of the modern workplace. The Strategy has the College's values at its centre, to define our culture and foster a positive working environment. It also focuses on the status of the College as a key partner in community planning partnerships. At the heart of the Strategy are four key priority areas for the College:

- **PERSONALISATION** – the College will deliver the skills solutions that employers are looking for and the learning outcomes that students want, in a way that suits individual students.
- **COLLABORATION** – The College will build the immersive relationships and make the connections that enhance value for customers and stakeholders by creating learning pathways, developing new delivery partnerships and integrating learning into wider local strategies.
- **AGILE AND ADAPTIVE** – The College will develop the capability to respond to shifts in demand and seize new opportunities quickly' putting in place specialist delivery capabilities.
- **DIGITAL** – the College will ensure that it has the digital capacity and capabilities to deliver in a modern economy.

Risk Management

Risk Management Arrangements

The College Risk Management Strategy details and communicates the College's approach to risk management and assurance and the evaluations of internal controls and is part of the College's internal control and corporate governance arrangements. There were no known significant lapses of data security during the year.

The Audit Committee receives regular reports from the College on the risk management process undertaken during the year. The Senior Management Team reviews operational risk and proposes updates to the Risk Register. Any proposed changes to the Risk Register are highlighted and discussed by the Board Committees, prior to the Risk Register being presented to the Board of Management. With regards to GDPR the Committee noted that there were no known significant lapses of data security during the year.

There has been no significant movement in individual items identified on the Risk Register for the financial year to 31 July 2019. Some of the more significant changes in the register include:

- The inability of the College to present clear medium-term financial plans due to the volatility of SFC funding remains the top risk faced by the College;
- With the delays in progressing the Outline Business Cases for the development of Paisley and Greenock campuses the failure to deliver the College Estate Strategy became the second top risk;
- The changes to the SFC estate maintenance funding methodology for 2018-19 meant that the failure to secure adequate investment in the College IT and physical infrastructure remained in the top 5 risk;
- With the uncertainty surrounding Brexit the impact of the delay on future European funding and loss of exchange programmes resulted in risk associated with Brexit moving into the top 5 risk;
- The intensification of the process of agreeing and delivering the Regional Outcome Agreement (ROA) with the SFC, aligned with the financial pressures faced by the College, meant that a failure to deliver the agreed ROA moved into the top 5 risks by the end of the year; and

- The completion of national pay bargaining negotiations with teaching staff and the cessation of associated industrial action resulted in a reduced risk rating in relation to industrial relations.

Capacity to Handle Risk

The Board of Management has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Management is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that have been in place for the period ending 31 July 2019, and up to the date of approval of the annual report and financial statements which accords with good practice as outlined in the UK Corporate Governance Code 2016. This process is regularly reviewed by the Board of Management.

Statement on 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 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 public funds and assets. The Principal and Chief Executive is also responsible for reporting to the Board of Management any material weaknesses or break-down in internal control.

Under the College's Scheme of Delegation, several 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. A copy of the Articles of Governance and the Scheme of Delegation can be found at: <https://www.westcollegescotland.ac.uk/college/about-us/board-of-management/>

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.

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:

- An 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; and
- Clearly defined delegated authority and investment control guidelines.

The College appoints an internal audit service and the Board ensures that there is objectivity and independence in the selection of auditors for non-audit work through a competitive tendering framework. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board of Management on the recommendation of the Audit Committee.

The Chair of the Audit Committee provides the Board of Management with a report on internal audit activity in the College annually. The report includes the Chair of the Audit Committee's independent opinion on the adequacy and effectiveness of the College's system of risk management, internal 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 auditor. The conclusion in their annual report was that the College has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks;
- the work of the Executive and Senior Management Team within the College who have responsibility for the development and maintenance of the internal control framework and annual assurance statements;
- comments and recommendations made by the College's external auditor; and
- the College's risk management processes.

The Principal and Chief Executive has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor, and a plan to ensure continuous improvement of the system is in place. Based on these assurances, the Principal and Chief Executive can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the SPFM/accounts direction, have operated for the year ended 31 July 2019 and up to the date of approval of the annual report and accounts.

Additionally, external auditors tested a range of key controls within the main financial processes during the year and did not identify any significant control weaknesses.

The Senior Management Team considers possible control issues brought to their attention by reporting mechanisms and robust risk management processes. The Senior Management Team and Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board of Management's agenda includes a standing item for consideration of risk and control and receives reports thereon from the Executive Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Board met on 9 December 2019 and approved the year-end financial statements and the external auditors report, taking account of a joint Audit and Finance and General Purposes Committee recommendation.

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 institutions. Under the terms of the loan agreements the College must meet certain financial covenants. These were met during 2018-19 and are forecast to be met in the 12-month period from the date of these financial statements.

As outlined in the Performance Report section, the College continues to face several financial challenges. The Board of Management has approved a 2019-20 budget which details the sources of income and expenditure of the College and considered a 5-year financial projection. The financial forecasts for this period - based upon a set of SFC assumptions - indicate that the ability to deliver an underlying break-even position will be challenging for the College in the current and future years. However, the College has in place a Business Transformation Plan which, with SFC support, is designed to achieve the required position of financial sustainability in future years.

Given this, and 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

Based on the above information, it is the opinion of the Board of Management and Principal and Chief Executive that the College has made good progress over the financial year to 31 July 2019. This is evidenced through implementation of the College Business Transformation Plan with the SFC and approval by the Board of the College Strategic Plan 2019-25. Further to this, the Principal and Chief Executive and the Board of Management are content that effective arrangements are in place for the identification, evaluation and management of organisational risk, and the monitoring of internal controls. The Board will ensure the effective implementation of the College Strategic Plan going forward and will continue to evaluate and enhance its own practice through the Board Development Plan and other such mechanisms.

Remuneration and Staff Report

The following tables have been verified as correct as part of the year-end audit.

		2018-19	2017-18
People		821FTE	829 FTE
Sickness absence		5.2%	5.00 %
Staff turnover		10.99%	11.78%
<i>Gender Balance</i>			
All staff	Male	49%	41%
	Female	51%	59%
Board	Male	61%	61%
	Female	39%	39%
Senior Management Team	Male	58%	50%
	Female	42%	50%

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

Board Member Remuneration

The Regional Chair received remuneration in accordance with instruction from the Scottish Government. There is no remuneration for non-executive director posts on the Board of Management. Expenses incurred are paid as a result of carrying out the duties of the appointment including reasonable travel and subsistence.

Salary Entitlements

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

Name	12 months ended 31 July 2019			12 months ended 31 July 2018		
	Salary	Pension	Total	Salary	Pension	Total
	£'000	Cont's £'000	£'000	£'000	Cont's £'000	£'000
Keith McKellar	25-30	0	25-30	25-30	0	25-30
Elizabeth Connolly *	120-125	20-30	145-150	90-95	15-20	105-115
Stephanie Graham	90-95	15-20	105-115	90-95	15-20	105-115
David Alexander	90-95	15-20	105-115	90-95	15-20	105-115

*The above bandings are a compensate of 1 month in VP role and 11 months Principal role. The annualised salary banding of the Principal role would be 125-130 (salary) and 25-30 (pension).

Salary multiples

The highest paid member of the management team was the Principal. The Principal's remuneration before pension benefits was in the range £125,00-£130,000 (2017-18: £140,000-£145,000). This was 3.0 times (2017-18: 3.6 times) the median remuneration paid to West College Scotland staff which was £41,526 (2017-18: £39,455).

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 2019	Accrued lump sum at pension age at 31 July 2019	Real increase in pension 1 August 2018 to 31 July 2019	Real increase in lump sum 1 August 2018 to 31 July 2019	CETV at 31 July 2019	CETV at 31 July 2018	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Elizabeth Connolly	12	0	3	0	195	131	64
Stephanie Graham	34	102	1	3	756	701	55
David Alexander	36	55	2	0	556	480	76

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 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 because of total Local Government service and not just their current appointment.

In considering the accrued pension benefits figures the following contextual information should be considered:

- i. The figures for pension and lump sum are illustrative only considering 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.

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

As at 31 July 2019, 36 employees left or were committed to leaving the College under voluntary severance arrangements. They received compensation payments totalling £1,014,487 with this figure including pension fund strain costs of £15,330. The leavers did not receive any additional compensation. There were 12 staff departures under voluntary severance in 2017-18. There have been no compulsory redundancies.

The table below summarises the total number of agreements by cost band:

	2018-2019		2017-2018	
	Number of other departures agreed	Number of exit packages by cost band	Number of other departures agreed	Number of exit packages by cost band
£10,000 - £25,000	14	14	1	1
£25,001 - £50,000	22	22	5	5
£50,000 - £100,000	0	0	6	6
Total number of agreements	36	36	12	12
Total Cost (£)	£1,014,487	£1,014,487	£593,256	£593,256

Salaries and Related Costs

Details of the number of staff and their related costs including senior post-holders and the Principal, who received annual emoluments can be found at Notes 7 and 8 of the Financial Statements.

Facility time

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

	Year ended 31 March 2019
	FTE
Number of employees who were relevant union officials during the relevant period	21
Full-time equivalent employee numbers	19.31

Percentage of time spent on facility time

	Year ended 31 March 2019
	%
1% to 50%	21

Percentage of staff costs spent on facility time

	Year ended 31 March 2019
	£'000
Total cost of facility time	£104,478
Total staff costs	£40,684,751
Percentage of total staff costs spent on facility time	0.26%

Paid trade union activities

	Year ended 31 March 2019
	%
Time spent on trade union activities as a percentage of total paid facility time hours	6.33

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 Financial Reporting Standard (FRS) 102. The College's share of the scheme deficit as at 31 July 2019 was £22.7m (2018: £12.8m) and is included within reserves.

The College is required by FRS 102 to disclose the STSS Scheme as a defined contribution scheme, as the scheme is not able to calculate individual employers' share of the overall deficit.

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

West College Scotland – Our 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.

821 full-time and part-time staff work at the College, 371 of whom are teaching professionals. Alongside them, the College employs a range of support staff which encompasses other professionals, including accountants, marketing executives, business specialists, caterers and outreach workers, and account for 450 staff.

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 College 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 several 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 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 page; and
- All staff communications providing details of discussions and key messages following the fortnightly Senior Management Team meeting.

Anti-Fraud and Bribery Policy Statement

West College Scotland realises that it is important that the public sector maintains high standards of probity. Having a strong anti-fraud and bribery framework is therefore essential to ensure resources are used for their intended purpose and to demonstrate that sound systems of public accountability and transparency are in place. The College is committed to protecting the public funds entrusted to it and ensuring these are applied for the benefit of our communities.

West College Scotland believes that the maintenance of a culture of honesty and openness, based on values including fairness, trust and integrity is a key element in tackling fraud and bribery. In this respect, each Board Member and employee of the College is under a duty to report any reasonable suspicions and is encouraged to raise any concerns about fraud and bribery, in the knowledge that such concerns will be properly investigated. To this end, the College has a Public Interest Disclosure Policy (Whistleblowing) to protect anyone who wishes to raise concerns in good faith about behaviours / practice. The highest standards are also expected from all organisations that have dealings with the College. Suppliers, contractors, consultants, partners and other organisations are therefore expected to adopt or abide by the College's policies, procedures, protocols and codes of practice. The College will seek to review its involvement with any organisation that fails to abide by the expected standards.

Building our Collective Culture

In response to a recent staff survey, and in support of our strategy, vision and values the College has developed and is implementing a Building our Collective Culture framework.

This sets out the College culture, 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 age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity, religion or belief, sex, sexual orientation or gender.

The College completes an equality impact assessment on all policies and procedures in order to ensure that no group suffers a disproportionate impact.

Social Matters

Our curriculum fosters social processes and we encourage social engagement by facilitating partnerships with our students and community stakeholders. We recognise the wider benefits of learning, and that the student experience is influenced by social and economic factors beyond the classroom. Our ambition to improve employability aims to increase social inclusion.

Respect for Human Rights

West College Scotland believes that respect for human rights is an important component of promoting sustainability. The College will respect human rights; will not engage in discrimination on the basis of age, gender, ethnicity, religion, disability, sexual orientation or any other grounds; will not tolerate harassment; will foster a proper understanding and awareness of the issue of human rights; will respect the cultures, customs, and language of other countries and regions; and will promote and maintain harmony with the local and international communities who it engages with.

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 Disability Confident Scheme.

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 9 December 2019 and signed on its behalf by:

Keith McKellar
Chair of Board of Management

Elizabeth Connolly
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

Report on the audit of the financial statements

Opinion on financial statements

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

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college as at 31 July 2019 and of the deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is five years. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

Responsibilities of the Board of Management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other information in the annual report and accounts

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

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

Report on regularity of expenditure and income

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 matters prescribed by the Auditor General for Scotland

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

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

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

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

Lucy Nutley

For and on behalf of Mazars LLP

100 Queen Street
Glasgow
G1 3DN

December 2019

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

	Note	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Income			
Tuition fees and education contracts	2	6,575	6,903
Funding body grants	3	49,541	48,811
Other grant income	4	465	317
Other operating income	5	2,409	2,690
Investment income	6	1	3
Total Income		58,991	58,724
Expenditure			
Staff costs	7	43,148	41,878
Support staff job evaluation	7	857	-
Restructuring costs	7	1,014	593
Other operating expenses	9	14,407	13,727
Depreciation	12	4,949	4,671
Interest and other finance costs	10	576	925
Total Expenditure		64,951	61,794
Deficit before Tax		(5,960)	(3,070)
Taxation	11	-	-
Deficit for the Year		(5,960)	(3,070)
Unrealised surplus on revaluation of land and buildings	12	-	10,253
Actuarial (loss) / gain in respect of pension schemes	23	(7,112)	15,737
Total Comprehensive (Expenditure) / Income for the Year		(13,072)	22,920
Represented by:			
Unrestricted comprehensive (expenditure) / income		(13,072)	22,920
(Deficit) / Surplus for the year attributable to:			
College		(13,072)	22,920

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 2017	13,914	52,522	66,436
Deficit from the income and expenditure statement	(3,070)	-	(3,070)
Transfers between revaluation and income and expenditure reserve	2,409	(2,409)	-
Release of unrestricted funds spend in the year	1,973	-	1,973
Revaluation	-	10,253	10,253
Total comprehensive income for the year	1,312	7,844	9,156
Balance at 31 July 2018	15,226	60,366	75,592
Deficit from the income and expenditure statement	(5,960)	-	(5,960)
Transfers between revaluation and income and expenditure reserve	2,663	(2,663)	-
Release of unrestricted funds spend in the year	2,834	-	2,834
Total comprehensive expenditure for the year	(463)	(2,663)	(3,126)
Balance at 31 July 2019	14,763	57,703	72,466

Balance Sheet

		As at 31 July 2019		As at 31 July 2018	
	Note	£000	£000	£000	£000
Non current assets					
Fixed assets	12		101,935		107,014
Current assets					
Stocks		13		14	
Trade and other debtors	13	2,690		1,995	
Cash	19	5,677		3,825	
		<u>8,380</u>		<u>5,834</u>	
Less: Creditors: amounts falling due within one year	14	<u>(8,257)</u>		<u>(5,817)</u>	
Net current assets			123		17
Total assets less current liabilities			102,058		107,031
Creditors: Amounts falling due after one year	15		(29,592)		(31,439)
Provisions					
Pension provisions	17		(22,701)		(12,755)
Total net assets			<u>49,765</u>		<u>62,837</u>
Unrestricted reserves					
Pension reserve	18		(22,701)		(12,755)
Income and expenditure reserve			14,763		15,226
Revaluation reserve			57,703		60,366
Total reserves			<u>49,765</u>		<u>62,837</u>

The financial statements on pages 51 to 74 were approved by the Board of Management, authorised for issue on 9 December 2019 and signed on its behalf by:

Keith McKellar
Chair of Board of Management

Elizabeth Connolly
Principal and Chief Executive

Statement of Cashflows

		Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
	Note		
Cashflow from operating activities			
Deficit for the year		(5,960)	(3,070)
Adjustment for non-cash items			
Depreciation	12	4,949	4,671
Loss on disposal of fixed assets	12	129	153
Decrease in stock		1	4
(Increase) in debtors	13	(695)	(244)
Increase / (decrease) in creditors	14	1,089	(3,975)
Net cost of pension provision	23	2,834	1,973
Adjustment for investing or financing activities			
Investment income	6	(1)	(3)
Interest payable	10	186	193
Net cash inflow / (outflow) from operating activities		2,532	(298)
Cash flows from investing activities			
Investment income	6	1	3
		1	3
Cash flows from financing activities			
Interest paid	10	(186)	(193)
Repayments of amounts borrowed	19	(495)	(488)
		(681)	(681)
Increase / (Decrease) in cash in the year		1,852	(976)
Cash at beginning of the year	19	3,825	4,801
Cash at end of the year	19	5,677	3,825

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 have been prepared in accordance with the Statement of Recommended Practice (SORP) 2015: 'Accounting for Further and Higher Education' and the 2018/19 Government Financial Reporting Manual (FReM) issued by the Scottish Government and in accordance with Financial Reporting Standards (FRS 102). The College is a public benefit entity and has therefore applied the public benefit requirements of FRS102. The college conforms to relevant parts of the Scottish Public Finance Manual (SPFM), the Accounts Direction and other guidance issued by the Scottish Funding Council.

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 £2.33m of bank loans and finance leases outstanding. The bank loans are due to be fully repaid between 2021 and 2025 and the finance lease 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.

Heritable 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).

Judgements and key sources of estimation uncertainties

There are no material judgements and key sources of estimation in the preparation of the financial statements.

Notes to the Financial Statements

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
2) TUITION FEES AND EDUCATION CONTRACTS		
FE fees - UK	2,445	2,359
FE fees - non EU	280	302
HE fees	3,039	3,316
SDS contracts	811	926
	6,575	6,903
3) FUNDING BODY GRANTS		
FE recurrent grant	40,562	40,730
Childcare funds (Note 25)	2,165	1,923
Release of deferred capital grants	1,247	1,507
Other SFC grants - job evaluation	857	-
Other SFC grants	1,867	1,568
Estates maintenance funding	2,843	3,083
	49,541	48,811
4) OTHER GRANT INCOME		
Development grants	281	133
Release of deferred capital grants	184	184
	465	317
5) OTHER OPERATING INCOME		
Catering	1,042	1,045
Other income generating activities	506	500
Income from charitable foundation	-	178
Support for Learning	211	345
Other income	650	622
	2,409	2,690
6) INVESTMENT INCOME		
Interest receivable	1	3
	1	3

Notes to the Financial Statements

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
7) STAFF COSTS		
Wages and salaries	32,712	32,166
Social security costs	3,253	3,251
Pension costs including actuarial cost (Note 23)	8,193	7,042
Holiday pay provision charge	4	12
Support staff Job Evaluation	857	-
	45,019	42,471
Teaching departments	23,529	23,646
Teaching services	4,399	4,358
Administration and central services	8,233	8,254
Premises	2,332	2,179
Other expenditure	1,519	1,508
Catering	692	692
Pension adjustments	2,444	1,241
Total	43,148	41,878
Support staff Job Evaluation	857	-
Restructuring costs	1,014	593
Total	45,019	42,471

Staff Numbers:

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

	2019 FTE	2018 FTE
Teaching departments	371	375
Teaching services	73	73
Administration and central services	236	237
Premises	74	73
Other expenditure	40	42
Catering	27	29
Avg number of FTE - Directly employed	821	829
Headcount: Teaching	573	595
Headcount: Support	619	646
Agency staff - costs	128	99
Avg number of FTE - Agency	6	5

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:

	2019	2018
	Numbers	Numbers
£65,001 - £70,000	-	10
£70,001- £75,000	10	1
£90,001 - £95,000	2	3
£120,001 - £125,000	1	-
£140,001 - £145,000	-	1
	13	15

8) SENIOR POST-HOLDERS' EMOLUMENTS

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

	12	14
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Senior post-holders' emoluments are made up as follows:

	Cost 2018-19	Cost 2017-18
	£000	£000
Salaries	951	1,110
Pension contributions	179	205
Total Emoluments	1,130	1,315

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

	Cost 2018-19	Cost 2017-18
	£000	£000
Principal	123	143
Pension contributions	24	25

No senior post-holder received any benefits in kind.

Compensation for loss of office paid to former higher paid employees

	2019	2018
	£000	£000
Higher paid employees (2019 : 0) (2018 : 1)	-	82
	-	82

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

The Principal and 9 other senior post holders were members of the Strathclyde Pension Fund, a further 2 senior post holders were members of the Scottish Teachers Superannuation Scheme. All pension contributions were paid at the same rate as for other members of staff.

The members of the Board of Management 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.

Notes to the Financial Statements

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
9) OTHER OPERATING EXPENSES		
Teaching departments	2,315	1,757
Catering	499	527
Other income generating activities	174	127
Premises: operating	2,237	2,157
Premises: maintenance	2,862	3,358
Administration	3,775	3,725
FE and HE childcare (Note 25)	2,165	1,923
Student support fund costs	251	-
Loss on disposal of assets	129	153
	14,407	13,727
Included in Administration expenses are:		
Auditors remuneration (inclusive of VAT)		
Internal audit services	36	32
External audit services	31	30
Other services	8	9
10) INTEREST PAYABLE		
On bank loans, overdrafts and other loans	186	193
Pension interest costs (Note 23)	390	732
	576	925

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.

Notes to the Financial Statements

12) TANGIBLE FIXED ASSETS

	Inherited Land & Buildings £000	Other Land & Buildings £000	Equipment £000	Total £000
Cost or valuation				
At 1 August 2018	62,810	52,900	2,418	118,128
Disposals in year	(474)	-	-	(474)
At 31 July 2019	62,336	52,900	2,418	117,654
Depreciation				
At 1 August 2018	5,588	3,482	2,044	11,114
Charge for year	2,930	1,872	147	4,949
Disposals in year	(344)	-	-	(344)
At 31 July 2019	8,174	5,354	2,191	15,719
Net book value at				
31 July 2019	54,162	47,546	227	101,935
31 July 2018	57,222	49,418	374	107,014
Analysis of net book value at 31 July 2019				
Inherited	20,994	-	-	20,994
Financed by capital grant	33,168	24,337	1	57,506
Other	-	23,209	2	23,211
Leased	-	-	224	224
	54,162	47,546	227	101,935

Land and buildings were independently valued at 31 July 2018 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 £44,004,000 (2018: £46,273,000)

Land and buildings with a net book value of £66,758,000 (2018: £70,638,000) have been funded from Exchequer Funds, under the definition found in the Financial Reporting 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 (2017: £5,924,000) which is not depreciated.

Notes to the Financial Statements

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
12) TANGIBLE FIXED ASSETS (Continued)		
The depreciation charge for the year is analysed as follows:		
Based on cost	2,286	2,262
Based on valuation	2,663	2,409
	4,949	4,671
Analysed:		
Owned assets	4,853	4,575
Assets held under finance leases	96	96
	4,949	4,671
13) TRADE AND OTHER DEBTORS		
Trade debtors	215	301
Other debtors	10	33
Prepayments and accrued income	1,201	965
Amounts owed by SFC - Job Evaluation	857	-
Amounts owed by SFC	407	696
	2,690	1,995
14) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank loans	413	399
Finance lease	96	96
Trade creditors	113	159
Other creditors	161	145
Accruals and deferred income	4,053	2,988
Amounts owed to SFC	2,084	599
Deferred capital grants SFC	1,153	1,247
Deferred capital grants non-SFC	184	184
	8,257	5,817
15) CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR		
Bank loans	1,693	2,106
Finance lease	128	224
Deferred capital grant SFC	23,148	24,302
Deferred capital grant non-SFC	4,623	4,807
	29,592	31,439

Notes to the Financial Statements

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
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16) ANALYSIS OF BORROWINGS OF THE COLLEGE

a) Bank loans

Within one year	413	399
Between one and two years	422	413
Between two and five years	814	943
After five years	457	750
	2,106	2,505

Bank borrowings are secured, over specific areas of heritable 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	96
Between one and two years	96	96
Between two and five years	32	128
	224	320

The finance lease is spread over a 5 year term at a fixed rate of interest of 15.38% ending in October 2022.

17) PENSION PROVISION

Pension provision at 31 July 2018	12,755	26,519
Movement in year	9,946	(13,764)
Pension provision at 31 July 2019	22,701	12,755

The movement in pension provision is further analysed in Note 23

18) PENSION RESERVE

Balance at 1 August	(12,755)	(26,519)
Current service cost in year	(3,998)	(3,773)
Past service cost	(1,106)	-
Employer contributions	2,046	1,931
Contributions re unfunded benefits	614	601
Net interest	(390)	(732)
Transfer to Income & Expenditure	(2,834)	(1,973)
Pension scheme actuarial (loss) / gain	(7,112)	15,737
As at year end	(22,701)	(12,755)

Notes to the Financial Statements

19) ANALYSIS OF NET CASH / (DEBT)

	At 31 Jul 18 £000	Cash Flows £000	Other Non Cash Changes £000	At 31 Jul 19 £000
Cash	3,825	1,852	-	5,677
	3,825	1,852	-	5,677
Debt due within one year	(495)	495	(509)	(509)
Debt due after one year	(2,330)	-	509	(1,821)
	1,000	2,347	-	3,347

20) FINANCIAL COMMITMENTS

At 31 July 2019 the College had annual commitments under non-cancellable operating leases for Land and Buildings as follows:

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Future minimum lease payments due:		
Expiring within 1 year	128	129
Expiring between two and five years	354	381
Expiring after 5 years	366	427
Total lease payments due	848	937

21) CAPITAL COMMITMENTS

The College has not received any capital grant funding during 2018/19 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	Ardgowan Hospice	Chair
Elizabeth Connolly	Developing the Young Workforce West Region	Board Member
Nick Allan	Dunbartonshire Chamber of Commerce	Non-Executive Director
Jim Hannigan	Skills Development Scotland	NMIS Programme Manager
Jacqueline Henry	Scottish Parliament	Researcher
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	Renfrewshire Chamber of Commerce	Group Mentor
John McMillan	West College Scotland Foundation	Trustee
Mark Newlands	Scottish Enterprise	Head of Partnerships
Angela Wilson	West Dunbartonshire Council	Strategic Director
Graeme Bold	M&G Prudential	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 2019 £000	31 July 2018 £000
The total pension cost for the College was :		
Contributions paid	5,749	5,801
Pension cost as a result of implementing FRS 102	2,444	1,241
Total pension cost (Note 7)	8,193	7,042

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 2016. The results of this confirmed an increase in the employer contribution rate from 17.2% to 22.4% from 1 April 2019 to 31 March 2023. This increase has been deferred until 1 September 2019 and adjusted to 23%. The next valuation of the scheme will be completed on 31 March 2020.

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%.

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 is required by FRS 102 to account 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 2019	At 31 July 2018
Principal Actuarial Assumptions		
Rate of increase in salaries	3.60%	3.60%
Rate of increase for pensions in payment / inflation	2.40%	2.40%
Discount rate for liabilities	2.10%	2.80%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. For 2019 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 2019	At 31 July 2018
Current pensioners	Males	20.7	21.4
	Females	22.9	23.7
Future pensioners	Males	22.2	23.4
	Females	24.6	25.8

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 2019 £000	Year ended 31 July 2018 £000
Fair value of employer assets	97,486	89,861
Present value of funded liabilities	(109,850)	(92,293)
	<u>(12,364)</u>	<u>(2,432)</u>
Present value of unfunded liabilities	(10,337)	(10,323)
Net liability	<u>(22,701)</u>	<u>(12,755)</u>
Amount in the Balance Sheet:		
Pension liability	<u>(22,701)</u>	<u>(12,755)</u>

Notes to the Financial Statements

23) PENSION SCHEMES (Continued)

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Amount charged to Comprehensive Income and Expenditure:		
Employer service cost (net of employee contributions)	2,444	1,241
Interest on obligation	390	732
Actuarial gain / (loss) on scheme assets	7,112	(15,737)
Total	9,946	(13,764)
Changes in the fair value of scheme assets:		
Opening fair value of scheme assets	89,861	85,929
Net interest	2,525	2,327
Contributions by members	648	619
Contributions by the employer	2,046	1,931
Contributions in respect of unfunded benefits	614	601
Benefits paid	(1,964)	(1,903)
Unfunded benefits paid	(614)	(601)
Expected return on assets	4,370	958
Closing fair value of scheme assets	97,486	89,861
Changes in the present value of the defined benefit obligation:		
Opening defined benefit obligation	102,616	112,448
Current service cost	3,998	3,773
Past service cost	1,106	-
Interest cost	2,915	3,059
Contributions by members	648	619
Estimated benefits paid	(1,964)	(1,903)
Estimated unfunded benefits paid	(614)	(601)
Actuarial loss / (gain)	11,482	(14,779)
Closing defined benefit obligation	120,187	102,616
History of experience losses		
Scheme assets	97,486	89,861
Defined benefit obligation	(120,187)	(102,616)
Deficit	(22,701)	(12,755)
Experience gains on scheme assets	4,370	958
Experience (losses) / gains on scheme liabilities	(11,482)	14,779

Notes to the Financial Statements

23) PENSION SCHEMES (Continued)

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Net assets excluding pension liability	72,466	75,592
Pension liability	(22,701)	(12,755)
Net assets including pension liability	49,765	62,837
The analysis of amounts charged to the Statement of Comprehensive Income and Expenditure (SOCIE) is as follows:		
Analysis of the amount charged to staff costs (Note 7):		
Current service cost	(3,998)	(3,773)
Past service cost	(1,106)	-
Total charged to staff costs	(5,104)	(3,773)
Analysis of the amount charged to pension interest (Note 10):		
Expected return on pension scheme assets	2,525	2,327
Interest on pension scheme liabilities	(2,915)	(3,059)
Net pension interest charged	(390)	(732)
(Charge) / credit to other comprehensive income:		
Return on assets excluding amounts included in Interest Experience (losses) / gains arising on the scheme liabilities	4,370	958
Changes in assumptions underlying the present value of the scheme liabilities	(293)	7,518
	(11,189)	7,261
Actuarial (loss) / gain	(7,112)	15,737
Total (Charge) / Gain to the SOCIE	(12,606)	11,232
Analysis of the movement in deficit during the year		
Deficit in scheme at beginning of the year:	(12,755)	(26,519)
<u>Movement in year:</u>		
Current service cost	(3,998)	(3,773)
Past service cost	(1,106)	-
Contributions	2,046	1,931
Contributions in respect of unfunded benefits	614	601
Total net interest	(390)	(732)
Actuarial (loss) / gain	(7,112)	15,737
Deficit in scheme at end of the year	(22,701)	(12,755)

Notes to the Financial Statements

24) FE BURSARY AND OTHER STUDENT SUPPORT FUNDS

	FE Bursary	EMAs	Other	Total 31 July 2019	Total 31 July 2018
	£000	£000	£000	£000	£000
Balance b/fwd.	(34)	(43)	-	(77)	(53)
Clawback/Recovered	34	43	-	77	53
Allocation received in year	9,383	443	834	10,660	10,521
Expenditure	(9,542)	(443)	(926)	(10,911)	(10,255)
Virements	-	-	-	-	(343)
College contribution to funds	159	-	92	251	-
Balance c/fwd.	-	-	-	-	(77)
<u>Represented by:</u>					
Owed from SFC	-	-	-	-	(77)
	-	-	-	-	(77)

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 2019	Total 31 July 2018
	£000	£000
Balance b/fwd.	-	-
Allocation received in period	2,165	1,580
Expenditure	(2,165)	(1,923)
Virements	-	343
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.

Notes to the Financial Statements

27) IMPACT OF DEPRECIATION BUDGET ON STATEMENT OF COMPREHENSIVE INCOME

Following reclassification, colleges received a non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. As a result, colleges may show a deficit equivalent to net depreciation as a result of having to meet Government accounting rules and the requirement to spend the entire cash allocation.

	Year ended 31 July 2019	Year ended 31 July 2018
	£000	£000
Deficit before other gains and losses (FE/HE SORP basis)	(5,960)	(3,070)
Add back: Depreciation budget for government funded assets	3,518	2,980
Adjusted (Deficit) / Surplus on Central Government accounting basis	(2,442)	(90)

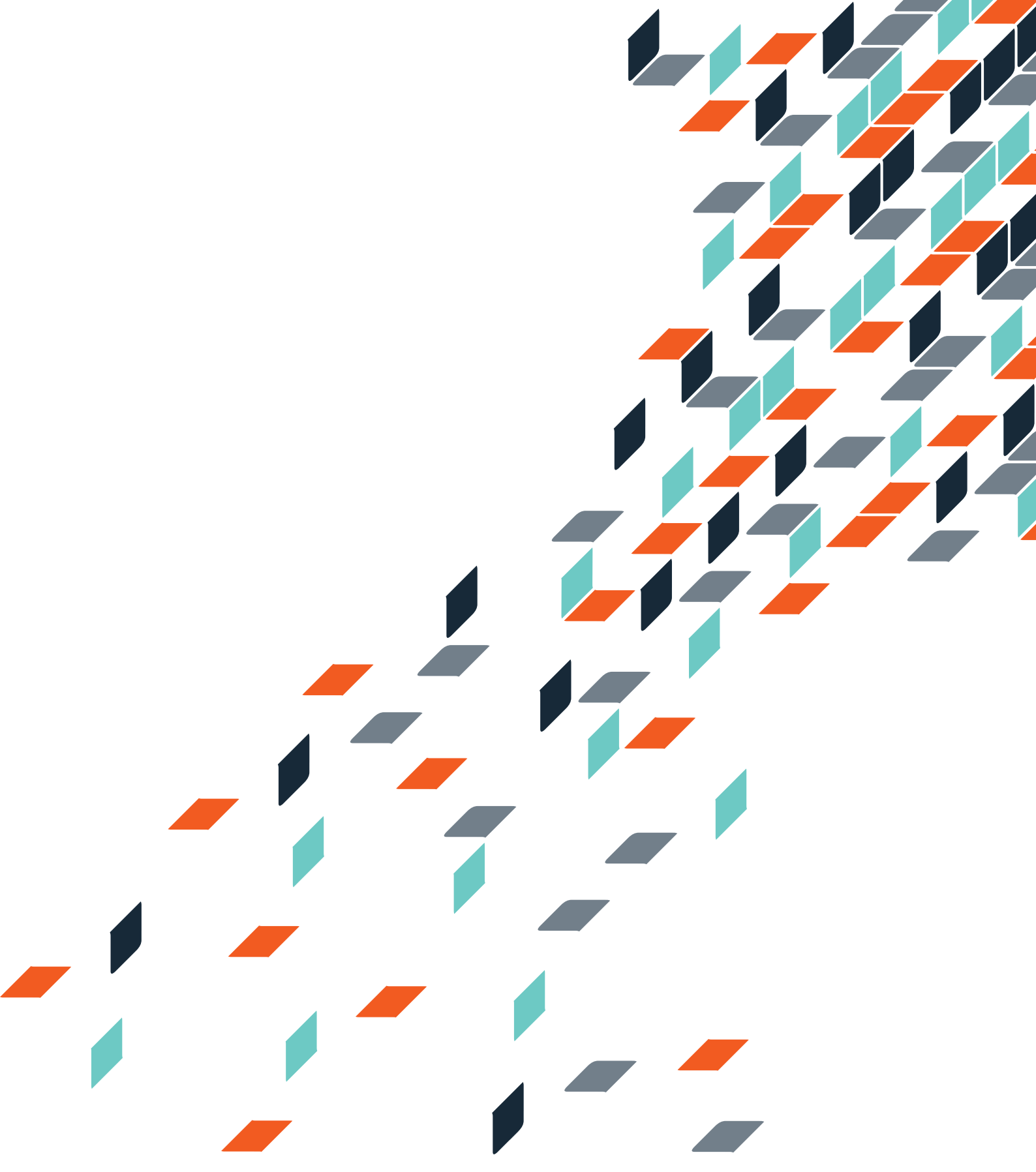
Under the FE/HE SORP, the College recorded an operating deficit of £5,960,000 for the year ended 31 July 2019. After taking account of the Government non-cash budget, the College shows an “adjusted” deficit of £2,442,000 on a Central Government accounting basis. The deficit is attributable to other factors reflected in the adjusted operating position table which can be found in the Performance Report. The College considers that it is therefore operating sustainably within its funding allocation.

The following note is taken from the 2018-19 SFC Accounts Directions and has been included as required by the SFC. It does not form part of the Financial Statements.

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

- 1 It is the Scottish Funding Council's direction that institutions¹ comply with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts².
- 2 A new SORP ("the 2019 SORP") was issued in October 2018 and this must be adopted for accounting periods beginning on or after 1 January 2019 and thereafter. Early adoption is permitted as described in Section 27 ('Transition to the 2019 SORP') of the 2019 SORP.
- 3 Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
- 4 Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2018-19 (FReM) where applicable.
- 5 Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor
- 6 The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
- 7 Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
5 July 2019



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Paisley Campus

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