



Report and Financial Statements

For the year ended 31 July 2020

Charity Number SC021185



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Professional Advisors

Financial Statement Auditors:

Mazars LLP
100 Queen Street
Glasgow
G1 3DN

Student and SFC Credit Funding Auditor:

Wylie & Bisset LLP
168 Bath Street
Glasgow
G2 4TP

Internal Auditor:
(From 1 August 2020)

Wylie & Bisset LLP
168 Bath Street
Glasgow
G2 4TP

Internal Auditor:

Scott Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Banker:

Royal Bank of Scotland
36 St Andrew Square
Edinburgh
EH2 2YB

Solicitor:

Anderson Strathern
1 Rutland Court
Edinburgh
EH3 8EY

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 2019-20 Annual Report to highlight the achievements of the College during these challenging times. At the start of this academic year I don't believe anyone could have predicted quite how challenging the year was to become. As a result of the coronavirus pandemic, in line with the rest of the college sector in Scotland, West College Scotland closed all our campuses in March 2020. We did not, however, close the College and continued to deliver learning and teaching virtually to our students. I would like to take this opportunity to pay tribute to all our staff for the way they embraced the enforced change to our operations and continued to deliver a high-quality experience for our students. I'd also like to thank our students for continuing with their studies in what for many of them were particularly challenging circumstances.

Over the course of 2019-20 we continued to build on the strong foundations laid in the years since merger, with an emphasis on teamwork, a focus on improvement and innovation and a clear purpose to make a difference. This underpinning approach was absolutely in evidence as our whole College community responded to the change in our operations from March 2020.

In difficult circumstances the accomplishments of our students are witness to the inspiring education delivered across all curriculum areas and 2019-20 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, expertise and 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 delivery taking place in more than 20 vocational centres across the globe, including in the Far East. Within the Region, the College continues to play 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. Throughout the past year, including during the lockdown, the College has continued to support our local business community with workforce planning, and work with them to address the critical skills needed to operate in a new environment. In return, those same businesses continue to help shape and deliver our curriculum; mentor our students; provide work placements and support live projects.

During 2019-20 the College continued to 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 ongoing engagement with and support from the Scottish Funding Council (SFC) in delivering the College Business Transformation Plan meant that - until the disruption to our business caused by the coronavirus pandemic - the College was on track to achieve an underlying financial breakeven position for 2019-20.

As we adapt to continued remote learning with limited on campus activity, at least for the foreseeable future, there is no doubt we, along with colleges across the sector, will face further challenges over the next academic year. However, as our College community has already demonstrated, we are an organisation that is creative, resilient, agile and adaptable, and I am confident we will continue to deliver an excellent experience and continue to meet 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 2020 highlights included the following:

- In August 2019, Deputy First Minister, John Swinney, visited the College campus in Greenock to congratulate a group of Inverclyde Academy pupils for winning the Scottish heat of the Greenpower Challenge and to wish them good luck as they set off to compete for Scotland at a world competition in Silverstone. The Cabinet Secretary for Education commended Inver Racers, DYW West and the College for this exceptional work.
- The College officially opened the 'Green Fingers Garden' at our Paisley campus in September 2019. After receiving funding from the Grow Wild Project based at the Royal Botanical Gardens, the College Learner Development students developed the area on a brownfield site of a demolished building.
- To recognise the bicentennial of the death of James Watt, the Greenock-born engineer whose invention of the steam engine drove the Industrial Revolution, the College established the James Watt Prize for an Inverclyde-based student who has excelled in Science, Technology, Engineering or Maths (STEM). The College awarded the prize to James Bradley who excelled in his College studies – in addition to volunteering as a STEM Ambassador for primary school children.
- The College was delighted to host Creative Exposure, a showcase of some of the region's leading professionals in hair, beauty and make-up, for the second year. The event, which was held at Glasgow's SWG3, hosted twenty prominent artists and stylists who took to the stage to highlight their talent and deliver a range of masterclasses.
- In October 2019, the College was proud to host the 2019 Annual Major Series of the UK's Premier Young Chefs Competition at our Paisley campus. Competitors, drawn from colleges across the country, competed using our ultramodern facilities.
- The College established a new partnership with West Dunbartonshire Community Learning and Development to address the local authority's lowest educational attainment rates in the country. This collaboration has been highlighted nationally as an example of good practice.
- As we opened applications for our courses for the 2020-21 academic year, the College hosted Choose Your Career Open Days to engage with prospective students of all ages in Clydebank, Greenock and Paisley.
- In March 2020, we welcomed Dr Waiyin Hatton, the new Chair of the Board of Management, to the College following her appointment by the Minister for Further Education, Higher Education and Science.
- The College, in partnership with Renfrewshire Council, secured significant funding from the Advancing Manufacturing Challenge Fund this year to establish a new project - 'The Critical Engineer' - that will unlock the benefits of Manufacturing 4.0 for small-and-medium enterprises across our region.

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), designated as 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 over 24,000 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 a Regional Outcome Agreement with the Scottish Funding Council. In 2019-20, 85% (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 College Board of Management has an established Strategic Risk Register, which considers matters impacting upon the College's ability to deliver its strategic objectives. Risks and mitigating factors are kept under review by the Senior Management and reported to the Board of Management through the Board Committee structure. Risks are categorised alongside the Strategic Priority they relate to. Oversight of the College Strategic Risk Management Framework is undertaken by the Board of Management Audit Committee.

As of October 2020, the top five risks facing the College have been identified as:

1) **Business Continuity / Cyber Resilience Planning**

Inadequate business continuity/cyber resilience planning, which could lead to material interruptions to service delivery primarily resulting from Coronavirus epidemic.

2) SFC Funding and Funding Methodology

An inability to clearly forecast the volatility and impact of Scottish Funding Council 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, which could potentially lead to financial sustainability challenges.

3) Estate Strategy

A failure to deliver College Estate Strategy 2016-2026 objectives - due to a delay in the outline business cases for development of estate - could have a resultant negative impact on the ability of the College to recruit students, retain staff and address legislative requirements.

4) Estates maintenance/ capital funding

A failure to secure adequate estates maintenance/capital funding for future investment or refurbishment of IT and physical infrastructure, which will result in an increased maintenance backlog and poorer overall accommodation.

5) BREXIT

A 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.

Withdrawal of the United Kingdom from the European Union (BREXIT)

The College has considered the implications of Brexit for its business activities and has taken several measures to mitigate these. These include:

- The creation of a checklist based on guidance from the SFC, to identify potential areas of impact. This has been considered by the Board of Management and Senior Management Team and further actions have been assigned to managers.
- Financial modelling which includes the loss of European-funded activity, as advised by SFC, and actions to mitigate the impact of this.
- Continuous liaison with SFC to consider emerging issues or actions.
- Publishing information for both staff and students who may be affected by Brexit.
- Horizon scanning for the opportunities likely to arise from the introduction of the new UK Government Shared Prosperity Fund.
- Reviewing supply chains to take cognisance of best practice identified by Advanced Procurement for Universities and Colleges (APUC) regarding framework agreements.

Going Concern

The College Balance Sheet at 31 July 2020 shows Net Current Liabilities of (£1.4m) and Total Net Assets of £25.4m. The SFC has advised the College of expected funding levels for the period to 2022-23 and the Board of Management has considered a three-year financial model on this basis. The financial model sees the College operate to a breakeven adjusted operating position over that period.

The College has in place two term loan facilities. Under the terms of the loan agreements the College must meet certain financial covenants. These were met during 2019-20 and are forecast to be met in the 12-month period from the date of these Financial Statements.

Accordingly, the Board of Management considers that the College is a going concern and these financial statements have been prepared on that basis.

Performance Summary

The College has generated 164,597 SFC credits compared to a target of 164,119 credits (157,855 core credits plus 6,264 European Structural Funds Priority 5: Strategic Skills Pipeline credits).

The College delivered an adjusted operating deficit as defined by SFC of (£1,826,000) (2018-19: surplus of £26,000) as shown in the table on page 15. The 2019-20 financial deficit was (£7,435,000) (2018-19: deficit of (£5,960,000)) after inclusion of year-end pension valuation adjustments of £3,500,000 (2018-19: £2,800,000). The 2019-20 financial position was impacted significantly by the lockdown of on-site College operations from 20 March 2020 due to Covid-19.

PERFORMANCE ANALYSIS

Operational Review

The College continued to invest in resources appropriate to the size and complexity of its business and managed key risks whilst committing to the required 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 to 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.

In line with the rest of the educational and wider community the operations of the College were and continue to be impacted by the worldwide Covid-19 pandemic. Prior to the lock down period being initiated in March 2020, the College was forecasting a small adjusted operating surplus for the year, which it viewed as effectively a break-even position. During the lock down period the College transferred learning and teaching activities to on-line delivery, thereby maintaining a degree of continuity for our students. The College has worked with the Student Association to address the many challenges that students faced during this period, including the provision of additional digital equipment to facilitate on-line learning.

One of the major impacts of the pandemic was a significant reduction in the income the College had expected to receive from commercial activities. Whilst the College continued to receive support from other public bodies this loss of non-SFC income had a material impact on the financial position of the College. The pandemic is continuing to impact upon College operations during the 2020-21 academic session with only limited essential activity able to take place on campus.

Like many public sector organisations, colleges face a future that is probably more uncertain than in previous years. The future educational policy context has the potential to substantially impact the role of colleges. The outcomes of the Scottish Funding Council's '*Coherent Provision and Sustainability*' strategic review of the college and university sectors has the potential to shape the future direction and funding model of colleges. The first phase of this review was published on 20 October 2020 and the second phase will now be undertaken as we move into the 2021 calendar year.

The impacts arising from College sector support staff job evaluation also require to be considered in developing the College's workforce plan and approach to curriculum delivery. The College has therefore faced, and continues to face, several challenges, and the immediate priority is to work closely with key stakeholders and the Scottish Funding Council to meet and address these and deliver a financially stable and sustainable College.

The scale of the financial challenge in 2020-21 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 are likely to 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) Flexible use of property assets.
- 5) Exploration of service delivery options.

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 and will continue to engage with the SFC to secure such funding:

- 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 to ensure the College continues to evolve and meet regional community and employer needs.

Review of Financial Performance

The Board of Management uses the adjusted operating position as a key indicator of financial health, in accordance with SFC and Audit Scotland guidance. The adjusted operating position, as defined by SFC, is intended to reflect the underlying operating performance after allowing for material one-off items 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 Board of Management approved the 2019-20 budget with an adjusted operating surplus of £25,000, which is effectively a break-even position. The Covid-19 pandemic required the closure of all on-site operations on 20 March 2020 at which point the College had been forecasting an adjusted operating surplus of £35,000 to 31 July 2020. The College was required to reassess the financial forecast position post 20 March 2020 given the significant operational and financial impacts arising from Covid-19. The College is reporting an adjusted operating deficit of (£1,826,000) for 2019-20 (2018-19: surplus of £26,000) compared to an adjusted operating budgeted surplus of £25,000, an overall negative movement of £1,851,000 - which the College considers to be a direct result of the Covid-19 pandemic.

The College has a three-year financial model 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.

2019-20 Income and Expenditure

The overall position of the College for 2019-20 can be summarised as follows, and is further explained in the commentary below the tables:

	2019-20	2018-19	Movement	
	£'000	£'000	£,000	%
Income	57,800	59,000	(1,200)	(2)
Expenditure	65,200	65,000	200	0
Deficit for the year	(7,400)	(6,000)	(1,400)	(23)
Actuarial loss in respect of pension scheme	(17,000)	(7,100)	(9,900)	(139)
Total comprehensive expenditure for the year	(24,400)	(13,100)	(11,300)	(86)

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

	2019-20	2018-19	Movement	
	£'000	£'000	£'000	%
FE Tuition Fees / Commercial income	2,400	2,700	(300)	(11)
HE Tuition Fees	2,700	3,100	(400)	(13)
SDS Contracts	500	800	(300)	(38)
Tuition fees and Education Contracts	5,600	6,600	(1,000)	(15)
<i>Teaching and fee waiver grant (Core)</i>	<i>39,100</i>	<i>39,100</i>	<i>0</i>	<i>0</i>
<i>Teaching and fee waiver grant (ESF)</i>	<i>1,400</i>	<i>1,500</i>	<i>(100)</i>	<i>(7)</i>
<i>Estate maintenance funding</i>	<i>3,000</i>	<i>2,800</i>	<i>200</i>	<i>7</i>
<i>Childcare funding</i>	<i>1,700</i>	<i>2,200</i>	<i>(500)</i>	<i>(23)</i>
<i>Scottish teacher pension (STSS) funding</i>	<i>1,000</i>	<i>0</i>	<i>1,000</i>	<i>100</i>
<i>Flexible Workforce Development Funding</i>	<i>400</i>	<i>700</i>	<i>(300)</i>	<i>(43)</i>
<i>Support staff job evaluation funding</i>	<i>900</i>	<i>900</i>	<i>0</i>	<i>0</i>
<i>Restructuring funding</i>	<i>0</i>	<i>1,000</i>	<i>(1,000)</i>	<i>(100)</i>
<i>Other SFC income</i>	<i>200</i>	<i>100</i>	<i>100</i>	<i>100</i>
<i>Release of deferred capital grant</i>	<i>1,200</i>	<i>1,200</i>	<i>0</i>	<i>0</i>
Scottish Funding Council income	49,000	49,500	(500)	(3)
<i>Other grant / operating income</i>	<i>2,500</i>	<i>2,900</i>	<i>(400)</i>	<i>(14)</i>
<i>Other Government Grants</i>	<i>700</i>	<i>0</i>	<i>700</i>	<i>100</i>
Other income	3,200	2,900	300	10
Total Income	57,800	59,000	(1,200)	(2)

Income has decreased by £1.2m (2%) to £57.8m from £59.0m (2018-19) due to:

- Tuition Fee and Education Contract income reduced by £1.0m reflecting:
 - The reduction in commercial income fees £0.3m due to the cessation of courses as a result of Covid-19;

- A reduction in the number of students recruited onto HE courses with the resultant loss of funding £0.4m; and
- A loss of Skills Development Scotland contract work of £0.3m as a result of Covid-19 as students were unable to complete their learning in the year.
- Scottish Funding Council income has decreased by £0.5m due to:
 - Requirement to provide for potential loss of prior year 2015-16 ESF income (£0.1m);
 - Childcare and estate maintenance movements in funding (£0.3m) are matched to comparable movements in expenditure. SFC Estates maintenance funding was fully utilised by the College in order to meet the 2016-2026 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 the impact of the nationwide closure of college facilities leading to a reduced level of demand for childcare provision.
 - The Scottish Teachers Superannuation Scheme (STSS) employers' contributions rose from 17.2% to 23% for the period from 1 September 2019 to 31 March 2023. The SFC has provided additional funding of £1.0m towards the additional cost incurred by the College regarding this increased pension contribution.
 - The impact of Covid-19 has resulted in companies not being able to undertake anticipated Flexible Workforce Development training before the end of the year. This has resulted in a reduction of £0.3m in the amount of funding the College was able to draw down from the SFC.
 - The SFC have provided funding towards supporting the outcome of the ongoing support staff job evaluation exercise. This funding has been provided based upon earlier work undertaken by Colleges Scotland to forecast the cost of the overall exercise. The level of expenditure is comparable to the previous year as it is expected that the settlement of the job evaluation exercise will have a recurring annual cost. The SFC have indicated that the funding will not be paid until the exercise is complete and validated and hence the College has a comparable debt owed from the SFC held within its balance sheet.
 - The College had undertaken a substantial voluntary severance programme during 2018-19 as an integral part of the College Business Transformation Plan. The SFC income to support this initiative was matched by staff costs incurred during 2018-19. Although the College continues to operate a voluntary severance scheme in 2019-20, this is no longer supported by the SFC and the College requires to fund any payments from its own resources. This has resulted in a drop in income of £1.0m from 2018-19.
- Other grant / operating income has reduced by £0.3m due to:
 - The closure of the College catering activities as from March 2020, which resulted in a loss of revenue of £0.3m; and
 - A decrease in the level of development grants, primarily European funded, of £0.1m.Both reductions were as a direct result of the closure of on-site College operations due to the Covid-19 pandemic.
- Other government grants have increased by £0.7m as the College accessed the UK Government Job Retention Scheme as a direct result of placing approximately 150 staff on furlough in the period March to July 2020.

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

	2019-20	2018-19	Movement	
	£'000	£'000	£'000	%
Salaries	32,600	31,700	900	3
Social security costs	3,300	3,300	0	0
Pension costs	6,900	5,800	1,100	19
Sub-total salaries and on costs	42,800	40,800	2,000	5
Support staff job evaluation	900	800	100	13
FRS102 pension movement	3,000	2,400	600	25
Holiday pay provision movement	400	0	400	100
Restructuring costs	0	1,000	(1,000)	(100)
Total staff costs	47,100	45,000	2,100	5
Other operating expenses	13,400	14,400	(1,000)	(7)
Depreciation	4,000	5,000	(1,000)	(20)
Interest and other finance costs	600	600	0	0
Total non-staff costs	18,000	20,000	(2,000)	(10)
Total expenditure	65,200	65,000	200	0

As outlined in the above table, total staff costs increased by £2.1m (5%) to £47.1 in the year. Contributing factors to the movement in total staff costs include:

- A cost of living pay increase for all staff;
- An increase in the Scottish Teachers Superannuation Scheme employers' contributions, from 17.2% to 23.0% for the period from 1 September 2019 to 31 March 2023. The increased contribution costs have been met by additional funding received from the SFC as noted under SFC income above;
- A slight increase in the FRS102 pension costs as a result of the year end valuation undertaken by the College actuaries;
- An increase in holiday pay provision for which the College is required to account. This is an impact arising directly from the Covid-19 lockdown period, with the level of unused support staff holiday increasing as of 31 July 2020 - resulting in the requirement for this increased provision to be recognised; and
- As noted within the SFC income section, the College received support from the SFC towards the cost of the 2018-19 voluntary severance programme.

Other operating expenses decreased by £1.0m, which represents a 7% movement, and this has largely arisen due to:

- A reduction in consumable costs (£0.4m) expended by the College as a result of the nationwide lockdown and the resultant transfer of teaching to online;
- Closure of onsite catering operations, which resulted in a reduction in income and therefore associated food costs also reduced by £0.1m;
- SFC Childcare and estate maintenance costs reducing by £0.3m, primarily as a result of the closure of College facilities from March 2020, resulting in lower level of payments made to childcare providers;
- A reduction in general consumables expenditure of £0.1m; and

- During 2018-19 the College had written off the value of the Inchinnan and Barshaw buildings. The write offs had incurred a charge in 2018-19 which was not repeated in 2019-20 with a reduction in the charge on disposal of £0.1m.

Depreciation has reduced by £1.0m from 2018-19 as a result of work undertaken to review the useful economic life of the assets held by the College. This was in line with a recommendation made by the College external auditors following the conclusion of the 2018-19 audit.

Interest and other finance costs comprise of cash payments relating to interest on loans of £0.1m (2018-19: £0.2m) and non-cash interest charges relating to the support staff pension scheme of £0.5m (2018-19: £0.4m), which is a technical accounting adjustment.

Adjusted Operating Position

Under central government budgeting rules, the non-cash depreciation and pension adjustments are reported under separate budget lines from the College operating position. The SFC Accounts Direction requires the disclosure of an adjusted financial position for the financial year. This removes the impact from accounting adjustments for pensions from the College's deficit. It also removes the impact of the College spending net depreciation funding on those items prioritised by the SFC. The adjusted position on this basis is shown in the table below:

	Note	2019-20	2018-19
		£'000	£'000
Deficit for the year		(7,434)	(5,960)
Add:			
Depreciation net of deferred capital grant releases		2,638	3,518
Non-cash pension adjustment – salary costs	1	2,950	2,444
Non-cash pension adjustment – interest costs	1	505	390
Loss on disposal of assets	2	25	129
Deduct:			
Revenue funding allocated to loan repayments	3	(510)	(495)
Adjusted operating (deficit) / surplus		(1,826)	26

Note: Included within the deficit for the year is a non-cash holiday pay charge of £393,000, which if added back would have resulted in an adjusted operating deficit of (£1,433,000). Under the SFC guidance this charge is considered as a non-adjusting item.

(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 the total Interest Payable by the College. These costs are non-cash related and as the College cannot control their impact, they have been adjusted for in arriving at the overall adjusted operating position.

(2) Loss on Disposal of Assets

During the year the College disposed of a property at Drumry Road, Clydebank resulting in the noted loss on disposal (see Note 12 for further information).

(3) Revenue Funding Allocated to Loan Repayments

This line eliminates the extent to which the operating position is impacted by loan repayment commitments. As per SFC guidance these repayments are removed to ensure that the operating position is not overstated and are recorded in the Statement of Cashflows and Note 19.

(4) Non-cash Holiday Pay Provision

The College is required to account for the cost of holiday pay accrued by support staff at the end of each year. In normal circumstances the movement on the provision is immaterial and accounted for as part of the College operations. However, due to the Covid-19 lockdown College staff had amassed a significantly increased level of accrued holiday owed to them at the end of July 2020. The increase in the required provision in 2019-20 was £393,000 which has materially distorted the adjusted operating position. The movement is a non-cash adjustment however the SFC guidance does not allow for this movement to be recorded as an adjusting item.

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:

	2019-20	2018-19
	£'000	£'000
Revenue		
Contribution towards 2015-16 cost of living award	600	600
ICT maintenance costs	500	500
Total impact on operating position	1,100	1,100
Capital		
Loan repayments	500	500
Total capital loan repayments	500	500
Total cash budget for priorities spend	1,600	1,600

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 2020 (2018-19: 19 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 £25.4m as of 31 July 2020 (2019: £49.8m). The decrease in total net assets of £24.4m is attributable to the increase in the local government pension provision of £20.4m and the annual depreciation charge on fixed assets of £4.0m.

The working capital position (difference between debtors and creditors) of the College has been impacted by Covid-19. The net current asset / liability of the College has moved from a net asset balance of £0.1m as of 31 July 2019 to a net liability of (£1.4m), primarily as a result of the change in the adjusted operating position. As noted above, the College is reporting an adjusted operating deficit of (£1.8m) for 2019-20 which has directly impacted the overall working capital position.

Cash at bank as at 31 July 2020 totaled £7.0m, compared to £5.7m as at 31 July 2019, with this being due to the retention of estate project funding, digital infrastructure funding to address digital poverty and expenditure on deferred students, all of which will be expended in 2020-21.

The year-end cash position includes amounts either received in advance of expenditure being incurred or amounts potentially due to be repaid including:

- SFC estate maintenance funding for committed projects - £1.6m
- SFC Flexible Workforce Development funding - £0.3m
- Digital poverty support - £0.4m
- SFC other funds - £0.1m

If these amounts were to be reclaimed, the underlying College cash balance at 31 July 2020 would be £4.6m which is equivalent to 28 days of cash. The College continues to consider that 30 days cash is required as a minimum threshold for working capital reserves which is equivalent to £4.9m at any point in the year. However, this threshold will prove challenging in the years ahead due to the operational changes required to address Covid-19 and the wider public sector financial challenges. 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.

Financial Strategy

Colleges are required to plan and manage their activities to remain sustainable and financially viable. It is for each college to determine and respond to the economic needs of their region; ensuring resources are allocated to areas which meet the needs of learners and the economy. It is therefore essential that a robust organisational financial strategy and associated financial objectives are in place to enable this to be achieved. The College has developed a three-year financial forecasting model which has the fundamental goal of ensuring financial sustainability and a consistent underlying break-even position.

This financial modelling 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 impact of Covid-19 - not only on College operations but on wider society in general - is expected to result in further challenges in maintaining levels of funding in future years. Robust financial planning mechanisms have been developed for the next three-year period which are intended to enable West College Scotland to achieve planned outcomes, however even with this the operating environment is likely to prove challenging. In order to achieve the forecasted break even adjusted operating position, the College will require to deliver £1.9m of staff efficiency savings over the next three years. As detailed within the Estate Strategy section below, 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. Without this investment the ability of the College to attract and retain students during these difficult times will only be made more challenging.

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.

Student Activity Performance Highlights

Delivery of widening access and progression targets

	2019-20 %	2018-19 %	2017-18 %
(a) Gender Action Plan			
Male learners	44	42	42
Female learners	56	58	58
(b) Equality Report			
Students reporting having a declared disability	25	22	20
(c) Access and inclusion Strategy			
% of total delivery to the most deprived postcodes (SIMD10)	25	25	25
(d) School College Partnership			
Level of senior phase activity as % of total student population	5	4	4

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/>

- a) **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.

- b) **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.
- c) **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. The College has worked collaboratively to introduce Foundation Apprenticeship opportunities to school pupils across the region.

Other partnership work with schools has extended as the College continually revises and improves the curriculum being offered to stakeholders. The College has increased the number of taster programmes and introduced new areas of interest such as cyber security and games development. In 2019-20 the College have maintained activity levels and facilitated working with approximately 42 schools delivering 30 courses (SCQF L4-8) across the three campuses and in session with 1,282 pupils were enrolled.

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. In 2019-20 the College started working directly with Action for Children implementing the STAY project, supporting students from a care-experienced background to succeed in college, whether that is through practical or emotional help.

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 children and young women. The College leads the West Region STEM Partnership, involving all our Local Authorities, the University of the West of Scotland, Education Scotland, SDS, DYW, STEM Ambassadors and other agencies involved in supporting STEM.

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. The progress visit by Education Scotland in January 2020 reported good progress with our Evaluation Report and Enhancement Plan objectives. All work on the EREP was paused, at the request of SFC, in March 2020.

Student attainment

	Actual 2016-17	Actual 2017-18	Actual 2018-19	Target 2019-20	Actual 2019-20	Sector target 2020-21
FE Full-time	69%	69%	68%	70%	66%	73%
HE Full-time	69%	69%	65%	72%	70%	74%
FE Part-time	68%	72%	76%	72%	78%	
HE Part-time	77%	80%	80%	78%	73%	

Improving attainment remains a key priority for the College and we have improved our HE full time student success rate from the previous session, bringing us back in line with HE FT success outcomes of earlier years (69%). We fell short of our target attainment of 72% and fell short of the sector wide benchmark performance for session 2018-19 (we will not know the comparative sector figures for 2019-20 until early 2021). The need for improvements in our HE full time success rates are focussed on those curriculum areas where rates are low, and which proportionately contribute to overall success. Intervention and Improvement Plans (IIPs) are in place for courses which are impacting negatively on the college success rates and actions for improvement will be monitored through Internal Quality Assurance Panels throughout session 2020-21.

Our FE FT student success rates are disappointing, falling by 2% in session 2019-20. Our analysis highlights some impact of the Covid-19 period of uncertainty with FE students less able to progress their studies online, and in some cases, especially in the immediate aftermath of lockdown, having issues with access to Wi-Fi or insufficient IT resources to participate. Our high levels of deprivation may have contributed to this, as students dealt with more pressing personal needs. Additionally, mixed messaging from awarding bodies, especially SQA, resulted in some students failing to understand the need to continue to supply additional assessment evidence for completion of their awards.

Our part time success rates for FE level students has increased on the previous sessions and exceeded target. This is partly due to improved success outcomes from part time online learning provision. Our HE part time provision fell short of our expectations and internal quality improvement actions are ongoing.

Many of our courses were impacted by Covid-19 with a great deal of ongoing uncertainty for staff and students on how and when courses may complete. The College had a significant number of vocational students undertaking 2019-20 course assessments well into 2020-21 that were deferred from 2019-20 due to the Covid-19 pandemic. Success Performance Indicators (PIs) for 2019-20 will be reviewed once we have taken account of all of those who have returned during session 2020-21 to complete their qualifications. The College and SFC will review 2019-20 success PIs early in 2021 and prior to publication.

Early withdrawal

	Actual 2016-17	Actual 2017-18	Actual 2018-19	Target 2019-20	Actual 2019-20
FE Full-time	8.7%	7.6%	8.3%	7.5%	9.6%
HE Full-time	4.8%	6.3%	7.1%	4.0%	7.0%

College early withdrawal rates were disappointing in 2019-20. Our HE FT rate was in line with that in 2018-19 at 7% and fell short of our ambitious target for overall early withdrawal to be 4% for this category. Rates of early withdrawal were high in some curriculum areas which are targeted for additional review scrutiny via an Intervention and Improvement Plan. Our FE withdrawal rate was 1.3% higher than the previous session, at 9.6%, and above our target of 7.5%. Curriculum areas with higher than target rates are actioning improvement through a series of annual portfolio review meetings.

ICT Strategy and Digital Ambitions

A key focus for the College continues to be the implementation and realisation of 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.

The College continues to implement its Information Technology Strategy 2016-2020 with an annual update provided to the Board of Management on the progress towards achieving the following strategic objectives:

- 1) **Infrastructure (Hardware and Software)** – To develop, maintain and support an integrated IT infrastructure providing users with available, robust and secure access and services, establishing effective and efficient IT administration support practice.
- 2) **Projects and Enhancements** – To deliver the approved and prioritised IT infrastructure sustainability and enhancement programs.
- 3) **Structure and Service Delivery** – To maintain and develop a flexible operating IT structure that delivers a high quality and responsive service.
- 4) **Planning and Risk** - To establish and maintain asset information, develop the planning processes and maintain audit activities to deliver a sustainability model for the required IT estate.

- 5) **Policy and Process** – To maintain IT documentation and guidance resources to ensure user understanding and behaviours secure the data assets and information held by the College and protect the College from loss or litigation
- 6) **Collaboration and Partnership** -To develop and maintain sector contacts and promote the College profile to ensure WCS is positioned to lead on, or make best use of, identified collaboration and partnership opportunities

As a result of the global Covid-19 pandemic, the College has required to change the curriculum model of delivery from one which was predominantly campus based to one where most of the learning is now delivered online. The College has embraced this required change positively, with IT and digital approaches adopting an approach that has been flexible, adaptable, resilient and with a focus on continuity of provision at all times. There has been significant development in the College IT and digital infrastructure which supports both the teaching and support departments in the delivery of learning and teaching, supported by an extensive distribution of IT hardware to enable students to engage in their studies.

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 six key aims with the objective of ensuring that the College has the digital capacity and capabilities to deliver achieve the following:

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 Region.

Since October 2019, a Digital Strategy Core Group has been established to drive forward the above six key aims and provide regular reports to Senior Management Team and the Board of Management on the progress made under eight digital workstreams.

During July 2020 the College made a significant investment in procuring almost 1,800 Chromebook computers for use by returning students to the College. In addition, the College has looked to repurpose laptops which were previously held for use in the classrooms for use at home by students. These two initiatives will see almost 3,000 IT devices be made available for student use out of College. In August 2020 the Scottish Funding Council announced that additional funding was being made available to the College to support digital provision for learners. The College has established a process for prioritising those students who require access to a laptop, Chromebook or other form of IT support, and in September 2020 began the distribution of laptops, on a loan basis, to students for the duration of their studies.

To support these investments the College has created an enhanced Student IT Helpdesk with paid work placements for our HNC Computing students across all our campuses. These Helpdesks will support distribution of the digital device for students and the maintenance and support of these devices along with support for the student's own devices.

Delivery of these projects and the overarching IT and Digital strategies will require ongoing levels of significant investment during 2020-21 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 further 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 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 2019 condition survey of the College estate, and recognised by the Scottish Funding Council college sector national condition survey of December 2017, include:

- Challenges continue to 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 £42.4m over the next 5 years to bring our existing operational buildings up to a suitable condition and required standard.
- Over the next 20-year period a total of £152.5m will be required to maintain the current College estate in a suitable condition and to the required standard to undertake learning and teaching.
- Significant investment is required in Greenock as a high priority, with expenditure of £21.4m being necessary over a 5-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 of 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 £16.6m being identified as necessary simply to maintain existing buildings in an acceptable condition over the next 5-year period. 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.
- The Clydebank campus, which is now 13 years old, has a need for investment of £4.5m over the next 5-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. The Asset and Infrastructure Committee retain ongoing oversight of the Estate Strategy implementation and the Board of Management receives an annual update on the implementation of the Strategy. Given the potential implications of Covid-19 on the future estate needs of the College, the Board of Management has undertaken to review the Estate Strategy during the first half of 2020-21, with the aim being to update the Strategy by the end of 2020-21.

Employer Engagement

The College is committed to employer engagement and workforce development. To support this the College has hosted several sector specific employer engagement events across the region to both sustain and create new links with businesses and employer organisations. The College has strong strategic partnerships with the Inverclyde, Renfrewshire, East Renfrewshire and Dunbartonshire Chambers of Commerce. It supports, sponsors and attends Business 2 Business events and hosts a significant number of Chamber and stakeholder events within the College itself.

Three planned themed events within 2019-20 were designed to attract new stakeholders, companies and learners into the College whilst identifying to the wider community the College areas of strength and to generate leads to support income targets:

- Wellbeing event – ‘WCS We Do Care’ (October 2019) - comprised an audience of care workers and others interested in working in the care sector. Speakers included Workforce Policy lead, Directors of Care Services and Alumni from the College Care sector.
- Leadership and Management event – ‘Industry & Management 4.0’ (Business Breakfast – February 2020) - targeted employers and learners from a wider range of sectors with a focus on the management and leadership transformation required by manufacturing and engineering Small and Medium Sized Enterprises (SMEs). The business breakfast provided an opportunity for the College to highlight its CMI and ILM portfolio in the context of Management 4.0 to support specific organisational challenges whilst generating leads to support commercial and Flexible Workforce Development Fund targets.
- Trades event – ‘Safe Working with Electric Vehicles Events’ – was due to take place in the Spring 2020 but has had to be rescheduled to later in the year due to Covid-19 restrictions.

West College Scotland continued, during the third year of the Flexible Workforce Development Fund, to provide tangible impacts to employers through the delivery of flexible training packages. Building upon strategic relationships and with the onboarding of new companies, the Business Development Team are working with over 50 large employers (4 public sector, 46 private sector and 3 third sector employers). Beyond the training element, strategic partnerships are developing between the College and these organisations leading to additional training, product development and work placement opportunities for College students.

At the end of December 2019, the College was the sole recipient in the Scottish FE sector to be awarded funding from the Scottish Funding Council's strategic College Innovation Fund for its '*Imagining the Critical Engineer*' project. The project aims to engage 100 companies and over 200 employees with a manufacturing and engineering focus in the West, East and North regions. West College Scotland, as project lead, will work with SMEs, partner colleges, Chambers of Commerce, Skills and Enterprise agencies and technology partners to engage, inspire and amplify the productivity potential of Industry 4.0. Hackathon events, to exploring the challenges of delivering the project and to create new and innovative solutions, were unfortunately delayed due to Covid-19 but will now take place online. These events will support primary research and strategic engagements across the country, enabling the College to garner in-depth insight into the skills that STEM employers require to capitalise upon developing national assets, such as National for Manufacturing Institute for Scotland (NMIS).

Our Modern Apprenticeship (MA) offer continues to develop based on employer and economic demand and in 2019-20 the College successfully secured a Skills Development Scotland contract to continue this activity and worked with 135 regional employers to support 305 MAs across eight different Modern Apprenticeship Occupational Frameworks.

The College was also successful in a competitive bidding process to be awarded £750,000 through the Advanced Manufacturing Challenge Fund. The project started in April 2020 and over the next three years will focus on working with key stakeholders to engage the regional manufacturing sector, invest in Manufacturing 4.0 equipment and train SMEs to build their capability to collaborate with NMIS and other national skills assets.

Students Association

The College continues to positively support the Student Association (SA) and has created a new staff post as Student Association Liaison Officer (SALO). The postholder took up position in July 2019 and has a remit to strengthen the links between curriculum / support departments and the student body, and to support recruitment and maintain engagement of student representatives across the whole college and across all modes of learning. The SALO will support the SA in administration of its activities and in running student focus groups and work with our Student Experience team to improve on survey response rates across our student population.

As in previous years the SA has a dedicated annual budget, with an increase agreed by the Board of Management in 2019-20, demonstrating the College's commitment to establishing a sustainable and autonomous SA. Early elections in May 2019 ensured we start session 2019-20 with a full SA Executive team, led by a SA President in her second year of office. The SA produced an annual operating plan and in keeping with all College operational areas this was monitored and reviewed against their set targets on a quarterly basis.

During session 2019-20 the SA reviewed its constitution with help from the National Union of Students (NUS). The new constitution is specifically designed for a regional college and is a departure from the university models traditionally adopted by the College sector.

The SA also worked in partnership with the College in producing an updated version of our Student Behaviours Framework for 2020-21 and works effectively with our College Marketing and Quality departments to promote and raise awareness of this framework amongst our student population.

The development in previous years of online student representative training packages is now paying dividends in the era of remote learning and the training model was highlighted during 2019-20 by the national organisation *sparks* (Student Partnership in Quality Scotland).

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

Early Indication of Progress for 2020-21

Enrolments for full-time classes for 2020-21 have held up well despite our initial concerns around impact of the Covid-19 pandemic. Notably our HE full time numbers are positive, despite the national increase in university places, based on the acceptance of teacher estimates for Highers and Advanced Highers national qualifications. The addition of an additional funded guidance credit for HE programmes is most welcome and will allow us to further support learning and skills development in our students.

A Covid-19 mobilisation group, with multiple workstreams, was set up to help prepare for session 2020-21 and implementing our Digital Strategy has been taken forward by the Digital work streams on this group. We are supporting remote learning through the purchase and distribution to students, of Chromebooks and laptops. Our teaching staff have engaged in tailored CPD around online teaching and we have rolled out the use of Microsoft Teams across all areas in the college. Training on how to use Teams is available for both staff and students.

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

Sustainability Report

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 set 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. The implementation of the Carbon Management Plan is overseen by the Asset and Infrastructure Committee who receive regular update reports on sustainability matters along with an annual update on the levels of carbon emissions emitted by the College.

The College has reduced its carbon emissions by 1,054 tonnes (20%) between 2014-15 and 2018-19 which is in excess of the original target of 10%. The College has implemented several projects to achieve this and in the fourth year of reporting to July 2019 a reduction of 448 tonnes was registered. The College waste management contract has been consolidated leading to an improvement in the levels of offsite recovery of mixed recycling to 75%, 60% for general waste and all the College food waste is recycled. Over the course of 2019-20 the College has taken action to reduce the level of plastic pollution through removal of plastic products such as drinking straws, plates and cutlery where possible. The College is fully supportive of the prominence being given to tackling plastic pollution and will continue to address this issue where possible. The College approach to energy-efficiency has continued and we have again invested in measures to further improve the College's efficiency primarily through investment in a LED replacement lighting programmes across all campuses.

The College seeks to continue to develop staff and students who are aware of and act on sustainability issues throughout their lives enabling them to be global citizens. The College:

- promotes the principles of 'Education for Sustainable Development' through teaching and knowledge transfer activities.
- support social responsibility across the College and in our communities and encourage the use of Fairtrade products; and
- complies with Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009.

The College is currently preparing the data for submission of the 2019-20 annual climate change report, which will consider data to July 2020, and this is due for submission by 30 November 2020, building upon the work undertaken in the previous year.

The Performance Report is approved by The Principal and Chief Executive:

Elizabeth Connolly
Principal and Chief Executive

Corporate Governance Report

Board of Management Report

In these difficult times, the need for clear leadership, strong governance and effective decision making based on reliable information is stronger than ever. Due to the impacts arising from the Covid-19 pandemic, West College Scotland, like many organisations, is facing unprecedented uncertainty in an environment which has proven to be challenging and disruptive to operational activities. However, throughout this period the College has sought to maintain strong corporate governance processes. While there has been some easing of the restrictions arising from the initial Covid-19 lockdown period, it remains the case that only essential activity is able to take place on site at College campuses, and so changes and challenges in the operating environment are likely to remain for some time.

The focus for the Board of Management during the global Covid-19 pandemic has been to maintain strong corporate governance through:

- Identification and management of risk, with mitigating actions and processes developed and implemented to ensure the College continued to operate an effective control environment.
- The maintenance of governance reporting structures, processes and reporting, to enable the Board to place reliance on the ongoing activities of the College.
- Ensuring the ongoing provision of financial information, to enable the College operating position to be kept under continual review, and sufficient cash reserves to be maintained in order to support College activities.

During the lock down period the Board of Management and Board of Management Committees continued to meet in accordance with the agreed 2019-20 meeting schedule. The meetings were held virtually with papers being prepared and distributed in line with agreed protocols. Attendance at both Board of Management and Board of Management Committee meetings remained high during the lock down period, allowing business and governance matters to be conducted with little interruption. Through the lockdown period the Board of Management and Board of Management Committees continued to receive regular updates on the impacts and implications of Covid-19 on students, teaching and learning, staff and financial matters.

The unpredictable operating environment experienced during 2019-20 and beyond has made for a challenging financial position, however, the College continues to ensure robust financial management remains place through continuous financial modelling and reporting. The following key areas of this report enable an understanding of the current and future financial position of the College:

- The Performance Report provides an overview of the impacts arising from Covid-19 on the financial position of the College during 2019-20. This Report also outlines the future College financial forecasts and provides an insight into the Board of Management's assessment of financial viability and the assumptions underlying that assessment.

- The statement of Going Concern within the Accountability Report highlights any material uncertainties, the basis of any significant judgements and the matters considered by the Board of Management in arriving at the judgement that the financial statements should be prepared on a going concern basis.
- Both the Performance and Accountability Reports provide information on significant judgements and assumptions applied in the preparation of the College financial statements.

The membership of the Board of Management during the year to 31 July 2020 is outlined at page 36 and includes all members who served during 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. No member of the Board of Management had any other related party interest during the reporting period.

The Board has complied with all the principles of the 2016 Code of Good Governance for Scotland's Colleges ('the Code'), throughout the year ended 31 July 2020. Further to this, the Board has adopted and operates under the model Code of Conduct developed by the Standards Commission. With regards to General Data Protection Regulation, there has been no requirement during the year to report any personal data-related incidents to the Information Commissioners Office.

The Board of Management'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/>

Agendas, minutes and relevant reports from Board and Board of Management Committee meetings are published online 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

These Executive 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 of Good Governance, with these being as follows:

- to lead the College and set its strategic direction and values;
- to ensure effective management and financial controls which support the student experience within a framework of public accountability and transparency; and
- 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 information of which the auditors are unaware, and that it has taken all reasonable steps to make relevant audit information available and to establish that the auditors are aware of this information.

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

Corporate Governance Statement

Introduction

The Corporate Governance Statement is provided to summarise the operation, responsibilities, structure and functions of the College Board of Management, with approaches in place to support this and ensure effectiveness and improvement. 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 agreed a Business Transformation Plan with the SFC during 2019-20 which has the objective of ensuring a sustainable financial operating model is maintained. This will support delivery of the College Strategic Plan 2019-2025

The College Board of Management comprises 18 members encompassing:

- 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 Board of Management and the 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 2020 are provided at page 36.

Governance Structure

It is the Board of Management's responsibility to provide 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 wider information including audit reports, human resources and organisational development matters, curriculum developments, quality/evaluation and estates and information technology projects and expenditure.

The College's Board of Management met six times during 2019-20 and conducted business through seven supporting Committees. The Committees which operated during 2019-20 were:

- Finance and General Purposes;
- Audit;
- HR and Corporate Development (previously Corporate Development);
- Asset and Infrastructure (previously Estates);
- Organisational Development and Human Resources (merged with the Corporate Development Committee during the 2019-20 financial year);
- Learning, Teaching and Quality;
- Remuneration; and
- Nominations.

Each Committee has a formally constituted remit and terms of reference.

All Board Committees operate under the authority of, and with terms of reference approved by, the Board of Management. Meetings of the Board of Management and Board of Management 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 to the Board. The Secretary maintains a register of financial and personal interests of Board Members. The Secretary is also responsible for ensuring full minutes of all Board and Board Committee meetings are available and that all applicable procedures and regulations are complied with. Formal agendas, papers and reports are supplied to 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/>

Amendment to Committee Structure effected during the year

The decision was taken to merge the Organisational Development and Human Resources and Corporate Development Committee to form the HR and Corporate Development Committee under the Chair of the Corporate Development Committee. The Board received and approved the remit of the newly formed Committee in February 2020.

In May 2020 the College appointed a new Director of Infrastructure with a remit to provide strategic direction in relation to College estate and IT infrastructure. With this appointment the remits of both the Estates and the Finance and General Purposes Committee were reviewed to ensure they aligned to the operations of the College. The June 2020 Board of Management received and approved revised remits for both Committees along with the change of name of the Estates Committee to Asset and Infrastructure Committee. The most significant change approved by the Board was the transfer of the oversight responsibility regarding IT infrastructure from the Finance and General Purposes Committee to the newly formed Asset and Infrastructure Committee.

Finance and General Purposes Committee

The Finance and General Purposes Committee advises the Board on key issues of College financial and procurement management. It ensures all areas of College financial performance and procurement are subject to best practice controls and review, ensuring solvency, sustainability, efficiency and innovation. The Committee ensures the College adheres to statutory financial requirements and complies with the SFC Financial Memorandum, Scottish Public Finance Manual (SPFM) and related guidance including Accounting Policies in the Financial Statements. 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 meets 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 at least 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 systems of internal control, risk management controls and governance processes in accordance with an agreed audit plan and report their findings to College management and the Audit Committee. College 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 and monitors adherence to regulatory requirements.

HR and Corporate Development Committee

The HR and Corporate Development Committee's main purposes are to support:

- a) the implementation of the College People 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; and

- b) the development of the College vision, direction and objectives for corporate and sustainable development and growth, aligned with the needs of industry, to ensure the College builds its external reputation and builds appropriate strategic partnerships that support the delivery of this vision and business portfolio.

The Committee normally meets four times a year.

Learning, Teaching and 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 the Student Association as well as overseeing all matters relating to teaching and learning outcomes including student progress, retention and achievement and normally meets three times a year.

Asset and Infrastructure Committee (previously the Estates Committee)

The Asset and Infrastructure Committee is responsible for ensuring that the College manages and develops its infrastructure (both physical resources and IT) in line with strategic priorities in an efficient and effective manner, taking account of any guidance relating to estate / IT management, option and investment appraisal and private finance. The Committee is also responsible for ensuring that the College maintains the overall infrastructure in accordance with a planned maintenance programme, consistent with the College Estate Strategy and associated financial projections. The Committee will normally meet four times a year and will operate from 2020-21.

Remuneration Committee

The Remuneration Committee makes recommendations to the Board of Management on the remuneration of the Principal and Chief Executive, Vice Principals and the requirements of any severance scheme. Details of the remuneration of senior post-holders for the period ended 31 July 2020 are set out in note 8 to the financial statements. The Committee normally meets at least twice 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 Board membership during the year to 31 July 2020. The Board consists of 18 non-executive members. The Board is satisfied that the election of a Support Staff Board Member, in September 2019, was conducted in line with good practice guidance for the election of staff board members.

Induction and Development

All new Board members receive a formal induction provided by the College and through training organised by the College Development Network. Additional Board development sessions held within the College during the year 2019-20 focused on a Cyber and Privacy Seminar and development of the College Risk Appetite Statement.

Evaluation

An annual effectiveness review of the Board was conducted in May 2019. The outcomes of this review were used to inform and update the Board Development Action Plan. Both the report and subsequent action plan were 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/>

At its meeting on 7 October 2019, the Board noted that it was three years since it last conducted an external review of its effectiveness. Under the terms of the current Code of Good Governance, Colleges should conduct an externally facilitated effectiveness review at least every three years. In order to meet this requirement, a tender exercise was undertaken, and from this CM Associates were invited to conduct the external effectiveness review during the period October to December 2019. At its meeting held on 3 February 2020, the Board of Management approved the final version of the Board Effectiveness Review and associated action plan.

Each Board member has an individual review meeting with the Chair of the Board during the year. This allows Board 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 Board 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 2020. 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 as follows:

Name	Status	Job Title	Date Appointed / Reappointed	Term End Date	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	N/a	2 March 2020
W. Hatton	Chair, Board of Management and Nominations Committee	Business Consultant	3 March 2020	2 March 2024	N/a
E. Connolly	Principal and Chief Executive	Principal, West College Scotland	1 September 2018	Ex officio	N/a
J. Hannigan	Non-Executive Member, Chair F&GPC, Vice Chair HR&CDC	NMIS Programme Manager, Skills Development Scotland	1 February 2015 Re-appointed 1 February 2018	31 January 2022	N/a
J. Henry	Non-Executive Member, Board Vice Chair, Chair LTQC	Part-time Researcher, Scottish Parliament	1 February 2015 Re-appointed 1 February 2018	31 January 2022	N/a
A. Hetherington	Non-Executive Member, Vice Chair A&IC	Retired	1 February 2015 Re-appointed 1 February 2017	31 January 2021	N/a

Name	Status	Job Title	Date Appointed / Reappointed	Term End Date	Date Resigned
J. McMillan	Non-Executive Member, Chair, Audit Committee Senior Independent Member on the Board	Retired	1 February 2015 Re-appointed 1 February 2017	31 January 2021	N/a
N. Allan	Non-Executive Member Chair, A&I Committee	Self-employed Property Consultant	1 February 2015 Re-appointed 1 February 2019	31 January 2023	N/a
J. Johnston	Non-Executive Member	External Affairs Manager, Citizens Advice Scotland	1 February 2015 Re-appointed 1 February 2019	3 January 2023	N/a
M. Newlands	Non-Executive Member, Chair HR&CDC and Remuneration Committee	Head of Partnerships, Scottish Enterprise	1 February 2015 Re-appointed 1 February 2019	31 January 2023	N/a
L. Johnston	Non-Executive Member	Business Strategy Manager, North Lanarkshire Council	1 January 2017	31 December 2020	N/a
J. Leburn	Non-Executive Member	Principal Consultant of Exponentiate.uk	1 January 2017	31 December 2020	N/a
A. Wilson	Non-Executive Member	Strategic Director West Dunbartonshire Council	1 September 2017	31 August 2021	N/a
D. Watson	Teaching Staff Member	Teaching Staff Member, West College Scotland	13 September 2017	12 September 2021	N/a

Name	Status	Job Title	Date Appointed / Reappointed	Term End Date	Date Resigned
V. Thompson	Student Member	Student Association – WCS	1 August 2019 Re-elected 1 August 2020	31 July 2021	N/a
P. Kaur	Student Member	Student Association – WCS	1 August 2019	31 July 2020	31 July 2020
S. Margarint	Student Member	Student Association – WCS	1 August 2020	31 July 2021	N/a
F. McKerrell	Non-Executive member	Lawyer	1 December 2019	30 November 2023	N/a
S. Akram	Non-Executive member	Project Manager and Consultant	1 December 2019	30 November 2023	N/a
S. Cairney	Support Staff Member	Support Staff Member, West College Scotland	18 September 2019	17 September 2023	N/a
G. Bold (Co-opted)	Co-opted member of Audit Committee	Workplace Pensions Director Scottish Widows	1 July 2017 Re-appointed for 1 year from 1 July 2020	30 June 2021	N/a
D. Mark (Co-opted)	Co-opted member of HR and Corporate Development Committee	Retired	1 March 2018 Re-appointed for 1 year from 1 March 2020	28 February 2021	N/a
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 Re-appointed for 1 year from 1 March 2020	28 February 2021	N/a
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 Re-appointed for 1 year from 1 March 2020	28 February 2021	N/a
M. Hamilton (Co-opted)	Co-opted member of Learning, Teaching and Quality Committee	Employment Facilitator	1 November 2019 Re-appointed for 1 year from 1 Nov 2020	31 October 2021	N/a

Name	Status	Job Title	Date Appointed / Reappointed	Term End Date	Date Resigned
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			
David Alexander	Member of College Executive	Vice Principal Operations			

Board of Management Attendance for the year ended 31 July 2020

Name	Possible Attendance	Actual Attendance
W. Hatton (Chair) (2)	3	3
K. McKellar (Previous Chair)	3	3
E. Connolly	6	6
J. Hannigan	6	6
J. Henry (Vice Chair)	6	5
A. Hetherington	6	3
J. McMillan	6	6
N. Allan	6	5
J. Johnston	6	5
M. Newlands	6	5
L. Johnston	6	6
J. Leburn	6	6
A. Wilson	6	2
D. Watson	6	6
F. McKerrell	5	5
S. Akram	5	5
S. Cairney	6	6
V. Thompson	6	5
P. Kaur	6	5
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) The Chair is ex officio member of all Board committees except the Audit Committee.

Committee Attendance

	2019-20	2018-19
Board of Management	88%	83%
Audit Committee	90%	80%
HR & Corporate Development Committee	85%	96%
Estates Committee	83%	88%
Finance and General Purposes Committee	80%	90%
Learning, Teaching & Quality Committee	69%	81%
Nominations	75%	60%
Remuneration	86%	75%

Individual attendance at Board of Management 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 Board Committees, the Principal and Chief Executive and the College Executive Team. The Board of Management has approved the 2019-2025 Corporate Strategy, which sets out the College's strategic aims. The Strategy 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, and at the heart of the Strategy are four key priority areas:

- **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 is an integral part of the College's internal control and corporate governance arrangements.

The Audit Committee receives regular reports on the College risk management process during the year. The Senior Management Team reviews risk on an ongoing basis and proposes updates to the Risk Register. Any proposed changes to the Risk Register are highlighted and discussed by Board of Management Committees, prior to the Risk Register then being presented to the Board of Management for review.

The Covid-19 pandemic has had a significant impact on the risks identified within the College Strategic Risk Register for the financial year to 31 July 2020. The top five risks faced by the College are:

- 1) Inadequate business continuity / cyber resilience planning leading to material interruptions to service delivery, primarily resulting from the Coronavirus epidemic.
- 2) 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.
- 3) 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.
- 4) Failure to secure adequate estates maintenance / capital funding for future investment or refurbishment of IT and physical infrastructure.
- 5) 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.

The United Kingdom left the European Union (EU) on 31 January 2020 under the withdrawal agreement reached in late October 2019. Most of the College income derives from UK sources whilst most of its expenditure is attributable to UK-based staff.

There will be changes relating to the rights of EU nationals, access to publicly funded College courses by EU nationals, teacher recruitment, food supplies, data protection and the regulation of services. The College has identified six main areas arising from the EU withdrawal that will require to be kept under continuous review:

- 1) EU Withdrawal Agreement;
- 2) No deal contingency planning;
- 3) Recruiting and retaining staff;
- 4) Changes to regulations (such as state aid and procurement);
- 5) Migration and freedom of movement; and
- 6) Student mobility and Erasmus.

The Board of Management has received updates on the preparedness of the College to address the challenges posed by Brexit, including completion of a Brexit risk assessment checklist, continuity planning arrangements and staff considerations. Given the recent revisions to the agreed withdrawal legislation announced by the UK Government the risk faced by the College from Brexit will require to be continually monitored in the coming months.

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 a comprehensive formal on-going risk management process for identifying, evaluating and managing the College's significant risks has been in place for the period ending 31 July 2020 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. As outlined above, the College risk management 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, some financial matters are delegated to the authority of the Principal and Chief Executive as appropriate, 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 robust 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 3-year financial projection undertaken in accordance with SFC guidance, and which are reviewed and approved by the Board of Management;
- Regular reviews by the Finance and General Purposes Committee of management accounting reports and wider financial information, 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 budgetary control guidelines.

The College appoints an internal audit service and the Board of Management ensures there is objectivity and independence in the selection of auditors through a competitive tendering process. 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 approved 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 as stated in the 2019-20 internal audit annual report is that the College has a framework 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 College Executive and Senior Management Team, who have responsibility for the development and maintenance of the internal control framework and annual assurance statements;
- reports 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 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 is able to 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 2020 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 College Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Board met on 14 December 2020 and approved the 2019-20 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, medium and long term funding requirements through a combination of cash draw-down from the SFC and income from other sources. The College currently has in place two term loan facilities provided by two different lending institutions. Under the terms of the loan agreements the College must meet certain financial covenants. For both loans, the financial covenants were met and there is a reasonable expectation that the College will continue to meet these covenants in the 12-month period from the date of these financial statements.

As outlined in the Performance Report section, the College continues to operate within a challenging and uncertain financial environment. The Board of Management has approved a 2020-21 budget which details the sources of income and expenditure of the College and considered a 3-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.

The Board of Management recognises that there is an overall financial sustainability risk to the College and its ability to manage activities and deliver planned outcomes within the current funding environment. The uncertainties relating to the effects of withdrawal from the EU on the college sector will also require to be managed when known.

However, 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 2019-20 Annual Report and Financial Statements.

Conclusion

Based on the above information, it is the opinion of the Board of Management and the Principal and Chief Executive that the College has made progress in seeking to maintain a sustainable financial operating base over the year to 31 July 2020. This is evidenced through implementation of the College Business Transformation Plan with the SFC and the continuation of robust financial management and reporting.

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 table provides an overview of staffing within the College:

		2019-20		2018-19	
		FTE	%	FTE	%
People		834		821	
Sickness absence			5.3%		5.2%
Staff turnover			9.78%		10.99%
<i>Gender:</i>					
All staff	Male	359	43%	341	42%
	Female	475	57%	480	58%
Board	Male	8	45%	11	61%
	Female	10	55%	7	39%
Senior Management Team	Male	7	58%	7	58%
	Female	5	42%	5	42%

Remuneration Policy

The Board provides the principal governance mechanism through which College activities are managed in accordance with legislation and regulations and seeks to ensure 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 and Chief Executive, the 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 Chair of the College Board of Management received remuneration in accordance with instruction from the Scottish Government. There is no remuneration paid to any other non-executive director posts on the Board of Management. Expenses incurred are paid to Board of Management members 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 2020			12 months ended 31 July 2019		
	Salary	Pension	Total	Salary	Pension	Total
	£'000	Cont's £'000	£'000	£'000	Cont's £'000	£'000
K. McKellar (1)	25-30	0	25-30	25-30	0	25-30
W. Hatton (2)	10-15	0	10-15	0	0	0
E. Connolly (3)	125-130	20-25	150-155	120-125	20-30	145-150
S. Graham	90-95	20-25	110-115	90-95	15-20	105-115
D. Alexander	90-95	15-20	110-115	90-95	15-20	105-115

- (1) Keith McKellar served as Chair of the Board of Management to 2 March 2020
 (2) Waiyin Hatton was appointed as the Chair of the Board of Management from 3 March 2020. The full year remuneration of the Chair of the Board of Management is £27,560
 (3) The 2018-19 bandings comprised 1 month Vice Principal 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 (2018-19: £125,000-£130,000). This was 3.1 times (2018-19: 3.0 times) the median remuneration paid to West College Scotland staff which was £41,526 (2018-19: £41,526).

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 2020	Accrued lump sum at pension age at 31 July 2020	Real increase in pension 1 August 2019 to 31 July 2020	Real increase in lump sum 1 August 2019 to 31 July 2020	CETV at 31 July 2020	CETV at 31 July 2019	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
E. Connolly	15	0	3	0	247	195	52
S. Graham	35	107	1	4	818	756	62
D. Alexander	38	56	2	1	602	556	46

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:

- a. 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
- b. 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 2020, 1 employee left or was committed to leaving the College under voluntary severance arrangements. They received compensation payments totalling £30,551 with this figure including no pension fund strain costs. The leaver did not receive any additional compensation. There were 36 staff departures under voluntary severance in 2018-19. There have been no compulsory redundancies.

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

	2019-20	2018-19
	Number and cost of voluntary redundancies	Number and cost of voluntary redundancies
£10,000 - £25,000	0	14
£25,001 - £50,000	1	22
Total number of agreements	1	36
Total Cost (£)	£30,551	£1,014,487

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 trade union officials working at the College during the year ended 31 March 2020.

Trade Union Representatives and Full-Time Equivalents

Number of employees who were trade union officials	Full-time equivalent employee numbers
23	20.9 FTE

Percentage of working hours spent on facility time by band

	Number of Employees
1% to 50% of working hours	23

Percentage of staff costs spent on facility time

Total cost of facility time	£107,000
Total staff costs	£42,770,000
Percentage of total staff costs spent on facility time	0.25%

Paid trade union activities

Time spent on disclosed or reportable trade union activities as a percentage of all trade union activities	24%
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Pension Arrangements

The College participates in two separate defined benefit pension schemes; the Strathclyde Pension Fund (SPF) for support staff, and 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 2020 was £43.1m (2019: £22.7m) 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 community.

834 full-time equivalent staff (1,197 headcount) work at the College, 385 FTE (571 headcount) of whom are teaching staff. Alongside them, the College employs 449 FTE (626 headcount) across a range of support functions which encompass other professionals, including accountants, marketing executives, business specialists, caterers and outreach workers.

West College Scotland is committed to ensuring that all current and future staff are treated fairly and equitably in all aspects of employment. This is supported by activities such as recruitment and selection training for managers which takes account of 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, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity, religion or belief, sex, sexual orientation or race

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

- Prior to the restrictions on staff gatherings as a result of Covid-19, open sessions were hosted by the Principal and involving the Senior Management Team to update staff on key issues and to allow questions to be asked and issues to be raised;
- Line Managers schedule regular meetings with teams to plan and schedule work in order to support achievement of corporate goals;
- The 'Homeworking Times' newsletter was used to engaged with staff throughout the lockdown period arising from the Covid-19 pandemic;
- 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

It is important that West College Scotland 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.

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 support of the College 2019-2025 Corporate Strategy, vision and values the College developed and continues to implement the '*Building our Collective Culture*' framework. This sets out the College culture, how the College will implement its objectives, the behaviours the College aspires to and how it will treat others / expect to be treated. This will also support the College 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. The College management meets on a regular basis with both the teaching and support staff unions with the minutes of the meetings being made available to the wide College community through the staff intranet. In addition to this the College provides access to relevant documents through the staff intranet and social media outlets, through oral and written briefings, staff newsletters, 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 race.

The College completes an equality impact assessment on all policies and procedures in order to ensure that the College pays due regard to the General Equality Duty.

Social Matters

Our curriculum encourages social engagement and interaction 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 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 and signed on its behalf by:

Waiyin Hatton
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 2020 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 Principal Accounting Policies, Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet and Statement of Cash Flows and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2020 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (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.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of pension fund property assets

We draw attention to Note 1(t) of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the College's share of Strathclyde Pension Fund's property assets. Our opinion is not modified in respect of this matter.

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 achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 other 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 Charities Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

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

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

Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HA

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 2020 £000	Year ended 31 July 2019 £000
Income			
Tuition fees and education contracts	2	5,641	6,575
Funding body grants	3	48,962	49,541
Other grant income	4	278	465
Other operating income	5	2,863	2,409
Investment income	6	1	1
Total Income		57,745	58,991
Expenditure			
Staff costs	7	46,160	43,148
Support staff job evaluation	7	935	857
Restructuring costs	7	31	1,014
Other operating expenses	9	13,413	14,407
Depreciation	12	3,975	4,949
Interest and other finance costs	10	665	576
Total Expenditure		65,179	64,951
Deficit before Tax		(7,434)	(5,960)
Taxation	11	-	-
Deficit for the Year		(7,434)	(5,960)
Actuarial loss in respect of pension schemes	23	(16,957)	(7,112)
Total Comprehensive Expenditure for the Year		(24,391)	(13,072)
Represented by:			
Unrestricted comprehensive expenditure		(24,391)	(13,072)
Deficit for the year attributable to:			
College		(24,391)	(13,072)

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 27 provides details of the adjusted operating position on a Central Government accounting basis.

The deficit is attributable to other factors reflected in the adjusted operating table and also the impact of COVID-19 as explained in the Performance Report on pages 11 and 12.

Statement of Changes in Reserves

	Income and Expenditure Reserve £000	Revaluation Reserve £000	Total £000
Balance at 1 August 2019	15,226	60,366	75,592
Deficit from the income and expenditure statement	(5,960)	-	(5,960)
Transfer 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
Deficit from the income and expenditure statement	(7,434)	-	(7,434)
Transfer between revaluation and income and expenditure reserve	2,814	(2,814)	-
Release of unrestricted funds spend in the year	3,455	-	3,455
Total comprehensive expenditure for the year	(1,165)	(2,814)	(3,979)
Balance at 31 July 2020	13,598	54,889	68,487

Balance Sheet

	Note	As at 31 July 2020		As at 31 July 2019	
		£000	£000	£000	£000
Non current assets					
Fixed assets	12		97,798		101,935
Current assets					
Stocks		-		13	
Trade and other debtors	13	2,874		2,690	
Cash	19	6,995		5,677	
		<u>9,869</u>		<u>8,380</u>	
Less: Creditors: amounts falling due within one year	14	<u>(11,290)</u>		<u>(8,257)</u>	
Net current (liabilities) / assets			(1,421)		123
Total assets less current liabilities			96,377		102,058
Creditors: Amounts falling due after one year	15		(27,834)		(29,592)
Provisions: Pensions	17		(43,113)		(22,701)
Provisions: Other			(56)		-
Total net assets			<u>25,374</u>		<u>49,765</u>
Unrestricted reserves					
Pension reserve	18		(43,113)		(22,701)
Income and expenditure reserve			13,598		14,763
Revaluation reserve			54,889		57,703
Total reserves			<u>25,374</u>		<u>49,765</u>

The financial statements on pages 57 to 80 were approved by the Board of Management, authorised for issue and signed on its behalf by:

Waiyin Hatton
Chair of Board of Management

Elizabeth Connolly
Principal and Chief Executive

Statement of Cashflows

	Note	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Cashflow from operating activities			
Deficit for the year		(7,434)	(5,960)
Adjustment for non-cash items			
Depreciation	12	3,975	4,949
Loss on disposal of fixed assets	12	25	129
Decrease in stock		13	1
Increase in debtors	13	(184)	(695)
Increase in creditors	14	1,785	1,089
Increase in provisions		56	-
Net cost of pension provision	23	3,455	2,834
Adjustment for investing or financing activities			
Investment income	6	(1)	(1)
Interest payable	10	665	186
Net cash inflow from operating activities		<u>2,355</u>	<u>2,532</u>
Cash flows from investing activities			
Investment income	6	1	1
Proceeds from the sale of asset		137	-
		<u>138</u>	<u>1</u>
Cash flows from financing activities			
Interest paid	10	(665)	(186)
Repayments of amounts borrowed	19	(510)	(495)
		<u>(1,175)</u>	<u>(681)</u>
Increase in cash in the year		<u>1,318</u>	<u>1,852</u>
Cash at beginning of the year	19	5,677	3,825
Cash at end of the year	19	6,995	5,677

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.

a) Basis of Preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) 2019: 'Accounting for Further and Higher Education' and the 2019-20 Government Financial Reporting Manual (FReM) issued by the HM Treasury 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.

b) 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.

c) 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 £1.8m 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 2 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.

d) 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.

e) 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.

f) 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.

g) 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.

h) 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.

i) Fixed Assets

1) Tangible asset:

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

2) 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.

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.

Notes to the Financial Statements

1) STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

3) 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.

4) 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.

j) 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.

k) 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.

Notes to the Financial Statements

1) STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (Continued)

l) 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.

m) 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.

n) 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.

o) 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.

p) 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.

q) 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.

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.

Notes to the Financial Statements

1) STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

s) 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. This could include but not be limited to a provision for Failure to Educate.

The College has no contingent 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).

t) Judgements and key sources of estimation uncertainties

In preparing these financial statements, management have made the following judgements:

1) Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Other Key Sources of Estimation Uncertainty

2) Tangible Fixed Assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account.

Material Valuation Uncertainty

3) Strathclyde Pension Fund

The College participates in the Strathclyde Pension Fund. The Strathclyde Pension Fund's property portfolio valuation includes a "Material Valuation Uncertainty Clause". The response to Covid-19 meant that property valuers were faced with an unprecedented set of circumstances on which to base a judgement. As at 31 March 2020 (the valuation date), they considered that less weight could be attached to previous market evidence for comparison purposes to inform opinions of value. Their valuations are therefore reported on the basis of 'material valuation uncertainty' as per the Royal Institute of Chartered Surveyors (RICS) Valuation – Global Standards effective from 31 January 2020. Consequently, less certainty – and a higher degree of caution – should be attached to their valuation than would normally be the case. For the avoidance of doubt, this does not mean that the valuation cannot be relied upon. Rather, the material uncertainty clause is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.

Notes to the Financial Statements

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
2) TUITION FEES AND EDUCATION CONTRACTS		
FE fees - UK	2,126	2,445
FE fees - non EU	271	280
HE fees	2,739	3,039
SDS contracts	505	811
	5,641	6,575
3) FUNDING BODY GRANTS		
FE recurrent grant	40,464	40,562
Childcare funds (Note 25)	1,718	2,165
Release of deferred capital grants	1,153	1,247
Other SFC grants - job evaluation	935	857
Other SFC grants	1,680	1,867
Estates maintenance funding	3,012	2,843
	48,962	49,541
4) OTHER GRANT INCOME		
Development grants	94	281
Release of deferred capital grants	184	184
	278	465
5) OTHER OPERATING INCOME		
Catering	741	1,042
Other income generating activities	514	506
Support for learning	311	211
Other Government grants - JRS	677	-
Other income	620	650
	2,863	2,409
6) INVESTMENT INCOME		
Interest receivable	1	1
	1	1

Notes to the Financial Statements

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
7) STAFF COSTS		
Wages and salaries	32,599	32,712
Social security costs	3,330	3,253
Pension costs including actuarial cost (Note 23)	9,869	8,193
Holiday pay provision charge	393	4
Support staff Job evaluation	935	857
	47,126	45,019
Teaching departments	25,197	23,529
Teaching services	4,744	4,399
Administration and central services	8,967	8,233
Premises	2,298	2,332
Other expenditure	1,527	1,519
Catering	667	692
Pension adjustments	2,760	2,444
Total	46,160	43,148
Support staff Job Evaluation	935	857
Restructuring costs	31	1,014
Total	47,126	45,019

Staff Numbers:

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

	2020 FTE	2019 FTE
Teaching departments	385	371
Teaching services	77	73
Administration and central services	235	236
Premises	69	74
Other expenditure	40	40
Catering	28	27
Average number of FTE directly employed	834	821
Headcount: Teaching	571	573
Headcount: Support	626	619
Agency staff costs	£ 161,000	£ 128,000
Average number of Agency FTE	7	6

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:

	2020	2019
	Numbers	Numbers
£60,001 - £65,000	14	-
£70,001- £75,000	10	10
£90,001 - £95,000	2	2
£120,001 - £125,000	-	1
£125,001 - £130,000	1	-
	<u>27</u>	<u>13</u>

8) SENIOR POST-HOLDERS' EMOLUMENTS

Number of senior post-holders, including the Principal was: 12 12

	2019-20	2018-19
	£000	£000
Senior post-holders' emoluments are made up as follows:		
Salaries	996	951
Pension contributions	198	179
Total Emoluments	<u>1,194</u>	<u>1,130</u>

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

	2019-20	2018-19
	£000	£000
Principal	<u>127</u>	<u>123</u>
Pension contributions	<u>25</u>	<u>24</u>

No senior post-holder received any benefits in kind.

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

The Principal and 10 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 2020 £000	Year ended 31 July 2019 £000
9) OTHER OPERATING EXPENSES		
Teaching departments	1,953	2,315
Catering	409	499
Other income generating activities	190	174
Premises: operating	2,316	2,237
Premises: maintenance	2,749	2,862
Administration	3,956	3,775
FE and HE childcare (Note 25)	1,718	2,165
Student support fund costs	97	251
Loss on disposal of assets	25	129
	<u>13,413</u>	<u>14,407</u>
Included in Administration expenses are:		
Auditors remuneration (inclusive of VAT)		
Internal audit services	36	36
External audit services	32	31
Other services	7	8
	<u>75</u>	<u>75</u>
10) INTEREST PAYABLE		
On bank loans, overdrafts and other loans	160	186
Pension interest costs (Note 23)	505	390
	<u>665</u>	<u>576</u>

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

	<i>Inherited Land & Buildings £000</i>	<i>Other Land & Buildings £000</i>	<i>Equipment £000</i>	<i>Total £000</i>
Cost or valuation				
At 1 August 2019	62,336	52,900	2,418	117,654
Disposals in year	-	(216)	-	(216)
At 31 July 2020	62,336	52,684	2,418	117,438
Depreciation				
At 1 August 2019	8,174	5,354	2,191	15,719
Charge for year	2,500	1,376	99	3,975
Disposals in year		(54)	-	(54)
At 31 July 2020	10,674	6,676	2,290	19,640
Net book value at:				
31 July 2020	51,662	46,008	128	97,798
31 July 2019	54,162	47,546	227	101,935
<u>Analysis of net book value at 31 July 2020</u>				
Inherited	23,433	-	-	23,433
Financed by capital grant	28,229	-	-	28,229
Other	-	46,008	-	46,008
Leased	-	-	128	128
	51,662	46,008	128	97,798

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 £42,781,000 (2019: £44,004,000)

Land and buildings with a net book value of £63,674,000 (2019: £66,758,000) 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 (2019: £5,924,000) which is not depreciated.

Notes to the Financial Statements

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
12) TANGIBLE FIXED ASSETS (Continued)		
The depreciation charge for the year is analysed as follows:		
Based on cost	1,161	2,286
Based on valuation	2,814	2,663
	<u>3,975</u>	<u>4,949</u>
Analysed:		
Owned assets	3,879	4,853
Assets held under finance leases	96	96
	<u>3,975</u>	<u>4,949</u>
13) TRADE AND OTHER DEBTORS		
Trade debtors	57	215
Other debtors	23	10
Prepayments and accrued income	593	1,201
Other Taxes and Social Security	1	-
Amounts owed by SFC - Job Evaluation	1,792	857
Amounts owed by SFC - Other	408	407
	<u>2,874</u>	<u>2,690</u>
14) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank loans	422	413
Finance lease	96	96
Trade creditors	567	113
Other creditors	682	161
Accruals and deferred income	6,052	4,053
Amounts owed to SFC	2,232	2,084
Deferred capital grants SFC	1,055	1,153
Deferred capital grants non-SFC	184	184
	<u>11,290</u>	<u>8,257</u>
15) CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR		
Bank loans	1,270	1,693
Finance lease	32	128
Deferred capital grant SFC	22,094	23,148
Deferred capital grant non-SFC	4,438	4,623
	<u>27,834</u>	<u>29,592</u>

Notes to the Financial Statements

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
16) ANALYSIS OF BORROWINGS OF THE COLLEGE		
a) Bank loans		
Within one year	422	413
Between one and two years	250	422
Between two and five years	880	814
After five years	140	457
	<u>1,692</u>	<u>2,106</u>

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	32	96
Between two and five years	-	32
	<u>128</u>	<u>224</u>

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 2019	22,701	12,755
Movement in year	20,412	9,946
Pension provision at 31 July 2020	<u>43,113</u>	<u>22,701</u>

The movement in pension provision is further analysed in Note 23

18) PENSION RESERVE

Balance at 1 August 2019	(22,701)	(12,755)
Current service cost in year	(4,860)	(3,998)
Past service cost	(571)	(1,106)
Employer contributions	2,059	2,046
Contributions re unfunded benefits	422	614
Net interest	(505)	(390)
Transfer to Income and Expenditure	(3,455)	(2,834)
Pension scheme actuarial loss	(16,957)	(7,112)
Balance at 31 July 2020	<u>(43,113)</u>	<u>(22,701)</u>

Notes to the Financial Statements

19) ANALYSIS OF NET CASH / (DEBT)

	At 31 Jul 19	Cash Flows	Other Non Cash Changes	At 31 Jul 20
	£000	£000	£000	£000
Cash	5,677	1,318	-	6,995
	5,677	1,318	-	6,995
Debt due within one year	(510)	510	(518)	(518)
Debt due after one year	(1,821)	-	518	(1,303)
	3,346	1,828	-	5,174

20) FINANCIAL COMMITMENTS

At 31 July 2020 the College had annual commitments under non-cancellable operating leases for Land and Buildings as follows:

	Year ended 31 July 2020	Year ended 31 July 2019
	£000	£000
Future minimum lease payments due:		
Expiring within 1 year	130	128
Expiring between two and five years	360	354
Expiring after 5 years	294	366
Total lease payments due	784	848

21) CAPITAL COMMITMENTS

The College has not received any capital grant funding during 2019-20 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
Elizabeth Connolly	Developing the Young Workforce West Region	Board Member
Elizabeth Connolly	Colleges Scotland	Board Member
Elizabeth Connolly	Renfrewshire Chamber of Commerce	Board Member
Elizabeth Connolly	Renfrewshire Council	Board Member - Local Authority Community Planning Partnership Board
Elizabeth Connolly	East Renfrewshire Council	Board Member - Local Authority Community Planning Partnership Board
Elizabeth Connolly	West Dunbartonshire Council	Board Member - Local Authority Community Planning Partnership Board
Nick Allan	Dunbartonshire Chamber of Commerce	Non-Executive Director
Jim Hannigan	Skills Development Scotland	NMIS Programme Manager
Jacqueline Henry	Scottish Parliament	Researcher
John Leburn	Renfrewshire Chamber of Commerce	Group Mentor
Mark Newlands	Scottish Enterprise	Head of Partnerships
Angela Wilson	West Dunbartonshire Council	Strategic 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 2020	31 July 2019
	£000	£000
The total pension cost for the College was :		
Contributions paid	7,109	5,749
Pension cost as a result of implementing FRS 102	2,760	2,444
Total pension cost (Note 7)	9,869	8,193

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 valuation has set the rate payable for the scheme for the period 1 September 2019 to 31 March 2023 and that rate is 23%. Under existing legislation the next valuation will be based on scheme data as at 31 March 2020 and will set the employers contributions rate for the period 1 April 2023 to 31 March 2027.

During the year contributions were payable to the STSS at a rate of 23% 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 2020	At 31 July 2019
Principal Actuarial Assumptions		
Rate of increase in salaries	3.30%	3.60%
Rate of increase for pensions in payment / inflation	2.20%	2.40%
Discount rate for liabilities	1.40%	2.10%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. For 2020 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 2020	At 31 July 2019
Current pensioners	Males	20.7	20.7
	Females	22.9	22.9
Future pensioners	Males	22.9	22.2
	Females	24.6	24.6

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 2020 £000	Year ended 31 July 2019 £000
Fair value of employer assets	95,783	97,486
Present value of funded liabilities	<u>(128,572)</u>	<u>(109,850)</u>
	(32,789)	(12,364)
Present value of unfunded liabilities	<u>(10,324)</u>	<u>(10,337)</u>
Net liability	<u>(43,113)</u>	<u>(22,701)</u>
Amount in the Balance Sheet:		
Pension liability	<u>(43,113)</u>	<u>(22,701)</u>

Notes to the Financial Statements

23) PENSION SCHEMES (Continued)

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Amount charged to Comprehensive Income and Expenditure:		
Employer service cost (net of employee contributions)	2,760	2,444
Interest on obligation	505	390
Actuarial loss on scheme assets	16,957	7,112
Total	20,222	9,946
Changes in the fair value of scheme assets:		
Opening fair value of scheme assets	97,486	89,861
Net interest	2,054	2,525
Contributions by members	663	648
Contributions by the employer	2,059	2,046
Contributions in respect of unfunded benefits	422	614
Benefits paid	(2,098)	(1,964)
Unfunded benefits paid	(422)	(614)
Expected (loss) / return on assets	(4,381)	4,370
Closing fair value of scheme assets	95,783	97,486
Changes in the present value of the defined benefit obligation:		
Opening defined benefit obligation	120,187	102,616
Current service cost	4,860	3,998
Past service cost	571	1,106
Interest cost	2,559	2,915
Contributions by members	663	648
Estimated benefits paid	(2,098)	(1,964)
Estimated unfunded benefits paid	(422)	(614)
Actuarial loss	12,576	11,482
Closing defined benefit obligation	138,896	120,187
History of experience losses		
Scheme assets	95,783	97,486
Defined benefit obligation	(138,896)	(120,187)
Deficit	(43,113)	(22,701)
Experience (losses)/ gains on scheme assets	(4,381)	4,370
Experience losses on scheme liabilities	(12,576)	(11,482)

Notes to the Financial Statements

23) PENSION SCHEMES (Continued)

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Net assets excluding pension liability	68,487	72,466
Pension liability	(43,113)	(22,701)
Net assets including pension liability	25,374	49,765
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	(4,860)	(3,998)
Past service cost	(571)	(1,106)
Total charged to staff costs	(5,431)	(5,104)
Analysis of the amount charged to pension interest (Note 10):		
Expected return on pension scheme assets	2,054	2,525
Interest on pension scheme liabilities	(2,559)	(2,915)
Net pension interest charged	(505)	(390)
Charge to other comprehensive income:		
Return on assets excluding amounts included in Interest Experience gains / (losses) arising on the scheme liabilities	(4,381)	4,370
Changes in assumptions underlying the present value of the scheme liabilities	582	(293)
Actuarial loss	(16,957)	(7,112)
Total charge to the SOCIE	(22,893)	(12,606)
Analysis of the movement in deficit during the year		
Deficit in scheme at beginning of the year:	(22,701)	(12,755)
<u>Movement in year:</u>		
Current service cost	(4,860)	(3,998)
Past service cost	(571)	(1,106)
Contributions	2,059	2,046
Contributions in respect of unfunded benefits	422	614
Total net interest	(505)	(390)
Actuarial loss	(16,957)	(7,112)
Deficit in scheme at end of the year	(43,113)	(22,701)

Notes to the Financial Statements

24) FE BURSARY AND OTHER STUDENT SUPPORT FUNDS

	FE Bursary	EMAs	Other	Total	Total
	31 July 2020	31 July 2020	31 July 2020	31 July 2020	31 July 2019
	£000	£000	£000	£000	£000
Balance b/fwd.	-	-	-	-	(77)
Clawback/Recovered	-	-	-	-	77
Allocation received in year	10,916	456	967	12,339	10,660
Expenditure	(10,916)	(456)	(1,061)	(12,433)	(10,911)
College contribution to funds	-	-	97	97	251
Balance c/fwd.	-	-	3	3	-
<u>Represented by:</u>					
Retained to support 2020/21	-	-	3	3	-
	-	-	3	3	-

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	Total
	31 July 2020	31 July 2019
	£000	£000
Balance b/fwd.	-	-
Allocation received in period	1,718	2,165
Expenditure	(1,718)	(2,165)
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 2020	Year ended 31 July 2019
	£000	£000
Deficit before other gains and losses (FE/HE SORP basis)	(7,434)	(5,960)
Add back: Depreciation budget for government funded assets	2,638	3,518
Adjusted Deficit on Central Government accounting basis	<u>(4,796)</u>	<u>(2,442)</u>

Under the FE/HE SORP, the College recorded an operating deficit of £7,434,000 for the year ended 31 July 2020. After taking account of the Government non-cash budget, the College shows an “adjusted” deficit of £4,796,000 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 2019-20 SFC Accounts Directions and has been included as required by the SFC. It does not form part of the Financial Statements.

Accounts direction for Scotland's colleges 2019-20

- 1 It is the Scottish Funding Council's direction that institutions* comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts**.
- 2 Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
- 3 Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2019-20 (FRoM) where applicable.
- 4 Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2020.
- 5 The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
- 6 Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
17 July 2020



Clydebank Campus

College Square, Queens' Quay
Clydebank, G81 1BF

Greenock Campus

Finnart Street
Greenock, PA16 8HF

Paisley Campus

Renfrew Road
Paisley, PA3 4DR